

Our Ref: BSMA6582/DB/C/M R
Your Ref:
Date: 13/10/2021



PRIVATE & CONFIDENTIAL

The Board of Trustees
Malmesbury C of E Primary School
Tetbury Hill
Malmesbury
Wiltshire
SN16 9JR

Dear Sirs

2021 Audit and Regularity Assurance Engagement of Malmesbury C of E Primary School

Introduction

In order to carry out our duties and responsibilities as auditors, we are required by International Standard on Auditing (UK) 260 "*Communication with those charged with governance*" ("ISA 260"), to communicate matters arising from the audit of the Malmesbury C of E Primary School to you.

Our fieldwork is complete and we propose to issue an unmodified audit report for the year.

Our Approach to the Audit

Our work was planned to provide a focused and robust audit, so as to:

- Provide an independent opinion as to whether the financial statements give a true and fair view; and;
- State whether the financial statements have been properly prepared in accordance with the Companies Act 2006 and the relevant Academies Accounts Direction (AAD).

Our work was also planned to provide a "limited assurance" report on regularity in accordance with the relevant AAD issued by the Education and Skills Funding Agency (ESFA).

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

When planning our audit work, we sought to minimise the risk of material misstatements occurring in the financial statements. To do this, we considered both the risk inherent in the financial statements themselves and the control environment in which your Academy Trust operates. We then used this assessment to develop an effective approach to the audit.

Based on our knowledge of the Academy Trust, we assessed the risks to the Academy Trust and planned our audit with regard to these risks. Our auditing standards require us to include the following as significant risks:

- Management override; and;
- Revenue recognition.



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A: 16 Queen Square
Bristol
BS1 4NT

T: 0117 9100 250
E: bristol@bishopfleming.co.uk
W: bishopfleming.co.uk



Responsibilities of the Trustees

The trustees are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary.

The matters dealt with in this letter came to our attention during the conduct of our normal audit and assurance procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the above Academy Trust and providing a limited assurance conclusion on regularity.

In consequence our work did not encompass a detailed review of all aspects of the systems and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

We would be pleased to discuss any further work in this regard with trustees and/or management.

Qualitative Aspects of Accounting Practices, Regularity and Financial Reporting

The following key audit and accounting issues were discussed and agreed at our closing audit meeting with The Trustees on 08 November 2020.

- Accounts presentation
- Trustees' report
- Impact of Covid and future performance
- Peas in the pod lease

Audit Materiality

In carrying out our audit work we considered whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the amount and the nature of the misstatement. Thus different materiality levels may be appropriate when considering different aspects of the financial statements.

The assessment of whether a misstatement is material in the context of the regularity assurance report has been evaluated in the same way as the "true and fair" audit of the financial statements, as noted above.

Audit adjustments

During the course of our audit, we have identified adjustments which have been processed in the financial statements, on the agreement of management. These are attached to the letter of representation.

Internal financial controls

Our review of the Academy Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy Trust as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, we refer only to significant matters which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements which a special review might reveal.

Accompanying this letter is a memorandum noting our significant control observations together with any recommendations we have for possible improvements which could be made. See Appendix I.



Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the relevant AAD issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure.

We propose to issue an unmodified regularity assurance report for the year.

Appendix I also includes regularity issues brought to your attention in connection with the regularity assurance engagement.

Other Matters

This letter has been prepared for the sole use of the Board of Trustees, Governors, management and others of the Academy Trust. We understand that you are required to provide a copy of this report to the Education and Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this report.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours faithfully

BISHOP FLEMING LLP

APPENDIX I

Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
Current year observations			
Bank Reconciliation The bank balance per the trial balance did not reconcile to the accounts and management did not know why. The systems notes suggest regular bank reconciliations that appear to have not taken place as the bank was not correctly stated.	We recommend that regular monthly bank reconciliations occur to ensure that the bank balance has been correctly stated.	<i>Management agreed with point raised and will ensure that monthly bank recs are carried out.</i>	●
Incorrect journals There have been multiple incorrect journals being posted to the bank, as well as double counting some income e.g. £13,760 Covid catch up grant.	We recommend that journals are not posted to the bank and care is taken over all journals being made. Segregations of duties, such as a 2nd staff member reviewing journals, could be introduced to prevent such errors.	<i>Management agree that manual journals should not be posted into the bank going forwards.</i>	●
Lead schedules disagreeing with the TB The prepayments, deferred income and accrued income balances per the client's schedules disagreed with the trial balance. The accrued income had a nil balance in the trial balance and therefore omitted income such as pupil premium. Management was able to produce a schedule for all of the balances, after the scheduled audit week, but the balances still didn't agree with the trial balance.	We recommend that management keeps a regular record of all balance sheet items and ensures correct treatment over expenditure and income that span over the year end.	<i>Management agreed, procedure has been in place since January since new business manager joined and moving forwards these will be reconciled on a monthly basis.</i>	●



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Description & Impact	Current year Update	Management Response	Category
Update on previous year observations			
Leases obligations <i>It was noted that the leases relating to the water coolers had lapsed in July 2020. No action had been taken by Lessor or the Academy. Given the definitions around finance leases and operating leases, there is a risk continued payment of the lease on a rental basis will mean the lease will change classification and result in unauthorised borrowings. It was noted also that the finance team were not aware the lease for these items was due to lapse.</i>	<i>New lease issue in current year. No issues noted.</i>	<i>Completed</i>	
Number of members <i>The Academy has historically had 4 members. The Academies Financial Handbook recommends each Academy Trust has a minimum of 5 Members.</i>	<i>5 members now. No issues in current year.</i>	<i>Completed</i>	

-  Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements
-  Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.
-  Observations refer to issues that would if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements