



HALLIDAYS

MORE THAN JUST ACCOUNTANTS

The Board of Trustees
 Piper Hill Learning Trust
 Firbank Road
 Newall Green
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 M23 2YS

Our ref: AEB/TH/MOK
 Date: 29th November 2017

Dear Sirs

Letter of Comment and Report to the Board

1 Introduction and coverage:

This report summarises our key findings in connection with the audit of the financial statements of Piper Hill Learning Trust and regularity assurance engagement in respect of the year ended 31st August 2017.

We consider the approach adopted will provide the trustees with the required confidence that a thorough and robust financial statement audit has been carried out, together with a thorough and integrated regularity assurance engagement.

We can confirm that, at the date of this report, we anticipate no modifications to either the financial statements, audit report or the regularity assurance report from our pro-forma audit and regularity conclusion report previously communicated to you.

2 Audit, Regularity and accounting issues identified at the planning stage:

Key area of focus	Work undertaken	Resolution
Fixed Asset Valuation and Impairment	<p>Verification of a sample of additions to supplier invoice and physical verification of assets.</p> <p>Consideration of any indicators of impairment.</p> <p>Review of the methods of deprecation for appropriateness and application</p>	<p>Invoices were obtained and physical verification of assets completed.</p> <p>There were no indicators of impairment.</p> <p>Depreciation is in line with our experience of the sector and has been consistently applied.</p>
Completeness of provisions/ accruals	<p>We reviewed the provisions and accruals in the financial statements against primary documentation and post year end events.</p>	<p>We are satisfied that there are no material exceptions to accruals or provisions.</p>



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Key area of focus	Work undertaken	Resolution
<p>Information on Instances of Non-Compliance with Laws & Regulations that could give rise to a material misstatement in the financial statements</p>	<p>Review minutes of the Governing Body and Local Governing Body minutes.</p> <p>Discuss with the senior management team.</p> <p>Review legal and professional costs for indicators of claims.</p>	<p>No information has come to light of any non-compliance with the laws and regulations that could give rise to a material misstatement in the financial statements.</p>
<p>All detected or suspected instances of fraud</p>	<p>Review of the minutes of the Governing Body.</p> <p>Discussions with the senior management team.</p> <p>Review of large and unusual transactions and transactions with related parties for indications of possible fraud.</p>	<p>No information has come to light which suggests instances of fraud have occurred.</p>
<p>Management override</p>	<p>Review of large and unusual journal entries.</p> <p>Consideration of large and unusual transactions.</p>	<p>We have seen no evidence of management override.</p>
<p>Areas of management estimates</p> <p>The most significant areas of estimate are the assumptions utilised by the actuary during the valuation of the Local Government Pension Scheme (LGPS).</p> <p>The FRS 102 pension liability is a significant balance sheet item and represents the Academy's share of the Local Government Pension Scheme. The amount recognised is based on a valuation undertaken by an actuary. The actuary also provides the disclosure for inclusion in the financial statements.</p> <p>There is a risk that the amount might be materially misstated where the data and assumptions used are not appropriate.</p>	<p>We obtained and reviewed a copy of the FRS 102 actuarial valuation prepared by the actuary and undertook procedures to determine our ability to rely on their work.</p> <p>We confirmed that the Employee and Employer rates on the payroll records are in line with the contributions required under the scheme.</p> <p>We reviewed the disclosure made in line with information we obtained for other school clients and publicly available information on the internet.</p> <p>The Teachers' Pension is correctly accounted for as a defined contribution scheme</p>	<p>We have reviewed the FRS 102 report issued by the actuary and the disclosures in the financial statements with no issues noted.</p> <p>We are satisfied that the accounting treatment and contributions are in line with expectations</p>

Key area of focus	Work undertaken	Resolution
<p>Staff Costs</p> <p>The major cost for the Academy is the direct teaching and other staff costs.</p>	<p>We tested in detail 20 employees of the academy to confirm that wages and salaries are paid only to bona fide employees of the Academy for work done. The audit work undertaken included testing to confirm gross pay rates, pension and other deductions.</p> <p>We performed analytical review over the entire staff costs charged by reference to employee numbers and payroll records.</p> <p>We reviewed actual costs for the year against our expectations and obtained explanations for the variance.</p>	<p>We undertook work in line with our outlined approach. No issues were identified.</p>
<p>Capital Funding</p> <p>Increasingly funding for larger capital projects is provided in the mixed form of SALIX loans and capital grants.</p> <p>The risks are that the loan element of the funding is not correctly recognised in the financial statements.</p> <p>Where funding receipts straddle the year end dates there is also a risk that capital grant income is understated.</p>	<p>We reviewed the minutes for details of larger capital projects and grants applied for.</p> <p>We reviewed the documentation relating to capital grants.</p> <p>We reviewed the bank statements after the year end to identify capital grant/SALIX loan funding receipts.</p> <p>We reviewed purchase invoices after date for large capital items.</p>	<p>We are satisfied that capital grants have been identified and recorded in full.</p> <p>We are satisfied that SALIX loans have been identified and recorded.</p>

3 Adjusted and Unadjusted misstatements:

No adjustments have been made as a result of the audit process.

Unadjusted misstatements

Materiality £105,000

There were no other instances of unadjusted misstatements other than those concerned to be merely trivial, i.e. below £10,500, to draw to your attention.

4 Memorandum of Weaknesses:

We have set out below the internal weaknesses which came to our attention during the course of our audit and regularity work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the procedures performed. The audit and regularity assurance engagement is not designed to identify all matters that may be relevant to you and accordingly they do not ordinarily identify all such matters.

INTERIM AUDIT - MEMORANDUM OF WEAKNESSES:

Current Procedure Controls Weaknesses	Possible Consequences	Suggested recommendations for improvement	Management response
Delegated Limits of Authorisation - Scheme of financial delegation does not detail a specific limit a budget holder can authorise up to.	Invoices may be paid before appropriate authorisation has been given.	Scheme of Financial delegation should clearly detail the approved authorisation limit for budget holders.	The scheme of delegation will be updated with an approval limit of £10,000 for budget holders.
Purchases – Out of the 4 purchases selected for testing 1 item did not have a corresponding purchase order	Goods or services may be acquired at an uncompetitive rate, causing losses to the academy.	Ensure that all invoices have a corresponding order. Check before payment of an invoice that there is a corresponding order.	The 1 item that did not have a corresponding purchase order was an intra school charge that was agreed at Trust Board level. In future, a purchase order will be raised at the start of the year to cover these costs.

FINAL AUDIT - MEMORANDUM OF WEAKNESSES:

Current Procedure Controls Weaknesses	Possible Consequences	Suggested recommendations for improvement	Management response
VAT – Reimbursement of Pioneer house VAT recoverable is overstating expenditure in Piper Hill.	There is a risk that expenditure may be overstated in respect of VAT repaid in financial statements.	VAT Recoverable should be reimbursed via an intercompany holding account.	For the new Trust, VAT will be managed by the finance director When a VAT return is submitted to HMRC, the VAT debtor will be transferred to the VAT control account within each location. A joint VAT return will be submitted for the Trust, and a single reimbursement received in to CHS bank account but could ultimately be transferred to the Trust bank account. CHS will reimburse each school via an intercompany bank transfer.

5 Significant accounting policies, disclosures and estimates

There were no significant accounting policies or estimates used that need to be brought to your attention.

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both the relevant accounting standards, including the Statement of Recommended Practice – Accounting and Reporting by Charities SORP 2015, the requirements of the Companies Act 2006 and the Academies Accounts Direction 2016/2017 issued by the Education Funding Agency (EFA).

There are no matters to be brought to your attention in this regard.

There were no significant difficulties encountered during the course of the audit and regularity assurance engagement.

6 Letter of representation

A draft of our proposed letters of representation is attached. There are two specific representation to which we draw your attention

7 Other relevant matters relating to the audit

None

8 Independence

We have discussed with you the fact that we provide accounting services to the academy in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services do not affect our independence as:

- (i) the additional services provided are of a routine compliance nature and the Board of Trustees takes any decisions where judgement is required, and
- (ii) the audit work is completed and monitored by a separate team to the accounts preparation process.

We are satisfied that the firm's quality control procedures provide adequate safeguards. The firm and the audit engagement team have therefore complied with relevant ethical requirements concerning independence


We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

This report has been prepared for the sole use of the trustees of Piper Hill Learning Trust. We understand that you are required to provide a copy of this report to the Education Funding Agency. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Hallidays towards any party acting or refraining from action as a result of this report.

The purpose of the audit was to enable us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported above are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.

If we can be of any further assistance, please contact Anna Bennett

Yours faithfully



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