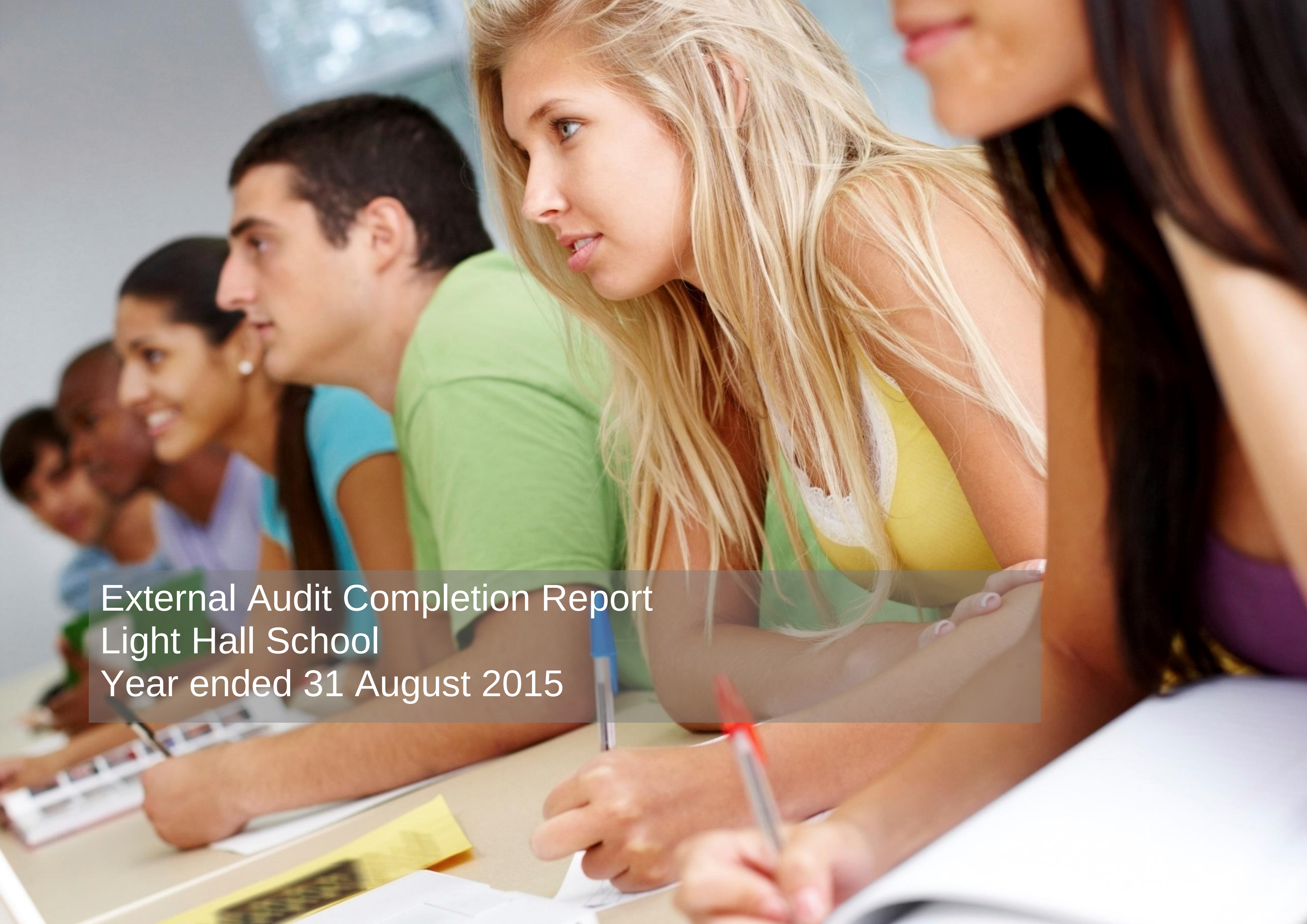

External Audit Completion Report
Light Hall School
Year ended 31 August 2015

Contents

1 Introduction

The purpose of this document

We are pleased to present a summary of our audit findings for the period ended 31 August 2015.

Our audit work is now substantially complete and we take this opportunity to draw your attention to those matters we have noted during the course of the audit.

As auditors, we are also required under the International Standard on Auditing 260 (ISA 260) to communicate certain matters arising from the audit of the financial statements to those charged with governance.

Audit approach

We performed our audit work using the audit approach we communicated to you in our audit planning letter.

Our audit work is designed to consider whether the financial statements of the Academy give a true and fair view of the state of affairs of the Academy and of its results for the period under review taking into account the requirements of:

- UK Accounting Standards (UK Generally Accepted Accounting Practice);
- Companies Act 2006 (Company Limited by Guarantee)
- Charities Act 2011 (exempt Charity) and Charities SORP 2005 (updated 2008)
- Academies Accounts Direction issued by the Education Funding Agency ("EFA")
- Academies Financial handbook issued by the EFA

Audit opinion on regularity

In addition to our report expressing an opinion on the financial statements, we also produce a report providing a conclusion on "regularity". Our limited assurance regularity report must state whether anything has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period of account has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Acknowledgments

We would like to thank the Academy's finance team, especially Mark Firmstone, for their help and co-operation during our audit fieldwork.

Audit status

Our audit work is complete

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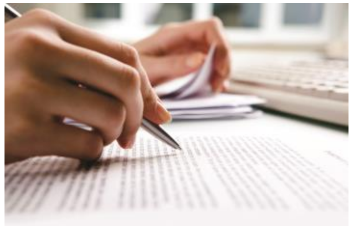

2 Key reporting matters

Audit conclusion

In our opinion the financial statements give a true and fair view and comply with the Academies Accounts Direction issued by the Education Funding Agency ("EFA"), and UK Generally Accepted Accounting Practice.

We are pleased to report that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the academy's ability to continue as a going concern. We are therefore satisfied with the disclosure in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the letter of representation, within the letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

Regularity audit conclusion

Based upon our work carried out to date we anticipate issuing an unmodified regularity audit opinion.

Significant audit risks

At the planning stage we issued our audit planning letter which highlighted three significant audit risks we had identified and the work we planned to perform to address them. We carried out these procedures during our audit and have summarised our findings and conclusions in section 3.

Identified misstatements

Misstatements that we have identified and have been adjusted for in the final accounts are detailed in Appendix 1 to this report.

Uncorrected misstatements would decrease the surplus and net assets by a further £54k. The adjustments are detailed in Appendix 1 to this report. The schedule does not include matters we believe to be clearly trivial.

Significant difficulties

We are required to communicate to you if we encounter significant difficulties while performing our work.

We have not experienced any significant difficulties during our audit and we have not identified any significant matters which we consider should be reported to you.

Internal controls

During the course of our audit we have identified a number of control deficiencies which have been summarised for you in section 5.

The purpose of our audit is to express an opinion on the financial statements and not to express an opinion of the effectiveness of the internal control environment. Had our work been focused on assessing the internal control environment further deficiencies may have been identified. The deficiencies we have identified and reported to you should not therefore be regarded as a complete list of all deficiencies which may exist.

Required communications

Auditing standards require us to communicate further matters to you by exception and to evaluate the adequacy of the communication process between us.

We confirm that there are no further matters to be communicated and that we are satisfied with the adequacy and effectiveness of the communication between us.

Readiness for audit

The Academy's finance team were prepared for our audit as we would have expected.

Response to queries and information requests throughout fieldwork

All staff worked hard to assist us during the audit and were quick in responding to our queries.

Availability of staff

All staff were made available to us when we needed to speak to them.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used	We have reviewed the significant accounting policies which are disclosed in the financial statements and consider these to be appropriate, and consistent with both last year and the Accounts Direction 2014/2015.
The timing of the transactions and the period in which they are recorded	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised. Specifically we confirm that we have assessed the timing of recognition of grants, and agree with the treatment adopted.
The appropriateness of the accounting estimates and judgements used	The main estimates requiring the judgement of Trustees are linked to fixed assets and pension scheme valuations. No issues have been identified. No other significant accounting estimates or judgements were required in the preparation of the financial statements.
The potential effect on the financial statements, of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the financial statements	There are no uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements	From the audit testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the Governors' report or material inconsistencies with the financial statements	There has been no misstatement or material inconsistency with the financial statements included in the Governors' report.
Any significant financial statement disclosures to bring to your attention	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered during the audit	There were no significant difficulties encountered during the audit.

3 Significant risks and audit approach

Significant audit risk	Our response to the audit risk	Conclusion
Revenue Recognition This is considered to be a fraud risk area under International Standards of Auditing (UK and Ireland). We consider that the specific revenue risk relates to rights and obligations of your EFA funding and cut off.	We reviewed EFA grants received in the period and considered whether grants are recorded in line with the terms and conditions set. This included the assessment of claw back of grants received and the treatment of any accrued or deferred elements. We reviewed all sources of income and controls pertaining to these sources of income to determine whether there was a risk of a material misstatement.	Our audit work in this area has been successfully completed. We have obtained the audit evidence we require to conclude that revenue recognition is not materially misstated and there are no significant matters which need to be reported to you.
Defined Benefit Pension Scheme Accounting for defined benefit pension schemes is complicated and requires assumptions to be made of future changes in scheme membership, life expectancy and other factors. For this reason the accounting entries required under Financial Reporting Standard 17 are calculated by the scheme actuary.	We reviewed the assumptions made in arriving at the actuarial valuation and assessed them against our technical accounting team's accepted range of pension scheme assumptions. These have been identified from assessing a large number of defined benefit schemes and other statistical data. We also ensured the accounting entries have been correctly accounted for and presented in the accounts.	The assumptions made were within our technical teams accepted range of pension scheme assumptions. The accounting entries have been correctly accounted for in accordance with FRS 17.
Risk of management override The International Standards on auditing (ISAs) presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding internal controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, there is an inherent risk of financial misreporting due to fraud which represents a significant risk on all audits.	We updated our understanding of the Academy's internal control procedures including those which are in place to address the risk of fraud or error occurring. Our testing strategy included general ledger journal testing coupled with consideration and review of: • key accounting policies: • material accounting estimates; • use of management judgement; and • any unusual or individually significant business transactions	There is no indication that the financial statements are misstated as a result of management override.

We did not identify any additional significant risks during the course of performing our audit.

4 Risk of fraud and independence

Fraud

International Standard on Auditing (UK & Ireland) 240 "The Auditor's responsibilities relating to fraud in an audit of financial statements" sets out our responsibilities as auditors for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Our key objectives in connection with this responsibility are:

- To identify and assess the risks of material misstatement of the financial statements due to fraud;
- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with management and the board. It is important that management place a strong emphasis on fraud prevention by putting in place a structure which deters individuals from committing fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour. The board also have a responsibility to consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage results.

Independence

In relation to the audit of the financial statements of Light Hall School for the year ended 31 August 2015, we confirm that there were no relationships between Moore Stephens and the Academy, the governors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

We also confirm that we have complied with the requirements of auditing standards (ISAs UK & Ireland) and UK Ethical Standards in relation to independence and objectivity.

5 Recommendations

During the course of our audit of the financial statements for the period ended 31 August 2015, we examined the principal internal controls which the governors of the Academy have established to enable them to ensure, as far as possible, the accuracy and reliability of the Academy's accounting records and to safeguard the Academy's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Management have responded to the recommendations noting the person responsible for action and an agreed timescale for implementation.

We have also discussed a number of minor control and disclosure matters arising with Management as part of the audit debrief.
The significant material recommendations noted from our audit work are detailed in the action plan below.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

Action plan

1	Fixed asset register
Observation	No fixed asset register is maintained. Details of capitalised assets are kept on Civica but these are in totals for each year and are not itemised.
Risk	The academy does not have an itemised listing of capitalised fixed assets held and so cannot identify the cost and accumulated depreciation of assets when disposals are made and there is a risk that any additions, disposals and depreciation charges are not recorded correctly.
Grade	1
Recommendation	We recommend that a fixed asset register is created and then reconciled to the trial balance figures on a regular basis. This could be included as an additional item in the month end procedures.
Management response	A Fixed Asset Register will be created and maintained by Summer 2016. Systemic solutions are currently being scoped. Asset Management Companies are being invited to apply for the school contract by January 2016.
Responsible Officer	G Hill
Timeline for completion:	July 2016

2	Purchase cut-off
Observation	During our testing of purchase cut-off we identified a number of transactions relating to the financial year's 2013/14 and 2015/16 that were incorrectly included within the 2014/15 financial year.
Risk	That expenditure is not recorded in the correct period and that expenditure is materially misstated in the financial statements.
Grade	2
Recommendation	We recommend that care is taken when entering purchases and that a review of expenditure around the year-end is performed to ensure expenditure is being recorded in the correct period.
Management response	Going forward, expenditure is now recorded within the correct tax period on a month by month basis. Care will be taken in August 2016 and September 2016 to ensure that expenditure is accurately recorded in the correct tax period and financial year.
Responsible Officer	M Firmstone
Timeline for completion:	December 2015 on-going and September 2016

3	Employment contracts
Observation	We identified that a number of employees do not have a signed contract of employment kept by the academy.
Risk	Lack of signed contracts could expose the academy to an increased risk in the event of disputes.
Grade	2
Recommendation	The academy should retain a signed contract of employment for all employees
Management response	All unsigned contracts on file will be identified and signed by the relevant staff by the end of November 2015. The Internal Checklist for New Starters will be updated to record the date that the contract is issued to the new starter, and the date that a signed copy is returned to the personnel file.
Responsible Officer	C Pelosi
Timeline for completion:	December 2015

4	Control accounts
Observation	There are a number of control accounts in the trial balance that did not agree back to supporting documents at the year-end.
Risk	That the control account balances are materially misstated and that transactions are not being correctly recorded in the accounts package.
Grade	2
Recommendation	That reconciliations are performed for the control accounts to ensure the correct balances are being shown in the trial balance. Also, that the control accounts are reconciled to the trial balance as part of the month end procedures going forward.
Management response	Control Accounts are now routinely checked to ensure the correct balance is held on the trial balance as part of the month end procedures. Any anomalies will be identified and corrected on a monthly basis.
Responsible Officer	M Firmstone
Timeline for completion:	November 2015

Appendix 1 – Summary of adjusted and unadjusted mistatements

Under the requirements of ISA 260 *Communication of audit matters* we are required to communicate all adjusted and unadjusted audit differences, other than those which are clearly trivial, to the Audit Committee.

Based on your income and expenditure account, our performance materiality was £66,500.

This section contains details of unadjusted and adjusted misstatements, which we have found during the course of our audit work and are obliged to bring to your attention.

Indentified adjusted misstatements and unadjusted misstatements are detailed below:

Unadjusted misstatements

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
1	Depreciation charge - SOFA Accumulated depreciation – Balance Sheet Being: Incorrect inclusion of VAT on accruals at the year-end	54			54	(54)
Impact on I&E Surplus						**(54)**

Appendix 1 – Summary of adjusted and unadjusted mistatements (continued)

Adjusted misstatements

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
1	Depreciation (SOFA)	300				(300)
	Depreciation (BS)				300	
	Being: The depreciation charge for August not originally posted					
2	Accrued income			2		
	Pupil premium		2			2
	Being: Adjustment in year-end pupil premium accrued income					
3	Land and building additions			124		
	ICT equipment additions			43		
	Expenditure – various (SOFA)		167			167
	Being: Capital expenditure identified during the audit and capitalised					
4	Depreciation (SOFA)	8				(8)
	Depreciation (BS)				8	
	Being: The additional depreciation charge on the capitalised items in year					

Appendix 1 – Summary of adjusted and unadjusted mistatements (continued)

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
5	Audit fees	10				(10)
	Employer's National Insurance Contributions		2			2
	Accruals				8	
	Being: Additional accruals / Employer's NIC items identified					
6	Pension scheme liability				131	
	Actuarial gains / losses in year	99				(99)
	FRS 17 additional pension costs in year	32				(32)
	Being: Year-end adjustments relating to the local government pension scheme					
Impact on I&E Surplus						**(278)**

Appendix 2 – Sector Developments

Academies Financial Handbook

The Education Funding Agency (EFA) has published the Academies Financial Handbook (AFH) 2015 which has replaced the 2014 version with effect from 1 September 2015. The latest edition contains far fewer changes than in previous years, some of the key changes are:

A Financial Notice to Improve (FNti)
The EFA can now issue FNti due to governance concerns as well as financial concerns. The EFA will raise a FNti where it believes governance and management is inadequate. This can include, but is not limited to, weakness in oversight of controls or directions by the trustees, poor internal scrutiny and challenges, breaches of duties, principles and requirements governing connected party relationships.

Seven principles of public life
The EFA has emphasised that accounting officers must adhere to the seven principles of public life. These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Governance arrangements
In the interests of transparency, trusts must publish on their website up-to-date details of their governance arrangements in a readily accessible form. This must include the structure and remit of members, trustees, committees and local governing bodies, dates of appointments, relevant business interests and meetings attendance records for trustees and local governing bodies. Full details of the requirements can be found in 2.5.2 of the AFH2015.

Register of interest
The EFA has clarified that the register of interests must identify close family relationships between members or trustees and the trust's employees. For these purposes, a 'close' family member is a member of the same household who may be expected to influence or be influenced by the person. This includes but is not limited to a child, parent, spouse or civil partner.

Business and pecuniary interests of local governors
Academy trusts must publish relevant business and pecuniary interests of local governors on their website. This should include governance roles in other educational institutions as well as commercial business interests, however academy trusts have discretion over the publication of interests of other individuals including child, parent, spouse and civil partner.

Appointment of members of trustees
The trust should notify the EFA through the Information Exchange of all appointments of trustees and members within 14 days of any such appointment. There is still a requirement for trusts to notify the EFA through the Information Exchange whenever a key position such as the chair of the trustees, the accounting officer or chief financial officer is vacated or filled.

Leasehold or tenancy agreement on land or buildings
Previously, academy trusts required prior EFA approval for taking leasehold or tenancy agreements on land or buildings from other parties for a term of five or more years. This time period has now been extended, so that approval is now only required for terms of seven years or more.

Budget monitoring
The requirements relating to budget monitoring have been simplified. In the 2014 Financial Handbook, the requirement was that academy trusts should prepare timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate. This has now been replaced by the preparation of monthly budget monitoring reports. Trustees should carefully consider what information they require to understand the academy trust's financial position and performance to enable them to fulfil their duties as a trustee.

Transition to FRS 102 and Charities SORP 2015

The EFA have published guidance on the transition to FRS 102 and Charities SORP 2015. We have highlighted below some of the key changes that would affect the Academy.

Area	Impact of SORP 2015/FRS 102	Actions required
Trustees' Report:	Changes required by SORP 2015 are minimal. These changes include: 1. Explaining arrangements and policies for setting pay and remuneration of the academy trust's key management personnel, including an explanation of any benchmark or criteria used for setting pay. 2. The academy should compare the actual level of reserves held with the level stated in the reserves policy and identify the level of free reserves held. 3. Risk management disclosures now require a description of the risk identified and a summary of the charity's plans and strategies for managing them.	1. Determine the academy trust's key management personnel. 2. Compare the current level of reserves against the reserves policy. 3. Ensure risks can be identified and that the charity can describe how they are being managed.
Statement of Financial Activities: Governance Costs	Governance costs will no longer be separately disclosed on the face of the SOFA but will be included within charitable activities as support costs.	Restate prior period comparative figures under the new heading.
Balance Sheet: Employee benefits – holiday pay accrual	Under FRS 102 there is a requirement to recognise a liability in the balance sheet for any outstanding paid annual leave, if material. Such a circumstance may arise when the holiday year is not coterminous with the financial year. On transition to FRS 102, if material, a new provision would be recognised for outstanding holiday pay, with a corresponding adjustment to opening reserves.	For staff with holiday entitlement, determine whether their holiday year is different to the financial year. Calculate any opening reserves adjustments that will be required on transition (1 September 2014). Determine if an adjustment is required to the 31st August 2015 figures that will form comparatives in the 31st August 2016 financial statements. Only if material!
Accounting disclosures: Key management personnel	Key management personnel are considered to be related parties. SORP 2015 requires the total remuneration and benefits paid to key management personnel to be disclosed. An additional disclosure will be required in the staff costs section of the financial statements.	Determine the academy trust's key management personnel and ensure total remuneration and benefits details are available for 2015 comparative figures.

Accounting disclosures: Key management personnel	Key management personnel are considered to be related parties. SORP 2015 requires the total remuneration and benefits paid to key management personnel to be disclosed. An additional disclosure will be required in the staff costs section of the financial statements.	Determine the academy trust's key management personnel and ensure total remuneration and benefits details are available for 2015 comparative figures.
Accounting disclosures: Employee benefit pensions	There are changes in the recognition of interest costs in the SoFA. Rather than an 'expected return on plan assets' and 'interest on pension liabilities' there will be a 'net interest charge' on the net defined benefit pension liability.	Contact the scheme actuary to ensure that they are aware of the requirements of FRS102 and that they will provide the relevant comparative disclosures for 2015. Determine the adjustments required to the 31 August 2015 figures that will form comparatives in the 31 August 2016 financial statements.
Accounting disclosures: Operating leases	The disclosure of commitments under operating leases must now show the total expected future minimum lease payments over the remaining life of the lease (under existing UKGAAP disclosure was only required of the annual commitment).	Ensure that the relevant information is available to enable comparative disclosures to be populated (this disclosure is already a requirement of the Annual Accounts Return).
Transition	The following information will need to be included in the financial statements for the period ended 31th August 2016: 1. A description of each change in accounting policy 2. Reconciliations of the opening balance sheet at the date of transition 1st September 2014 and the comparative financial year end 31st August 2015. 3. A reconciliation of the statement of financial activities for the comparative financial year 31st August 2015.	1. Identify the impact and work required to collate the information for the transition date and 31st August 2015. 2. Prepare a list of transitional adjustments required to the opening balance sheet at 1st September 2014 and prepare a balance sheet reconciliation. 3. Determine the adjustments required to the 31st August 2015 figures that will form comparatives in the 31st August 2016 financial statements.