

Crane & Partners
CHARTERED ACCOUNTANTS



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The Board of Trustees
Education in the 21 Century
The Ravensbourne School
Hayes Lane
Bromley
Kent
BR2 9EJ

19 December 2019

Dear Sirs,

**Audit and Regularity Assurance Management Letter for
Education in the 21st Century year ended 31 August 2019**

Introduction

We present our audit management letter solely for the attention of Education for the 21st Century, following our audit of the financial statements for the year ended 31 August 2019. This report summarises key issues in connection with the audit and with the regularity assurance engagement, which we consider should be drawn to the attention of the Trustees.

We propose to issue an unmodified audit report for the year.

We recognise that the Academy Trust is required to provide a copy of this report to the Education and Skills Funding Agency (ESFA) by 31 December 2019 together with its financial statements.

The report has been prepared solely for the purpose of recording the audit scope, approach and risk areas and for communicating audit issues that arose during our work to those charged with governance. This is in accordance with the requirements of International Standard on Auditing (UK) 260, *The Auditor's Communication with Those Charged with Governance*.

We would be pleased to receive, in due course, your comments, reactions and responses to our recommendations made in this report and if you would like further assistance on these or any other matters.

The following has been prepared in compliance with ESFA's requirement for reporting to both the Trustees and ESFA through a management letter. No reports may be provided to third parties, with the exception of ESFA, without our prior consent. Consent 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 we accept no duty of care or responsibility to any other party. The report may not be relied upon for any other

purpose. No responsibilities are accepted by Crane & Partners towards any party acting or refraining from action as a result of this report.

Audit approach and scope

Our work was planned to enable us to:

- Provide an audit opinion on whether the financial statements show a true and fair view of the state of the Academy Trust's affairs at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- State whether the financial statements have been properly prepared in accordance with:
 - United Kingdom Generally Accepted Accounting Practice (FRS 102);
 - The Companies Act 2006; The Charities SORP 2015; and
 - The Academies Accounts Direction 2018 to 2019 (AAD).

We also planned our work to provide a "limited assurance" report on regularity in accordance with the AAD issued by the Education & Skills Funding Agency (ESFA).

Our planning process considered both the risk inherent in the financial statements themselves and the control environment in operation within your Academy Trust. Based on those considerations our audit work sought to minimise the risk of material misstatements occurring in the financial statements by the development of an effective approach to the audit.

Our audit work was designed to provide the required assurance that the financial statements are free from material error and to enable us to have a reasonable expectation of detecting material misstatements in the financial statements that result from irregularities or fraud. However, the inherent limitations of an audit, together with the inherent limitations of internal control, means that 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.

We identified and tested controls, carried out analytical review tests and completed substantive testing, together with verifying specific transactions or balances. At the planning stage, we designed audit tests to provide us with sufficient audit evidence to support an opinion as to whether the financial statements show a true and fair view.

Having established an understanding of the organisation and the control environment we are required by the ISAs to regard the understatement of revenue due to fraud and management override as high risks in all audits. We have ensured that these risks have been addressed in our work.

Responsibility of Trustees

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

The matters contained in this letter came to our attention during the conduct of a normal audit and assurance procedures, which were designed for the primary purpose of expressing our opinion on the financial statements and providing limited assurance conclusions on regularity.

Consequently, our work did not involve a detailed review of all aspects of the systems and controls and cannot be relied upon to have identified all irregularities or defalcations. Likewise, it will not have identified all possible improvements to internal controls that a more specialised examination might highlight.

Audit Materiality

As part of 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.

Unadjusted Errors

We did not identify any unadjusted items in the course of our audit work on the financial statements.

Audit Adjustments

We did not identify any audit adjustments in the course of our audit work on the financial statements.

Internal Financial Controls

In order to assist in forming our opinion on the financial statements we undertake a review of the internal controls in operation. This review is not primarily for the identification of weaknesses or the detection of fraud or other irregularities, other than those that would influence our audit opinion, and should not be relied upon to show that no other weaknesses exist. In this context, we only refer to matters of significance that have been identified during our normal audit work.

Our observation on the matters that were identified during our work are set out in the attached schedule which also sets out recommendations for possible improvements that could be beneficial.

Regularity assurance engagement

Our regularity assurance work in accordance with the AAD for 2018 to 2019, issued by the ESFA.

This was a limited assurance engagement conducted that involved procedures to elicit information and explanations to provide sufficient evidence to express a negative conclusion regarding regularity. A limited assurance engagement is narrower in its scope than a reasonable assurance engagement and therefore does not provide assurance that would result in awareness of all significant matters that might be identified in a reasonable assurance engagement. We do not express a positive opinion in this respect. Our work included a, test basis, examination of evidence relating to the regularity and propriety of the Academy Trust’s income and expenditure.

We propose an unmodified regularity assurance report for the year.

We have recorded managements responses to the matters raised in our Internal Control Observations.

Lastly we would like to take this opportunity to thank the finance team and other staff for the assistance and co-operation they provided during our audit work.

Yours faithfully

A handwritten signature in black ink, appearing to read "Crane & Partners". The signature is written in a cursive, flowing style.

CRANE & PARTNERS

Internal Control Observations

Description	Recommendation	Management Response
<p>Journal Entries</p> <p>A number of nominal ledger postings are made using journal entries and it was noted that there was no formalised filing of the details of the journal and the supporting information in the Central Finance Department</p>	<p>Management override is identified as a high risk in relation to the financial accounts and journal entries are a key area that needs to evidence good control.</p> <p>A physical file containing the details of the journal postings, supporting documentation and appropriate approval and review would provide a readily accessible and reviewable control point.</p>	<p>Agreed, new system to be in place where all journal entries are documented, signed by the Director of Finance or Head of Central Finance before being posted on the accounting system.</p>
<p>Fixed Asset Registers</p> <p>In previous years the auditors have noted that there is not a uniform basis for the recording of fixed asset which allows for the physical identification of the individual items that make up the values in the financial statements. This creates a weakness in the control of the physical existence of fixed assets.</p>	<p>The standardisation of the format and content of the fixed asset records of all schools in the Academy Trust would enhance the control of the assets and allow for the physical existence of the more vulnerable assets to be confirmed and controlled.</p>	<p>Agreed, this was the only item from the list of recommendations from previous year management letter. Target date for completion end of spring term 2020.</p>
<p>Fixed Asset Values</p> <p>The Fixed Asset Registers need to reflect the cost and depreciation details for individual assets. This would allow the elimination of items that are sold or scrapped, in order that they can be removed from the financial records and the year-end accounts.</p>	<p>Undertaking an inventory of the physical assets would be key to this process but the reconciliation to the historical financial values would present a challenge and would inevitably result in an adjustment to be reflected in the financial accounts.</p>	<p>Agreed, when the inventory for each school is available (see above) this will be costed on the basis of replacement value and compared with the values in the 2018/19 Financial Statements. Any material variance in cost will be adjusted through the fixed asset account when the 2019/20 Financial Statements are prepared.</p>

Internal Control Observations

Description	Recommendation	Management Response
<p>Fixed Asset Additions Policy</p> <p>The stated policy in relation to additions to fixed assets is that additions of £5,000 or more are capitalised. This could lead to a number of items, which taken together, amount to a high value being expensed rather than capitalised. For example, if ten laptops costing a total of £5,000 were purchased then they would all be additions, but if nine were purchased for £4,500 they would not.</p>	<p>The policy should be reconsidered in order to ensure that the treatment of items of a similar nature are dealt with in a consistent way. Such a modification to the policy would allow for consistency in the control and accounting for such acquisitions.</p>	<p>Agreed, however to manage the process it will require a reduction in the threshold of £5,000 in terms of capitalising the expenditure.</p> <p>This will be in place for the 2019/20 Financial Statements.</p>
<p>Accounts Processing</p> <p>Based on a visit to the Spires Academy, there were some areas where additional training/support in relation to the reporting functions of the Sage 200 software and the Sage payroll software would benefit the operating capability and efficiency.</p>	<p>The Spires finance team would benefit from additional IT training in particular areas such as a report generation that would allow them to perform more efficiently.</p>	<p>Agreed, training will be put in place by February half term 2020.</p>
<p>Review of Outstanding Purchase Orders</p> <p>When reviewing the age of outstanding purchase orders in the Sage 200 POP system, it was noted that there were a number of orders that had originated a number of months before the year end. The inclusion of old orders indicates that either they are no longer valid or that they have been fulfilled in another way. This could lead to an overstatement of committed cost in the budget monitoring.</p>	<p>The purchase order ageing should be reviewed each month to ensure that outstanding orders are still valid orders. This would enhance the accuracy of the committed element of budgets monitoring.</p>	<p>Agreed, the Head of Central Finance is working with school-based staff to carry this out during the monthly budget monitoring process.</p>