

Our ref: PCA/RH/H00237

14 December 2016

The Trustees
Hope Valley College
Castleton Road
Hope
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S33 6SD

Dear Sirs

REPORT TO MANAGEMENT

During the course of our audit and regularity assurance engagements for the year ended 31 August 2016, a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points, together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the trustees of Hope Valley College. 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 BHP, Chartered Accountants towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully

BHP, Chartered Accountants

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SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

Audit approach

Our general audit approach was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the company operates.

To summarise our approach, we:

- updated our understanding of the business and its environment;
- reviewed the design and implementation of key internal financial control systems; and
- planned and performed an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated.

Significant risks arise on most audits and are often derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. In areas where we identified the potential for significant risk, we extended our audit testing to include more detailed substantive work. Our work in other areas was proportionally less.

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

There were no changes to our audit approach.

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls 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. Our audit is therefore not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Summary of significant audit findings

Significance	Control weakness identified and significance	Potential implications and recommendations	Management response/ timetable for action
Medium	The banking is currently carried out on an irregular basis and the cash is taken by the finance officer in a carrier bag to the bank.	The cash could be stolen or misplaced on the way to the bank. Banking should take place on a more frequent basis to avoid large amounts of cash building up in the safe. To minimise risk a secure banking company could be employed.	Due to the nature of cash/cheques being received, the banking is irregular. Going forward, the long-term aim is to use Parent Pay in order for a cashless system.
Medium	Insurance Premium Tax has been treated as VAT and reclaimed as such.	The amount reclaimed in respect of VAT is overstated, and as a result the Academy has been overpaid by HMRC. To ensure that IPT is not reclaimed in future and is instead included as part of the net cost of an invoice.	This will be adjusted in the next VAT claim, and identified on any future insurance invoices.
Low	The catering team complete a purchase order retrospectively to ensure that all goods on an invoice have been received.	There is a risk that goods could be ordered that are not required and may be taken for personal use. We appreciate it is impractical for each daily food order to be authorised in advance. However we recommend that limits on size of these be introduced. Also that all food invoices are reviewed and authorised at a senior level.	Going forward, consideration will be given to imposing a monetary limit on orders placed by catering staff and a review of invoices to be performed by someone outside of the catering function.

Significance	Control weakness identified and significance	Potential implications and recommendations	Management response/ timetable for action
Low	Upon review of the cheque stubs it was found that two cheques for severance pay totalling £37,096 had been written before the year end and not included on the bank reconciliation. These transactions also weren't included in creditors.	There is a risk that staff costs may be understated in the financial statements. Ensure all cheques are posted to the system as they are written and also included on the bank reconciliation.	This was an isolated incident which arose due to the unusual and confidential nature of the transaction ^s and their timing. However all cheques will in future be posted to the system as soon as they are written.
Medium	Upon review of the school's policies and procedures it was discovered they hadn't been updated since Jenny Doyle (previous Principal HR & Finance Officer) left.	Without clear policies in place for who is responsible for certain roles, and tasks may not be completed by the team as a result. Ensure that the policies and procedures are updated and that members of the finance team are aware of their roles.	An updated document is to be considered at the next Finance & Personnel meeting which will be held in December 2016.
Low	Within nominal code '3500' expenditure in relation to post 16 totalling £11,400 had been posted to the income code.	Income and expenditure may be understated in the accounts. Ensure that expenditure is posted to the correct codes in Sage.	Post-16 income and expenditure will be reviewed before being posted when it is a new type of income or expenditure.
Low	Stage lighting totalling £17,836.85, had been posted to PTFA expenses. However this represents the unfunded element of stage lighting costs by the PTFA. It should have been posted to capital additions.	The cost of the capital item is not spread over its useful life, and expenditure may be overstated in the current year as a result. To ensure that all items of a capital nature are posted to the correct fixed assets nominal codes in Sage. A review of any nominal codes likely to contain capital items could also be performed regularly to identify any such items.	Going forward the aim is to ensure capital items are coded to capital items nominal codes first time.
Medium	The school fund summary needs updating to ensure that free and committed funds are clearly identifiable.	A risk that free and committed funds are incorrectly disclosed. We recommend that a review of each school fund is performed and any that are free funds are categorised as such going forward.	A review of school funds will be performed identifying clearly committed and free reserves.

Update on prior year's management letter points

Audit issues communicated in last year's management letter and our proposed approach to each of these areas in light of development in the year are outlined below:

<i>Findings/recommendations</i>	<i>Status in current year</i>	<i>Management response/ timetable for action</i>
The recording of lettings income and raising of invoices on SAGE was incomplete and at the year end cut off was incorrect. There is no segregation of duty between the individual recording the lettings income and collecting the income and communication with finance is sometimes poor.	Lettings income source documentation was not available due to the member of staff who dealt with this area leaving during the year and not handing over any of the records.	This has now been changed so one person in the administration team deals with enquiries, costing and bookings. These details are then passed to the Head Caretaker and payments are taken by the finance team.
School fund records are not up to date and so the split of the fund between various categories including trips is not immediately apparent. The wrong bank account is occasionally used for School fund. Monies are occasionally paid into and out of the incorrect bank account but not corrected promptly.	The school fund summary needs updating to ensure that free and committed funds are clearly identifiable. Free and committed funds are incorrectly disclosed. A review of each school fund is performed and any that are free funds are categorised as such going forward.	See 2016 point.
Since July 2015 income has not been regularly agreed to remittances/ funding agreements received from funding providers.	No issues have been identified in the current year.	Completed.
Since the departure of Julie Morton in July 2015, capital funding expenditure has not been monitored against income received.	Overall capital spend has been monitored with the exception of capital spend funded by the PTFA.	Going forward the aim is to ensure capital items are coded to capital items nominal codes first time.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year.

Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by EFA. 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. The work undertaken to draw our conclusions included:

- Detailed testing on a sample basis to assess the nature of expenditure and whether funds have been used appropriately
- Review of the trusts internal financial procedures to ensure that controls are in place to prevent or identify regularity issues.
- Ensure that EFA approval has been obtained for relevant transactions.
- Discussions with Governors, Senior Leadership Team and the Accounting Officer throughout the audit process to ensure that all regularity threats have been addressed.

We anticipate that we will issue a modified regularity assurance report for the year in relation to the procurement process for capital projects.

Regularity issues brought to your attention in connection with the regularity assurance engagement are as follows:

Significance	Findings	Potential implications / financial impact and recommendations	Management response / timetable for action
High	A member of the Finance Team can create BACS runs as well as being the secondary authorisation on the same BACS run, and the Principal Finance Officer does not have access to view all online banking.	<p>The necessary level of authorisation and safeguarding is not in place.</p> <p>Payments and receipts within the bank accounts may not be identified and posted into the accounts in a timely manner.</p> <p>Payments may not be made to suppliers from all bank accounts. To ensure that BACS runs must be authorised by 2 members of the senior leadership team.</p> <p>To ensure that as a minimum, read-only access is granted to the Principal Finance Officer for all bank accounts.</p>	All bank accounts are to be set up whereby both members of the finance team can view accounts and generate BACS runs. However, two members of the senior leadership team will be required to authorise these BACS runs prior to payments being made.
Medium	Lettings income source documentation was not available due to the member of staff who dealt with this area leaving during the year and not handing over any of the records.	Lettings income may be misstated in the accounts and amounts outstanding may not be recovered. To ensure that going forward, lettings income source documentation is maintained.	This has now been changed so one person in the administration team deals with enquiries, costing and bookings. These details are then passed to the Head Caretaker and payments are taken by the finance team.
Low	For the two purchase invoices tested where goods received notes should have been kept, goods received notes couldn't be found for either of them.	Hope Valley could be invoiced for items not received as the deliveries weren't checked to supporting documentation. Therefore expenditure is overstated in the accounts. Ensure all deliveries are checked to goods received notes where available and that these are then given to the Finance team to keep on record.	Often electronic signatures are taken upon deliveries. Going forward, any such documentation will be given to the Finance team who can then scan this into Sage along with the invoice.

Significance	Findings	Potential implications / financial impact and recommendations	Management response / timetable for action
Low	Two of the Governors who were appointed in May 2016 have not been disclosed on the school website.	Not compliant with regularity requirements. Ensure that Governors are disclosed on the website.	The website is to be updated as soon as possible.
Medium	It was discovered that 3 of the 10 credit card transactions tested, hadn't been authorised in line with the school's procedures.	Not compliant with regularity requirements. Ensure that an appropriate member of staff authorises the bank payment sheet for all credit card transactions.	Tracey has only recently taken over responsibility of the credit card and going forward the procedures will be thoroughly followed.
Medium	Cheque payments have been made to leaving members of staff. As these are payments to staff, they should go through the payroll system and incur PAYE and NIC.	PAYE and NIC are underpaid. Consideration to changing the policy or processing such payments through the payroll should be made. The BHP Employment tax team will issue a summary of the position.	Going forward the policy will be reviewed.
Medium	Out of the 21 complete register of interest forms, 6 did not agree to the details on Companies House and the related parties had not been disclosed.	There may be unknown related party transactions which haven't been disclosed correctly in the accounts. Ensure that the register of interest forms are properly completed by the Governors and that all related parties have been adequately disclosed.	Instructions requesting all interests are disclosed on the forms will be issued. Only relevant interests will be disclosed on the website in accordance with EFA rules.