

A vertical photograph on the left side of the page showing a close-up of a computer keyboard. A prominent red key with a white plus sign is in focus, with other grey keys like 'M', 'K', and '=' visible in the background.

Report to Governors Backwell School

For the year ended 31 August 2015

The Governors
Backwell School
Station Road
Backwell
Bristol
BS48 3BX

25 November 2015

Dear Sirs

We are writing in connection with our audit of the company's financial statements for the year ended 31 August 2015.

This report meets the requirements of ISA 260- Communication with those charged with governance and ISA 265- Communicating deficiencies in internal control and has been prepared to document the key matters relating to the audit for the year ended 31 August 2015.

This report sets out those matters that have come to our attention during the course of our audit. As such the matters mentioned in this letter are not intended as an exhaustive summary of potential weaknesses and should not be relied upon as such.

This Report to Management has been prepared for the use of the Board of Directors and management and must not be shown to third parties without our prior consent.

We would like to extend our thanks to your staff for the help and courtesy shown to us during the audit.

Yours faithfully

Haines Watts Exeter LLP

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1. Introduction

Scope of our work

We have conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

We are required to give an audit opinion as to whether the financial statements:

- give a true and fair view;
- have been properly prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Charities Act 2011 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities.
- have been prepared in accordance with the Academies Financial Handbook 2014 (published August 2014) and Academies Accounts Direction 2014 to 2015 (SORP 2005) (published June 2015).

We are also required to give an opinion as to whether the information in the Governors' Annual Report is consistent with the financial statements.

Ethical issues

We confirm that we comply with the Ethical Standards for Auditors and are able to issue an objective opinion on the financial statements. We are satisfied there are no ethical threats to which we need to draw your attention.

Materiality

In carrying out our audit work we were required to reach an opinion as to whether the financial statements were free from 'material misstatement', as noted above.

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.

We set certain thresholds for materiality so as to help us determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statement as a whole.

Based on our professional judgement we determined materiality to be £89,770. This was calculated as 1% of turnover.

Our 'triviality' level was set at £900 and therefore we will report to you any misstatements we identify that are greater than this level, as well as misstatements below that amount that, in our view, warrant reporting for qualitative reasons.

Modifications to our audit report

Our audit opinion will be unqualified and no modifications will be made to the audit report.

2. Audit Adjustments

Adjusted items

No adjustments were made to the figures included in the accounts by Baker Tilly.

Unadjusted items

The following items were identified during our audit. These are not material in total:

Details	Balance sheet		Profit and loss	
	Positive effect	Negative effect	Negative effect	Positive effect
DfES grants			7,648	
Staff training				7,648
Being correction of journal				
General Annual grant			10,500	
Other DfE/EFA grants				10,500
Being adjustment of summer school income				
ParentPay fees			5,530	
VAT	1,048			
School fund income				6,578
Being adjustment of ParentPay fees				
Income- school fund				15,250
Bursary creditor	15,094			
Admin fees			191	
Expenses- school fund				35
Being adjustment of bursary fund creditor/debtor				
Total:	16,142	-	23,869	40,011
Total increase/(decrease) in profit	16,142			

3. Material weaknesses in the accounting and internal control system

In accordance with our engagement letter; our work was undertaken in order to give an audit opinion and our audit testing was not designed to identify all issues that exist in the accounting and internal control system.

However, we set out below details of actual and potential weaknesses in the systems that we observed during our audit and those points raised last year that have not been resolved in the year:

Current procedure	Priority	Management response
<p>Observation: The bank mandates have been reviewed and we note there are a number of signatories and that two signatories are required for payments. There are at least two signatories noted that are not governors.</p> <p>Implication: Payments of any size could be made without the approval of the head teacher/a governor. Best practice is for the head teacher/a governor to be a required signatory on payments over a certain amount.</p>	Medium	<p>We will set limits that mean cheques over £5k must have H/T signature.</p> <p>We will add the Chair of Governors and Chair of Finance as signatories for all cheques over £20k.</p>
<p>Observation: ParentPay take online receipts from parents and then make payments to the Academy twice a month, net of system fees charged. The fees are currently not being accounted for by Backwell.</p> <p>The accounts should reflect gross income subscribed to ParentPay (from parents) as well as the fees charged and the VAT on fees. This can be processed via a cashbook journal posting in the same way that a ParentPay refund is processed.</p> <p>Implication: Fees are not being correctly accounted for and VAT has not been reclaimed on these fees.</p>	Medium	We will look into this and implement this for the future.
<p>Observation: We note that the declaration of interest forms include details of relationships and do not currently include details of any transactions. These forms should be extended to require members to list known transactions.</p> <p>Implication: Related party and connected party transactions are more likely to be identified.</p>	Medium	We do not expect governors to know the related party transactions. They tell us the links they have, and the school monitor for any transactions with those companies and report on them.

4. Other matters

Going concern

We are aware that the budget forecasts show that in 2017-18 the School anticipates a cumulative deficit, as the reserves of the School would have been fully utilised.

However from our discussion with the members of the Finance and Building Committee, we understand that not only are the Governors fully aware of the issue, they are currently taking action to remedy the Situation. They have also pointed out that there have been assumptions made in the production of the forecast, for example that 'Maintenance of Premises' will remain at £455,000 per year for all five years, which will not necessarily be the case.

Ethical issues

We have not identified any ethical issues during the audit to which we need to advise you.

Qualitative aspects of accounting practices and financial reporting

There are no matters to be brought to your attention.

Fraud and error

There are no matters to be brought to your attention.

Inconsistency in other information to be issued with the financial statements

There are no matters to be brought to your attention.

Any other matters

There are no matters to be brought to your attention.