



**williams giles**  
Chartered Accountants

18 December 2017  
The Trustees  
The Exceptional Education Trust  
C/O Norlington School and Sixth Form  
Norlington Road  
Leytonstone  
London  
E10 6JZ

Dear Sirs

**REPORT TO MANAGEMENT**

During the course of our audit and regularity assurance engagements for the year ended 31 August 2017 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 The Exceptional Education Trust. We understand that you are required to provide a copy of this report to the Education and Skills 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 Williams Giles towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy's comments against each point under the "management response" column of the memorandum and return it to us in due course.

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

**Office & Registered Office:**

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a company registered in England and Wales. Co. No. 7111255

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**SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

**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<sup>1</sup>**

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Salary updates	<p>GREEN - From testing undertaken on payroll deductions, it was identified that staff personnel files are not updated consistently for updates to pay such as scale point or FTE changes and % increases.</p> <p>We recommend that personnel files are updated regularly with salary update letters to ensure that they reflect the personnel information held by the payroll provider.</p>	<p>A letter will be placed on staff files annually to reflect salary scale for each staff member. This is already undertaken for UPS applications, changes to TLR or responsibilities</p>
Contract errors	<p>GREEN - From testing undertaken on new employees joining the academy it was identified that a large number of contracts had been issued with errors such as incorrect salary bandings etc.</p> <p>We recommend that prior to contracts being issued that they are checked to ensure that any changes to the value of pay scales</p>	<p>If contracts are issued before Sept salary increase then pay scale will reflect previous year until such time that trustees have ratified an updated pay increase.</p>



	are corrected; this will ensure the contract is the most up to date evidence prior to any salary change letters.	
<b>Other areas where issues were identified during the audit</b>	<b>Findings, significance and recommendations</b>	<b>Management response / timetable for action</b>
After-date cut-off testing	<p>GREEN – From testing carried out on September 2017 invoices, there were several identified that were dated prior 31<sup>st</sup> August 2017 that had not been posted on the system.</p> <p>We recommend that a review of invoices received after the year-end is undertaken and any aged creditor invoices identified are either posted or accrued into the correct period on the system</p>	Changes will be made to limit this for 2017/18 accounts
Duplicate employees	<p>GREEN - From testing carried out on new starters it was identified that one employee had been paid twice in the same month on the same payroll report for September 2016. Although this was an error on the payroll provider's side the error was not spotted prior to the payroll being authorised and paid.</p> <p>We recommend that payroll reports are reviewed in regards new starters to ensure that they are not duplicated and therefore do not represent additional costs to the school.</p>	Checks will be made to new starts to limit any possibility of this occurring in future.
Aged Creditors Summary	<p>GREEN - From testing carried out on Aged creditors it was identified that a September 2017 payment run had been posted into the 2016-17 period.</p> <p>We recommend that payment runs made after the year-end date are posted into the first period of the new year to avoid trade creditors and bank balances from being understated.</p>	Systems will be checked to limit this for 2017/18 accounts

**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.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
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Credit Card Testing	<p>GREEN - From testing carried out on credit cards, it was identified that in some cases invoices and purchase orders were missing.</p> <p>We recommend that all credit card expenditure are authorised with backing invoices and purchase orders to avoid any unauthorised use of the credit card.</p>	Systems will be checked to limit this for 2017/18 to limit any further occurrences
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**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 developments in the 2016 are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
None first year		

**Draft letter of representation**

We attach draft letters of management representations required in connection with our audit.

**Outstanding matters**

Prior to issuing our audit report we require:

- the signed letter of representation;

**Anticipated audit report**

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

**Regularity assurance engagement findings**

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2016 to 2017 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:

- An assessment of the risk of material misstatement and irregularity
- Testing and review of areas identified through risk assessment including enquiry, inspection and review, observation and re-performance
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our audit in order to support the regularity conclusion

We anticipate that we will issue an unmodified regularity assurance report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

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

Findings and significance	Potential implications / financial impact and recommendations	Management response / timetable for action
None		