

Our ref: PCA/CHX/H00237

19 December 2018

The Trustees
Hope Valley College
Castleton Road
Hope
Derbyshire
S33 6SD

Dear Sirs

AUDIT AND REGULARITY FINDINGS REPORT

During the course of our audit and regularity assurance engagement for the year ended 31 August 2018 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.

We have complied with the Financial Reporting Council's Ethical Standard and any threats to our independence, as identified to you in our planning communication letter dated 3 September 2018, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

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 & 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. 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 LLP 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 trust's staff who assisted us in carrying out our work.

Yours faithfully



SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

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 as previously communicated to you.

Summary of significant audit findings

Significant risk area identified at planning	Findings, significance and recommendations	Management response/timetable for action
Revenue recognition	The Academy's main source of income is received from the ESFA which has been reconciled to the accounts and ESFA summary funding statement. No issues have been identified to suggest that income is materially understated in the year-end accounts.	Not applicable
Management override of controls	The client's nominal ledger has been uploaded to Inflo and a sample of journals have been selected for testing based on their risk profile. Reasonable explanations have been obtained from management with no instances of management override identified.	Not applicable
Going concern	The client has sufficient reserves to absorb the forecasted deficits in the short to medium term.	Not applicable
Restricted funds	Income and expenditure have been allocated to the correct funds with any restricted income utilised for the purpose intended.	Not applicable
Laws and regulations	Following enquiries made of management and a review of meeting minutes, no instances of non-compliance have been identified.	Not applicable



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.

 Implies a high priority issue requiring immediate management attention Implies a high priority

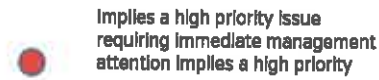
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 Implies an advisory issue that is raised purely for management information and possible further discussion

Control weakness identified and significance	Potential implications and recommendations	Rating	Management response / timetable for action
We were unable to confirm the existence of one employee as no identification was present in the personnel file and the staff member could not be verified in person.	Risk of fictitious employees being paid by HVC, possible legal consequences of paying employees not eligible to work in the UK, overstatement of wages and salaries etc. Ensure all personnel files are up to date and include legitimate identification for all employees.		The majority of personnel files have been updated during the year and the remainder will continue to be updated going forward.
Register of interest forms did not agree to directorship searches as per FAME for one trustee.	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.		The importance of disclosing all known interests and the implications for the year-end audit will be communicated to the Governors and Senior Leadership Team.


Status of findings / recommendations from previous years

Audit issues communicated in last year's audit findings report and our proposed approach to each of these areas, in light of developments in the year are outlined below:



Findings and significance	Potential implications and recommendations	Rating	Status in the current year
Out of the 18 complete register of interest forms, 4 did not agree to the details on Companies House and the related parties had not been disclosed. Of these 4 trustees, 3 trustees interests were not disclosed on the school website therefore not following the requirements set out.	There may be unknown related party transactions which haven't been disclosed correctly in the accounts.		BHP have worked closely with David Veryard to tailor a register of interest from which has been distributed to Governors and members of the Senior Leadership Team to capture all known interests.
Out of the 8 invigilators records chosen for verification 6 did not have any photo identification to supplement their DBS checks. Also, one employee's personnel file was not found and another did not contain any identification.	Risk of fictitious employees being paid by HVC, possible legal consequences of paying employees not eligible to work in the UK, overstatement of wages and salaries etc.		The Personnel filing system has been tightened up during 2018 with only one file not containing the necessary supporting documentation.
Bank reconciliations were not undertaken on a regular basis throughout the year.	Risk that income and expenditure included within the bank is not reflected in the financial statements.		Bank reconciliations are routinely prepared as part of month-end procedures.
It was difficult to obtain a schedule of holiday entitlement not yet taken at the year end.	Risk that staff are taking more holidays than entitled. Risk that liabilities are understated as outstanding holiday pay at the year-end have not been provided for. Maintain a system which monitors the staff holiday entitlement balance at the year end.		Annual leave entitlement is now monitored and a calculation is produced at year-end to assess the materiality of any potential liability.

<p>Trade debtors have increased considerably in the year from £2k to £42k. This signifies a lapse in credit control procedures as the increase relates to numerous accounts</p>	<p>There is a detrimental effect on cash flow and irrecoverable debtors may not be identified on a timely basis. Ensure credit terms are agreed and invoices are chased on a timely basis</p>	<p>●</p>	<p>Credit control procedures have been tightened and trade debtors are back down to historical levels.</p>
<p>Trade creditor balances were incorrectly stated at the year end. This was due to netting payments off incorrect invoices, duplicate invoices and missing invoices.</p>	<p>Creditors are incorrectly stated within the accounts; poor control is maintained over what monies is actually owed. Ensure trade creditors are reconciled monthly against supplier statements where possible.</p>	<p>●</p>	<p>Annabel is reviewing all trade creditors and reconciling to supplier statements on a regular basis.</p>
<p>Income remittances have not been retained</p>	<p>Income is analysed incorrectly. Document retention guidelines are not adhered to. Increased risk of fraud. Ensure that all remittances, invoices and contracts are retained on file for reference.</p>	<p>●</p>	<p>A file has now been set up to retain remittances received.</p>
<p>On one out of three employment leavers forms, there was no signature present from D Willis to confirm the details are correct.</p>	<p>Increased risk of fraudulent employees not being identified. Ensure all leaver forms are completed and signed off by a member of the SLT on a timely basis</p>	<p>●</p>	<p>Employment leaver forms are now adequately authorised with no errors identified during the current year-end audit.</p>
<p>Foreign currency petty cash held is not counted so the exact balance held is unknown. The balance is also not restated at the year-end conversion rate.</p>	<p>Risk of undetected theft. Balance is stated incorrectly at the year end. Ensure a regular check is carried out of the balance and ensure at the year-end that the balance is stated at the correct conversion rate.</p>	<p>●</p>	<p>Any cash denominated in foreign currency has been counted at year-end and converted at the closing rate.</p>
<p>The lettings income spreadsheet is not complete as a result of not being maintained correctly for full year and there were instances where income was received on an order rather than an invoice</p>	<p>Increased risk of fraud. Ensure the lettings booking spreadsheet is maintained for all bookings and reconciled to income received. Ensure invoices are raised for each booking.</p>	<p>●</p>	<p>The lettings income spreadsheet is now adequately maintained and reconciles to the nominal ledger.</p>

<p>The school fund summary needs updating to ensure that free and committed funds are clearly identifiable.</p>	<p>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.</p>		<p>Annabel now maintains a School fund spreadsheet and is able to distinguish between free and committed funds.</p>
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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 2017 to 2018 issued by 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. 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 trust's internal financial procedures to ensure that controls are in place to prevent or identify regularity issues.

- Ensure that ESFA approval has been obtained for relevant transactions.
- Discussions with Trustees, 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 an unmodified regularity assurance report for the year.

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

-  Implies a high priority issue requiring immediate management attention implies a high priority
-  Implies a high priority issue requiring immediate management attention
-  Implies an advisory issue that is raised purely for management information and possible further discussion



Findings and significance	Potential implications / financial impact and recommendations	Rating	Management response / timetable for action
In 2017, it was recommended a preferred suppliers list which has been approved by the governors is maintained for purchases from suppliers used on a regular basis	Risk that the academy may not be receiving the best deal available to them. Ensure the financial handbook is updated to show there is a governor approved list of preferred suppliers and ensure this list is kept up to date.		This is a work in progress actioned from the previous year's regularity audit recommendations.
Although legal advice was sought prior to severance pay being agreed upon, relevant documentary evidence of this was not retained.	Lack of clear audit trail behind regularity procedures followed. Ensure that for legal advice sought, clear documentation of the advice given is retained on file.		The Trustees are now aware of this requirement and written legal advice regarding staff severance pay will be sought prior to the distribution of any payment to the member of staff concerned.

We have also set out the deficiencies identified in the previous period's regularity audit with an update on the position in the current year.

 Implies a high priority issue requiring immediate management attention. Implies a high priority

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Findings and significance	Potential implications / financial impact and recommendations	Rating	Status in the current year
<p>During PayPal expenditure testing it was found that 4 out of the 10 items tested could not be traced to purchase orders or invoices.</p>	<p>Unauthorised orders and payments are made. Ensure purchases are made only once authorised purchase orders have been obtained.</p>	<p></p>	<p>No such instances in current year</p>
<p>Orders over £1,000 but less than £2,500. Per the financial handbook there should be at least 2 quotations sought to ensure value for money is being achieved. 2 revenue expenditure items were tested within these thresholds and it was found there were no quotes obtained on the basis they were from preferred suppliers. On review of the approved preferred supplier list the suppliers were not on there.</p>	<p>Risk that expenditure is overstated as they may not be receiving the best deal available to them. Ensure the financial handbook is updated to show there is a governor approved list of preferred suppliers and ensure this list is kept up to date. Where a supplier is not 'preferred' ensure that there are quotes obtained for relevant expenditure as per the financial handbook and these are retained on file.</p>	<p></p>	<p>The financial handbook has been updated in the financial year to August 2018 and updated procedures in operation. No instances have been found in the year of inadequate application of updated procedures. No updated 'preferred supplier' list present therefore this has been included as a current year recommendation.</p>

<p>Orders over £2,500 but less than £10,000. Per the financial handbook there should be at least 3 quotations sought to ensure value for money is being achieved. 11 revenue expenditure items were tested within these thresholds and evidence was obtained as follows:</p> <p>For 7 of the items there were no quotes obtained on the basis they were from preferred suppliers. On review of the approved preferred supplier list the suppliers were not on there.</p> <p>3 of the items were expenditure from suppliers where tenders could not be obtained i.e. local authority or exam board costs.</p> <p>1 item had 3 quotes present in line with financial procedures.</p>	<p>Risk that expenditure is overstated as they may not be receiving the best deal available to them. Ensure the financial handbook is updated to show there is a governor approved list of preferred suppliers and ensure this list is kept up to date. Where a supplier is not 'preferred' ensure that there are quotes obtained for relevant expenditure as per the financial handbook and these are retained on file.</p>	<p>●</p>	<p>The financial handbook has been updated in the financial year to August 2018 and updated procedures in operation. No instances have been found in the year of inadequate application of updated procedures. No updated 'preferred supplier' list present therefore this has been included as a current year recommendation.</p>
<p>Tender information is not all filed in a consistent way making it difficult to find evidence that value for money has been obtained.</p>	<p>Difficult to obtain audit trail behind expenditure procurement procedure should this be questioned. Ensure tender quotes are retained on file alongside Governor authorisation.</p>	<p>●</p>	<p>A folder has been set up in the current year to keep track of all tender information in a consistent way.</p>
<p>Credit card statements are not retained on file therefore it was not possible to see if credit card expenditure was adequately authorised.</p>	<p>Not compliant with regularity requirements. Ensure that an appropriate member of staff authorises the bank payment sheet for all credit card transactions. Retain credit card statements.</p>	<p>●</p>	<p>Credit card statements are maintained.</p>