

Our Ref: EXSI8597/TB/HS/CT

Your Ref:

Date: 12 December 2017

PRIVATE & CONFIDENTIAL

The Board of Trustees
The Minerva Learning Trust (Dorset)
The Sir John Colfox Academy
Ridgeway
Bridport
Dorset
DT6 3DT
Dear Sirs

2017 Audit and Regularity Assurance Engagement of The Minerva Learning Trust (Dorset)

Introduction

In order to carry out our duties and responsibilities as auditors, we are required by International Standard on Auditing (UK) 260 "*Communication with those charged with governance*" ("ISA 260"), to communicate matters arising from the audit of the above named Academy Trust to you.

Our fieldwork is complete and we propose to issue an unmodified audit report for the year.

Our Approach to the Audit

Our work was planned to provide a focused and robust audit, so as to:

- Provide an independent opinion as to whether the financial statements give a true and fair view; and;
- State whether the financial statements have been properly prepared in accordance with the Companies Act 2006 and the relevant Academies Accounts Direction (AAD).

Our work was also planned to provide a "limited assurance" report on regularity in accordance with the relevant AAD issued by the Education and Skills Funding Agency (ESFA).

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, 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.

When planning our audit work, we sought to minimise the risk of material misstatements occurring in the financial statements. To do this, we considered both the risk inherent in the financial statements themselves and the control environment in which your Academy Trust operates. We then used this assessment to develop an effective approach to the audit.

Based on our knowledge of the Academy Trust, we assessed the risks to the Academy Trust and planned our audit with regard to these risks. Our auditing standards require us to include the following as significant risks:

- Management override; and;
- Revenue recognition.

Responsibilities of the Trustees

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

The matters dealt with in this letter came to our attention during the conduct of our normal audit and assurance procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the above Academy Trust and providing a limited assurance conclusion on regularity.

In consequence our work did not encompass a detailed review of all aspects of the systems and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

We would be pleased to discuss any further work in this regard with trustees and/or management.

Qualitative Aspects of Accounting Practices, Regularity and Financial Reporting

The following key audit and accounting issues were discussed and agreed at our closing audit meeting with Gillian Jacobs on 28 November 2017.

- Accounts presentation
- Trustees' report
- Diocese land & buildings
- Trial balance
- Fixed asset register

Audit Materiality

In carrying out 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 items

We do not deem the total of the unadjusted items to be material to the financial statements. Within our letter of representation, we request you confirm that the effects of not recording such misstatements identified in the financial statements are, both individually and in the aggregate, immaterial to the financial statements of the Academy Trust as a whole.

Audit adjustments

During the course of our audit, we have identified adjustments which have been processed in the financial statements, on the agreement of management. These are attached to the letter of representation.

Internal financial controls

Our review of the Academy Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy Trust as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those

which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, we refer only to significant matters which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements which a special review might reveal.

Accompanying this letter is a memorandum noting our significant control observations together with any recommendations we have for possible improvements which could be made. See Appendix I.

Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the relevant AAD issued by the 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.

We propose to issue an unmodified regularity assurance report for the year.

Appendix I also includes regularity issues brought to your attention in connection with the regularity assurance engagement.

Your comments

We would be grateful if you could enter your comments against each point under the "management response" column of Appendix 1 and return it to us in due course. This letter will be submitted to the EFA with the Financial Statements.

This letter has been prepared for the sole use of the Board of Trustees, Governors, management and others of the Academy Trust. 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. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this report.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours faithfully



Bishop Fleming LLP

APPENDIX I

Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
Governance matters			
Companies House			
<p>During the audit we noted that several changes in Trustees had not been notified to Companies House. We noted during a review of minutes that A Evans & B Shelley had resigned in the year.</p>	<p>We recommend that Companies House is notified of any changes to Trustees in a timely manner. We note that the changes identified have since been reported to Companies House.</p>	<p><i>Now done</i></p>	
Accounting matters			
Trial balance difference			
<p>The trial balance provided to us did not have any brought forward balances. This meant that opening reserves did not reconcile to the accounts & a lengthy process had to be completed to import the trial balance. We understand that a representative of PSF had visited during the year to support with the inputting of opening balances, however due to issues with the PSF software, the inputting was not done successfully. Furthermore as a result of the issue with the PSF software, the system is unable to produce a trial balance report.</p>	<p>Running a trial balance is a basic procedure that the PSF system should be able to perform. PSF support must be contacted to correct this system error. We suggest that a date is arranged for Bishop Fleming and PSF support to work together to put the opening balances onto the system once the software is working correctly.</p>	<p><i>Meeting to be arranged in January with PSF and auditors</i></p>	
Year-end adjustments			
<p>On arrival for the audit, none of the 31 August 2017 year-end adjustments to capital additions, depreciation, accruals and prepayments had been posted to the accounting system, even though schedules had been fully prepared.</p> <p>Due to the issues with PSF discussed in the point above, we understand it would be difficult to update the system balances when PSF will not produce a report showing what the current system balance is.</p>	<p>The PSF system must be brought up to useable standard as described in the point above.</p> <p>As part of the year end procedures a trial balance can be run to check the control account balances and adjustments posted accordingly.</p>	<p><i>As above</i></p>	

Description & Impact	Recommendation	Management Response	Category
<p>Fixed asset register</p> <p>The fixed asset registers that are being kept for each school do not record depreciation brought forward or charged in the year and therefore do not show the net book value of the fixed assets. This information is required when assets are sold or scrapped, so that a profit or loss on disposal can be calculated.</p>	<p>We recommend that a fixed asset register is kept and maintained detailing depreciation.</p>	<p><i>This will be put in place</i></p>	
Governance matters			
<p>SWAP recommendations</p> <p>SWAP carried out an internal audit during the year and a number of Governance recommendations were made. These included the annual review by Trustees of a number of policies, such as Fraud and Corruption, Financial Procedures Manual and the Scheme of Delegation. Also, a list of Trustees should be published on the website showing relevant dates & attendance records for meetings.</p> <p>The Academy Trust must ensure that the points identified are addressed as soon as possible.</p>	<p>We understand that an action plan has been agreed. In particular, the Financial Procedures Policy & Scheme of Delegation must be reviewed annually. Also, a list of Trustees should be published showing relevant dates & attendance records for meetings.</p>	<p><i>Financial procedures policy reviewed on 12 December 2017. Trustee records now on website.</i></p>	

Description & Impact	Recommendation	2017 Update	Category
Governance matters			
Central recharges			
<p>The amount recharged to each school in respect of central services is currently based on specific cost savings made by the schools. This is instead of taking a top slice approach for example.</p> <p>Intra-mat income and expenditure is therefore often posted to several nominal codes, i.e. teaching costs. This is a time consuming approach as it involves picking out the specific costs across the schools each time a saving is made. Furthermore all postings relating to central services must be identified and adjusted for the purposes of disclosure in the statutory accounts.</p>	<p>We recommended that a recharge structure is put into place which is consistently applied across all of the schools.</p>	<p>A recharge structure has now been put into place.</p>	○
Accounting matters			
Opening reserves			
<p>Opening reserves did not reconcile to the accounts. The initial trial balance showed opening reserves of £511,327 and the 2015 year end accounts showed closing reserves of £17,754. It was later found that opening balances had not been posted correctly for fixed assets and the pension deficit.</p>	<p>We recommended that the closing reserves are reconciled to the closing accounts.</p>	<p>The Trial Balance provided in the CY did not include opening reserves. This had to be posted by Bishop Fleming.</p>	●
Trial balance difference			
<p>The trial balance provided had a difference of £1,786. This was due to several journals being posted which did not balance. We understand that the journals were posted by the expert brought in from PSF to help with the yearend close down.</p>	<p>We recommended that all journals posted in future balance and net off to Nil.</p>	<p>The trial balance balanced for the year ended 30 September 2017.</p>	○
Fixed asset register			

Description & Impact	Recommendation	2017 Update	Category
No fixed asset register is currently being kept or maintained. This increases the risk of theft of assets and capital expenditure being included in revenue nominal codes.	We recommended that a fixed asset register is kept and maintained.	A fixed asset register is now in place for each school. Please see the current year issue on the matter.	○

- Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements
- Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.
- Observations refer to issues that would if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements