

The Board of Trustees
Quest (A Church of England Schools Trust)
682 Atherton Road
Hindley Green
Wigan
WN2 4SQ

Our ref: AEB/LE/TKYFED/21
Date: 1st December 2021

Dear Trustees

Letter of Comment and Report to the Board

1 Introduction and coverage:

This report summarises our key findings in connection with the audit of the financial statements of Quest (A Church of England Schools Trust) and regularity assurance engagement in respect of the year ended 31st August 2021.

We consider the approach adopted will provide the trustees with the required confidence that a thorough and robust financial statement audit has been carried out, together with a thorough and integrated regularity assurance engagement.

We can confirm that, at the date of this report, we anticipate no modifications to either the financial statements, audit report or the regularity assurance report. There are no additional matters to draw to your attention other than those communicated to you in our pro-forma letter of 22nd November, all of which are replicated below.

2 Audit, Regularity and accounting issues identified at the planning stage:

| Key area of focus | Work undertaken | Resolution |
|---|---|--|
| Fixed Asset Valuation and Impairment | <p>Verification of the cut off applied on capital projects -where CIF projects run over the summer break</p> <p>Verification of a sample of additions to supplier invoice and physical verification of assets.</p> <p>Consideration of any indicators of impairment.</p> <p>Review of the methods of depreciation for appropriateness and application</p> | <p>Cut off has been correctly applied to capital projects</p> <p>Invoices were obtained and physical verification of assets completed.</p> <p>There were no indicators of impairment. All disposals have were not eliminated from the financial statements appendix 1.</p> <p>Depreciation is in line with our experience of the sector and has been consistently applied.</p> |
| Completeness of provisions/ accruals | <p>We reviewed the provisions and accruals in the financial statements against primary documentation and post year end events.</p> | <p>We are satisfied that there are no material exceptions to accruals or provisions. We noted potential adjustments in Appendix 1.</p> |

| Key area of focus | Work undertaken | Resolution |
|---|--|---|
| <p>Information on Instances of Non-Compliance with Laws & Regulations that could give rise to a material misstatement in the financial statements</p> | <p>Review minutes of the Governing Body and Local Governing Body minutes.</p> <p>Discuss with the senior management team.</p> <p>Review legal and professional costs for indicators of claims.</p> | <p>No information has come to light of any non-compliance with the laws and regulations that could give rise to a material misstatement in the financial statements.</p> |
| <p>All detected or suspected instances of material fraud</p> | <p>Review of the minutes of the Governing Body.</p> <p>Discussions with the senior management team.</p> <p>Review of large and unusual transactions and transactions with related parties for indications of possible fraud.</p> | <p>No information has come to light which suggests instances of material fraud have occurred.</p> |
| <p>Management override</p> | <p>Review of large and unusual journal entries.</p> <p>Consideration of large and unusual transactions.</p> | <p>We have seen no evidence of management override.</p> |
| <p>Areas of management estimates</p> <p>The most significant areas of estimate are the assumptions utilised by the actuary during the valuation of the Local Government Pension Scheme (LGPS).</p> <p>The FRS 102 pension liability is a significant balance sheet item and represents the Academy's share of the Local Government Pension Scheme. The amount recognised is based on a valuation undertaken by an actuary. The actuary also provides the disclosure for inclusion in the financial statements.</p> <p>There is a risk that the amount might be materially misstated where the data and assumptions used are not appropriate.</p> | <p>We obtained and reviewed a copy of the FRS 102 actuarial valuation prepared by the actuary and undertook procedures to determine our ability to rely on their work.</p> <p>We confirmed that the Employee and Employer rates on the payroll records are in line with the contributions required under the scheme.</p> <p>We reviewed the disclosure made in line with information we obtained for other school clients and publicly available information on the internet.</p> <p>The Teachers' Pension is correctly accounted for as a defined contribution scheme</p> | <p>We have reviewed the FRS 102 report issued by the actuary and the disclosures in the financial statements with no issues noted.</p> <p>We are satisfied that the accounting treatment and contributions are in line with expectations.</p> |
| <p>Staff Costs</p> <p>The major cost for the Academy Trust is the direct teaching and other staff costs.</p> | <p>We tested in detail 33 employees of the academy to confirm that wages and salaries are paid only to bona fide employees of the Academy Trust for work done. The audit work undertaken included testing to confirm gross pay rates, pension and other deductions.</p> <p>We performed analytical review over the entire staff costs charged by</p> | <p>We undertook work in line with our outlined approach. No issues were identified other than those noted in Appendix 1.</p> |

| Key area of focus | Work undertaken | Resolution |
|---|--|---|
| | <p>reference to employee numbers and payroll records.</p> <p>We reviewed actual costs for the year against our expectations and obtained explanations for the variance.</p> | |
| <p>Capital Funding</p> <p>Increasingly funding for larger capital projects is provided in the mixed form of SALIX loans and capital grants.</p> <p>The risks are that the loan element of the funding is not correctly recognised in the financial statements.</p> <p>Where funding receipts straddle the year end dates there is also a risk that capital grant income is understated.</p> | <p>We reviewed the minutes for details of larger capital projects and grants applied for.</p> <p>We reviewed the documentation relating to capital grants.</p> <p>We reviewed the bank statements after the year end to identify capital grant/SALIX loan funding receipts.</p> <p>We reviewed purchase invoices after date for large capital items.</p> | <p>We are satisfied that capital grants have been identified and recorded in full.</p> <p>We are satisfied that no SALIX loans have been identified and recorded in 20/21.</p> |
| <p>Impact of COVID19</p> <p>Changes to working practices required during lock down and the increased working pressures may cause inappropriate changes to control processes.</p> <p>Changes to processes required as a result of remote working may lead to inappropriate decision making around procurement and authorisation without due regard to the procurement notices PPN 02/20 and PPN 04/20 issued in June 2020 by the cabinet office.</p> <p>Any grant income due has been applied for and is appropriately disclosed in the financial statements.</p> | <p>We discussed the trusts' response to the shut down and reviewed any changes made to control procedures.</p> | <p>We have seen no evidence of inappropriate changes to control processes as a result of the pandemic.</p> <p>We have seen no evidence that due regard has not been given to the procurement notices issued.</p> <p>Grant income has been applied for and is appropriately disclosed in the financial statements.</p> |

3 Adjusted and Unadjusted misstatements:

Materiality was set at £90,000 and items below £4,500 are considered to be merely trivial for audit purposes.

No adjustments have been made as a result of the audit process.

Unadjusted misstatements

Unadjusted misstatements noted in the audit process are included in Appendix 1

There were no other instances of unadjusted misstatements other than those concerned to be merely trivial, to draw to your attention.

4 Memorandum of Weaknesses:

We have set out in Appendix 2 the internal weaknesses which came to our attention during the course of our audit and regularity work.

This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the procedures performed. The audit and regularity assurance engagement is not designed to identify all matters that may be relevant to you and accordingly they do not ordinarily identify all such matters.

5 Significant accounting policies, disclosures and estimates

There were no significant accounting policies or estimates used that need to be brought to your attention.

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both the relevant accounting standards, Financial Reporting Standards Applicable in the UK and Republic of Ireland (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (Charities SORP (FRS102)), the Charities Act 2011 and the Companies Act 2006 and the Academies Accounts Direction 2020 issued by the Education Skills Funding Agency (ESFA).

There are no matters to be brought to your attention in this regard.

There were no significant difficulties encountered during the course of the audit and regularity assurance engagement.

6 Letter of representation

A draft of our proposed letters of representation is attached. There are two specific representations to which we draw your attention paragraph 7 on related parties and paragraph 19 borrowings

7 Other relevant matters relating to the audit

None

8 Independence

We have discussed with you the fact that we provide accounting in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services do not affect our independence as:

- (i) the additional services provided are of a routine compliance nature and the Board of Trustees takes any decisions where judgement is required, and
- (ii) the audit work is completed and monitored by a separate team to the accounts preparation process.

We are satisfied that the firm's quality control procedures provide adequate safeguards. The firm and the audit engagement team have therefore complied with relevant ethical requirements concerning independence

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

This report has been prepared for the sole use of the trustees of Quest (A Church of England Schools 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 Hallidays towards any party acting or refraining from action as a result of this report.

The purpose of the audit was to enable us to express an opinion on the financial statements. The audit included consideration of internal control 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. The matters reported above are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.

If we can be of any further assistance, please contact Anna Bennett

Yours faithfully



Hallidays

Appendix 2 QUEST – Audit – Memorandum of Weaknesses

Management Letter for the Year Ended 31st August 2021

The following weaknesses were identified, together with their consequences and suggested course of action:
The weaknesses have been categorised as follows:

| | | |
|-----------|-------------------------|--|
| F | Fundamental | A fundamental weakness in the internal control system, the organisation is subject to levels of fundamental risk where immediate action should be taken. |
| S | Significant | Attention to be given to resolving the position as the organisation may be subject to significant risks. |
| MA | Merits Attention | Desirable improvements to be made to improve or implement the internal controls. |

INTERIM

| Recurring Item | Audit Ref | Risk | Weakness | Consequences | Recommendations | Action |
|----------------|-----------|------|--|--|---|--|
| Y/N | | | | | | |
| N | D200 | MA | 3 out of the 11 petty cash samples tested did not have the petty cash sheets signed: <ol style="list-style-type: none"> 1- UCS- B&Q: had stated on form 'requested by ...' 2- UCS-Face masks: had stated on form 'verbally requested by...' 3- UCS- Wilko: no signature present as the section was blank. | The risk of neglecting the authorisation process of petty cash sheets, may lead to unauthorised costs being incurred by the Trust. | It is recommended that all petty cash expenditure is authorised in line with the FPM. | Scheme of Financial Administration re-issued to all schools and procedures reiterated. A summary of important financial information for staff detailing the financial guidelines to follow has been produced and uploaded to the staff app so that all staff are aware of the correct procedures. |
| N | R200 | MA | For 1 of the 11 expenditure items tested, the invoice was not marked as paid – as there was no invoice voucher. | Invoices may be paid twice leading to an overstatement of expenditure and the possibility of a loss of funds. | We recommend that all invoices have an invoice voucher, which is marked paid in line with the FPM – Authorisation of payment (page 15). | The procedure relating to the payment of invoices has been reinforced with finance assistants and a 'paid and certified by' stamp is now being used. |
| N | D200 | MA | 1 out of the 11 credit card transactions (Cherry Blossoms) did not have a signed requisition present. | Credit card transactions that have not been correctly authorised may result in deficits within the Trust's budget or expenditure being incurred which is not in line the Trust's objectives. | We recommend that there is an approved requisition form completed before credit card transactions are entered into, in line with the FPM. | Ordering guidelines have been re-issued to ensure all staff are aware of the correct procedure to follow. This is also readily available to staff on the staff app. |