

**PRIVATE AND CONFIDENTIAL**

St Wilfrid's Church of England Academy  
Duckworth Street  
Blackburn  
Lancashire  
BB2 2JR

Our ref: EPA/FCH/10625/AKW

Dear Sirs

**AUDIT AND REGULARITY FINDINGS REPORT**

During the course of our audit and regularity assurance engagements for the year ended 31 August 2020 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 all threats to our independence, as identified to you in our Audit and Business Review discussed on 3 December 2020, 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 St Wilfrid's Church of England Academy. 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 Jackson Stephen 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's staff who assisted us in carrying out our work.

Yours faithfully

*Jackson Stephen LLP*

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## **SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2020**

### **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:

- gained an understanding of the entity 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 our letter dated.

### **1. Summary of significant audit finding**

No issues were identified at the planning stage or during the course of the audit.

### **2. 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.

No control weaknesses were identified during the course of the audit.

### **3. Status of findings / recommendations from previous years**

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

Observation	Recommendations	Risk	Management response	Update 2020
<p><b>3.1 Fixed Assets</b></p> <p>Controls over capitalisation of fixed assets appear to be weak and errors amounting to £112k had gone undetected.</p> <p>A fixed asset addition relating to application 6 (Chapel build) was accounted for twice – resulting in an error of £61k – this has been corrected as part of the audit adjustments.</p> <p>In addition to the above, a fixed asset addition relating to a retention payment due to a supplier was accounted for twice – resulting in a further accounting error of £51k – this has been corrected as part of the audit adjustments.</p> <p>Both of the above had been accounted for in the previous year and again in the current year.</p>	<p>Ensure controls are in place ensuring a suitably qualified/experienced person reviews all significant accounting adjustments to ensure errors are detected in a timely manner.</p>	<p>Medium</p>	<p>This error links to accruals and creditors for 2017/2018 accounts crossing into the 2018/2019 financial year.</p> <p>The Academy is committed to improving practice mitigating the potential for fraud.</p> <p>The Academy will ensure that the Fixed Asset Register will be annotated specifically with regards to payments related to creditors or if an actual payment has been made.</p> <p>As part of the monthly meetings between finance and the Principal the Fixed Asset Register will become a standing agenda item, this in turn will be incorporated into the information shared with Governors at the Business and Resources committee meetings each term.</p> <p>In addition the Academy will review accruals and prepayments on a monthly basis.</p>	<p>No such issues were identified this year</p>

Observation	Recommendations	Risk	Management response	Update 2020
<p><b>3.2 Bank</b></p> <p>Bank transactions have been omitted from the accounts in relation to the charity bank account held.</p> <p>The movement in the overall balance was £5 for the year, however, there were over 50 transactions which were omitted from the system.</p> <p>Each transaction was trivial in nature and in aggregate, however, failure to account for and reconcile this balance could result in undetected fraud.</p>	<p>Ensure that all bank transactions are accounted for and reconciled on a monthly basis.</p>	<p>Low</p>	<p>The Academy has continued to follow its practice linked to the charity bank account over the past 3 years whereby transactions are posted in one movement at year end, this was missed before submitting the final TB to the external auditor, but has since been rectified.</p> <p>Moving forward the charity bank account and posting of individual transactions will be integrated into the monthly reconciliation and checking process. As such monthly statements and reconciliation papers will be checked and signed by the Principal.</p> <p>A new ledger code has already been set up for this financial year, demonstrating the swift action that the Academy is taking in response to minimise any potential fraud.</p>	<p>No such issues were identified this year.</p>

Observation	Recommendations	Risk	Management response	Update 2020
<p><b>3.3 Expenditure</b></p> <p>Misallocation of expenditure.</p> <p>Included within the nominal code for DM17-01 - services were costs relating to educational supplies, transport, repairs and other costs.</p> <p>This point has been brought forward from the previous year – the academy has taken steps to rectify this during the year and is willing to split these costs out further in the future.</p>	<p>Consider expanding the current chart of accounts to include more nominal codes so that each significant expense category has its own code, ensuring that direct and support costs are kept separate.</p> <p>Review expense categories on a monthly basis using the management accounts and ensure no further misallocations have occurred.</p>	<p>Low</p>	<p>The Academy reviewed the Audit Findings Report for 2017/2018 and took steps to meet the recommendations from that report.</p> <p>Having sought greater clarity with regards to this point, the Academy will ensure that costs are split out into direct and support costs with immediate effect. To ensure that this point is addressed fully, to meet the needs of both Auditors and to assist in the monthly review of finances and spending, the Academy seeks a detailed breakdown of how the 2018/2019 DM17-01 services have been split out in this Audit scrutiny so that a clear understanding of the specific categorisation process is understood.</p>	<p>No such issues were identified this year. The analysis of costs in the statutory accounts for 2020 is deemed appropriate.</p>

#### 4. Summary of audit differences and draft letter of representation

Below is the unadjusted misstatement noted during our work. We would be grateful if you could review these and confirm (as point 5 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Being refurbishment work carried out year out pre year end not accrued for	£ (8,197)
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#### 5. Audit report

We will issue an unmodified audit report for the year.

#### 6. Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2019 to 2020 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The ESFA has no right by virtue of the regularity engagement to place reliance on our work and the opinion we form in respect of our statutory financial statements audit of the academy trust.

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:

- A review of the systems in place that govern income, purchases and payroll
- Substantive testing of the income and expenditure of the academy, including credit/ charge card and expenses
- Analytical review
- Obtaining evidence relevant to the regularity and propriety of the academy's income and expenditure

We will issue an unmodified regularity assurance report for the year.