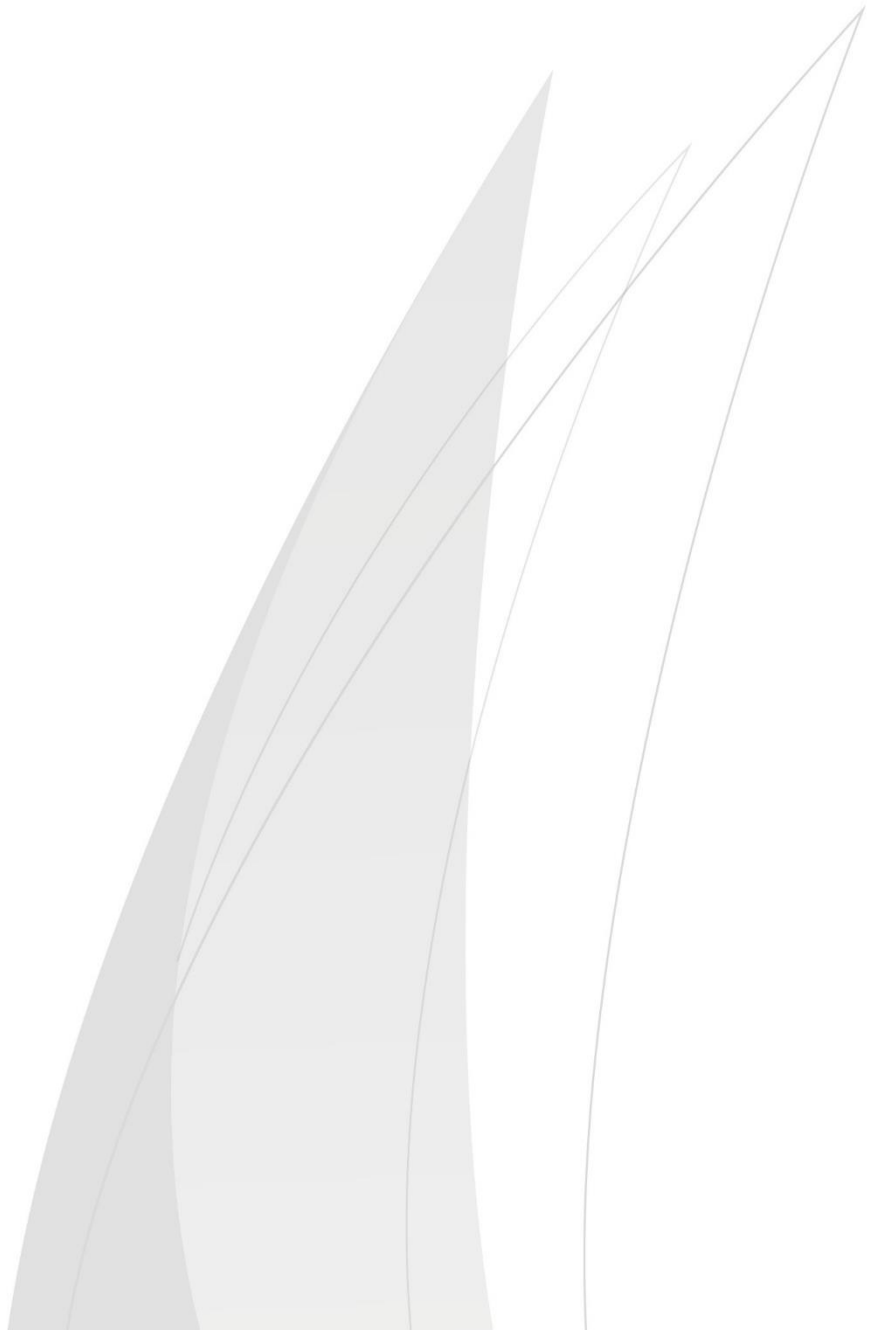




Key Issues for Discussion Document Bishop Perowne Church of England College ("The Trust")

For the year ended 31 August 2020



Ref: WRPER01/AW/JG/C F
Date: 23 November 2020

PRIVATE & CONFIDENTIAL

The Board of Trustees
Bishop Perowne Church of England College
Merriman's Hill
Worcester
WR3 8LE

Dear Sirs and Mesdames

Bishop Perowne Church of England College – Key Issues for Discussion Document

We are pleased to attach our Key Issues for Discussion Document. This report, which is designed to be the basis of discussion when we meet, summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Trustees and those charged with governance of the Trust and should not be shared with anyone beyond this Trust without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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1. Introduction and executive summary

Introduction

The Key Issues for Discussion Document (“KIDD”) has been prepared for the benefit of discussion between Bishop Fleming and Bishop Perowne Church of England College (the Trust).

The purpose of the KIDD is to highlight the key issues affecting the audit of the Trust and the preparation of its financial statements for the year ended 31 August 2020.

The document is also used to report to management our mandatory requirements as set out in International Standard on Auditing (UK & Ireland) 260 (ISA 260).

Audit status

Our audit work was carried out in accordance with our audit plan in response to the perceived audit risks, and no matters were identified which required us to change our approach and no additional risks were identified.

Our audit is complete although we are finalising our procedures in the following areas:

- Approval of financial statements
- Receipt of the management representation letter

Audit report

We anticipate issuing an unmodified audit report on the financial statements of Bishop Perowne Church of England College for the year ended 31 August 2020 subject to the successful conclusion of matters within this report and to receiving all outstanding information set out previously.

We have summarised our findings and conclusions in relation to the significant risks within this report.

Regularity report

We conducted our regularity assurance engagement in accordance with the AAD. 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 may 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 Trust’s income and expenditure.

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

The small print

Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Trust arising under our audit engagement letter.

This KIDD has been prepared for the sole use of the Board of Trustees, management and others of the Trust. We understand that you are required to provide a copy of the management letter section of this report to the ESFA. With the exception of this, no reports may be provided to third parties without our prior written consent. No responsibility is accepted by Bishop Fleming towards any party acting or refraining from action as a result of this report.

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 KIDD 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 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.

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.

Review of Accounting Policies

We have reviewed the accounting policies adopted by the Trust and have found them to be appropriate and applied consistently.

Changes to Accounting Policies

There have been no changes to accounting policies since the previous period.

Representation Letter

A draft representation letter has been separately provided to you.

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 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.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest. We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised. We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

Details of all the threats and related safeguards relating to non-audit services provided were included in our planning report.

Statutory audit and regularity report

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 Academies Accounts Direction 2018 to 2019 (AAD).

Our work was also planned to provide a “limited assurance” report on regularity in accordance with the AAD.

Due to 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 Trust operates. We then used this assessment to develop an effective approach to the audit.

Based on our knowledge of the Trust, we assessed the risks to the Trust and planned our audit with regard to these risks. The significant risks identified in connection with the audit are summarised later in this report.

And finally

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.

2. Key audit risks and other findings

1 Significant risk: Management override of controls

Summary

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have considered:

- Tested journals with a material impact on the results for the year
- Considered a sample of other journals with key risk attributes (see later pages for details of the output from our journals analysis work)
- Significant accounting estimates such as depreciation and pension assumptions

We have not identified any material errors from the testing carried out.

2 Significant risk: Revenue recognition

Summary

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

To address this risk, we have:

- Documented and validated the control environment for income and debtors
- Performed detailed cut off testing of revenue
- Validated GAG income to supporting documentation
- Considered manual income journals as part of our work on fraud risks documented above.

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No issues noted

4 Regularity risk: Unauthorised transactions

Risk

Risk of unauthorised activities or expenditure being incurred

Work done and conclusion

Throughout the audit, consideration has been given to any transactions reviewed or identified. This includes transactions discussed at board level, or as selected in our detailed expenditure testing.

No issues noted.

5 Regularity risk: Related parties

Risk

Risk of related party transactions occurring and not being detected

Work done and conclusion

We have reviewed the register of interests, declarations forms, board minutes and enquired with management. This has also been considered in connection with our detailed expenditure testing.

No issues noted.

5 Regularity risk: Unauthorised borrowings or leases

Risk

Risk of unauthorised borrowings and leases being in place

Work done and conclusion

We have reviewed the bank confirmation letter for any bank borrowings, reviewed the balance sheet for any other borrowings, and reviewed the processes for new leases in the year to ensure correct consideration was given as to whether it was a finance lease or not before entering into it.

No issues noted.

6 Land and buildings ownership: Diocese

Risk

Risk of land and buildings held on the balance sheet without legal ownership

Work done and conclusion

We have reviewed the Land Registry to ensure land and buildings are in the name of the Trust. Our findings showed that they are in fact legally owned by the Diocese, although still on the balance sheet of the Trust. It is our understanding that the Trust have not received notification from the Diocese that they need to be taken off their balance sheet, despite being occupied on a licence agreement. This will be confirmed with the Trustees before signing off the audit report.

Update: confirmed treatment is correct

7. £2.5m award for new build

Risk

Risk of capital income being incorrectly stated

Work done and conclusion

Capital income should be recognised on entitlement and once all conditions attached to that entitlement have been achieved. We note that the Trust has received confirmation of an award for £2.5m funding in respect of work for college buildings to enable expansion but none of this income is currently included in the financial statements due to entitlement only arising on receipt of invoices to be reimbursed.

Due to the Trust having to pay invoices on the new build before being reimbursed by WCCC, there will be an impact on the Trust's cashflow, so careful cash management will be required.

3. Analysis of performance

We understand that the financial performance of your Trust can be difficult to understand after year end adjustments are made. Reasons that complicate this, include the transfer of assets into the Trust on conversion, depreciation and capital grants and the LGPS pension adjustment. Below we have provided a reconciliation to be able to see this underlying performance.

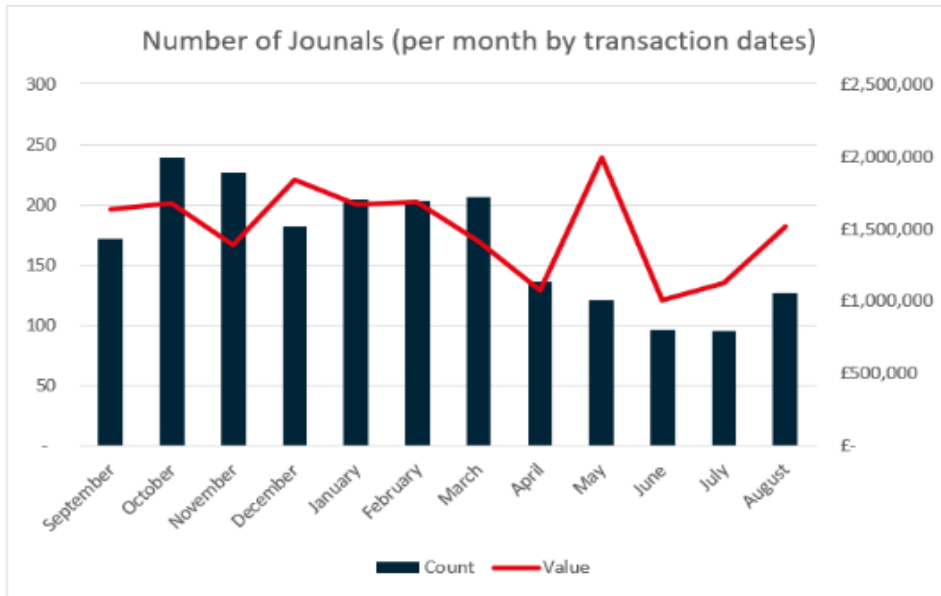
	Actual 2020 £'000	Actual 2019 £'000
Surplus/deficit per accounts	(107)	(684)
Less fixed asset fund movement (before transfers)	134	221
Add back net LGPS Pension movement	260	640
Transfer (to)/from Fixed Asset Fund	(85)	(28)
Revenue fund movement	202	149

This can be further demonstrated how this has affected the revenue funds within the Trust. We have also looked at how the forecast for 2021 will look with the revised, actual year end position.

	2019 free reserves b/fwd	2020 surplus	2020 free reserves c/fwd	2021 forecast surplus	2021 forecast free reserves c/fwd
Total	217	202	419	74	493

4. Audit insights

No. of Journals (Per month by transaction date)



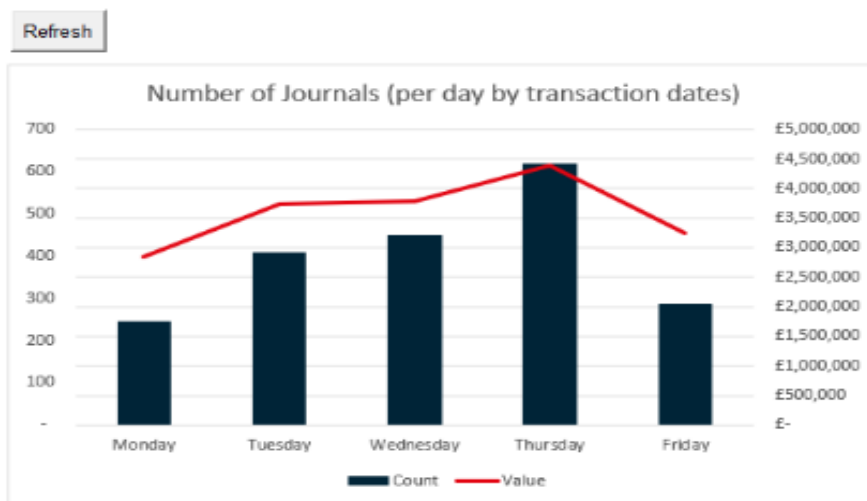
This graph represents the number of journals posted each month.

As you can see, for the majority of the year between 100-200 journals are posted each month with values between £1-£2 Million. The number of journals posted reduces from April onwards which is in line with our expectations due to the level of activity decreasing due to COVID-19.

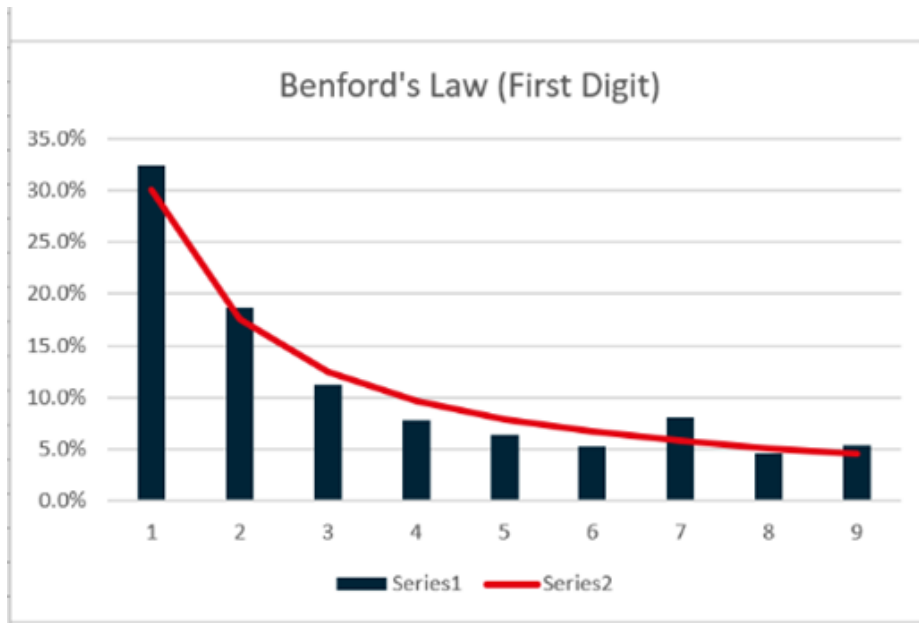
Users

From a review of who posted journals, these were all carried out by finance team members, with Benita Pomeroy posting 98% of the total journals. Based on Benita's position as the Finance Officer, this is as we would expect.

Timing of journals



Benford's Law Review



Series 1 is the frequency of journals and series 2 is the trend predicted by Benford's law.

Benford's Law states that in a natural collection of numbers, the leading significant digit is likely to be small and follow a logarithmic curve. This is analysed to assess whether there is a heightened risk of fraud due to unusual data being posted that is not in line with what is deemed a normal data set.

From the graph above we can see that the frequency of journals is in line with that predicted by Benford's law and no further risk has therefore been presented.

Key Word Analysis

We have also performed a review of key words contained within journal descriptions. The majority of those identified related to month end adjustments, transfers to the intercompany account and gifts to members of staff that were not deemed unusual.

5. Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of those charged with governance, were adjusted in the financial statements.

Further adjustments were proposed but not made as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are detailed below:

Adjusted Journals:

Detail	Debit P&L	Credit P&L	Debit B/S	Credit B/S
1. ESFA Capital Funding (Income)		183,009		
Accrued Income			183,009	
2. Pension adjustment FRS102 – P&L	165,000			
Pension adjustment FRS102 – B/S				165,000
3. Pension reserve b/fwd. Unrestricted fund			161,000	
				161,000
4. General restricted funds (transfer per client funds analysis)			85,130	
Fixed asset funds				85,130
5. Internal catering (to reclassify to charitable activities from trading activities)		77,563		
Internal catering – trading activities	77,563			

Unadjusted Journals:

Detail	Debit P&L	Credit P&L	Debit B/S	Credit B/S
1. Internal catering (to move prior year internal catering to charitable activities)		106,246		
Internal catering – trading activities	106,246			

There are no brought forward unadjusted journals

6. Management letter points and internal control systems

The Trust's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Board that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit, none of which are considered significant.

We would be pleased to discuss further work in this regard with the Board.

KEY:



Financial - 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.

Governance – Observations that are fundamental to good governance and should be addressed immediately to minimise the risk of governance failings.



Financial - 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.

Governance – Observations that are important to good governance and should be addressed to minimise the risk of governance failings and to help improve procedures.



Financial - 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.

Governance – Observations that if addressed would help to improve and embed good governance practices but is unlikely to lead directly on its own to governance failings.



Observations made in the previous year have been resolved.

Summary of progress against points raised.

Risk Rating	2020	2019
	0	0
	0	0
	3	11
	6	7

Internal financial controls


Our review of the Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy 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.

The following table summarises our significant control observations together with any recommendations we have for possible improvements which could be made.


Your comments


We would be grateful if you would enter your comments against each point under the "management response" header of the management letter point section and return it to us in due course. The management letter section of this KIDD letter will be submitted to the ESFA with the Financial Statements.

Current Year Issues


Register of interests – governance	
	
<p>The register of business and pecuniary interests for 2019/20 is not on the schools website and so we were unable to reconcile information on Companies House to the Bishop Perowne's register of interest.</p>	<p><u>Recommendation</u></p> <p>We recommend updating the website's register of interest to ensure it is accurate and all relevant parties are disclosed. We also recommend that Trustees are given refresher training on what constitutes a related/connected party.</p> <p>The difference between the information on the academy website and companies house was raised as a Management Letter Point in 2019 and 2018.</p> <p><u>Management comment</u></p> <p>The point is noted it was compounded in 2019-20 due to issues in respect of the Clerk to Governors at the beginning of the Academic year. This has now been resolved and a full register of interests for 2020-21 is now on the schools website. Information on what constitutes a related or connected party will be shared with the Full Governing Body of Trustees.</p>


Prior Year Issues – Unresolved


Mobile phones – finance lease	
	
<p>The Southern Communication mobile contract is a finance lease as the monthly rental charges include the cost of the handsets.</p> <p>Total monthly charges for the lease comes to £185.76.</p>	<p><u>Recommendation</u></p> <p>We recommend seeking retrospective approval from the ESFA for the mobile phone finance leases to ensure compliance with the ESFA regulations.</p> <p><u>Management comment</u></p> <p>After consultation with other Academies, the fact the contracts would cease August 2020 and December 2020 and the value was low the school did not seek retrospective approval. The contract in September has been changed to a month by month SIM only contract and when the other contract comes up for renewal in December a best value Sim only contract will be sort and if phones need upgrading they will be purchased outright adhering to the Schools Finance Policy.</p>


Petty cash and debit card detail	
	
<p>Whilst reviewing petty cash, we noted that the supporting receipt is not always included on the claim. Although these are usually small amounts, further details would mean the Academy is able to support that all petty cash expenditure is for academic purposes. It will also ensure that the Finance Policy is being adhered to.</p> <p><u>Specific example:</u></p> <p>£20 for A Bradley shoes -no receipt</p> <p>£20 to a pupil for trousers – no receipt</p>	<p><u>Recommendation</u></p> <p>We recommend introducing more detail onto petty cash claim, confirming for academic purposes.</p> <p>In addition, we recommend cash withdrawals from the debit card have supporting receipts kept.</p> <p>This was also raised as a Management Letter Point in 2019</p> <p><u>Management comment</u></p> <p>This was the only incidence of this and occurred in exceptional circumstances. It was authorised by a member of the Senior Leadership team asking for cash to be provided to a student to enable uniform to be purchased to secure their place in education. In future the school will re-imburse on production of a receipt or purchase through the schools official ordering procedures stated in the Finance Policy.</p>


Prior Year Issues – Resolved


Signed Board minutes	
	
Signed Board minutes for some meetings during the year were not available as they had been lost in the changeover to new Clerk.	<p><u>Recommendation</u></p> <p>The management letter point has been removed as signed board minutes were obtained for meetings during 2019/20.</p>

Lettings income	
	
During our testing of lettings income, we noted that there was no agreed cost schedule for lettings of facilities at the Academy such as the Sports Hall and Theatre. The invoices are raised based on the previous price invoices to them therefore could be out of date, or unapproved.	<p><u>Recommendation</u></p> <p>The management letter point has been removed as policy was put into place January 2020</p>

Segregation of duties	
	
It became apparent that debit card purchases are not always physically authorised by both the budget holder and the Finance Office. The lack of double authorisation fails to ensure that all orders placed are bona-fide and accurate, and are in line with the budget holders request, and are not outside their delegated authority.	<p><u>Recommendation</u></p> <p>The Management letter point has been removed as this was no longer found to be an issue in 2019/20</p>

Petty cash limit	
	
<p>On review of the petty cash claims we identified one instance where the petty cash claim was over the finance policy limit of £50. Although the amounts over the limit were minimal, it's not in line with the policy.</p>	<p><u>Recommendation</u></p> <p>The management letter point has been removed as this was not found to be an issue in 2019/20</p>

Authorisation	
	
<p>Petty cash – Not all petty cash claims were signed by both the budget holder and Finance Officer. Although the FO ensures the claim is within the department's budget, there is no physical evidence of this. This could prove a potential issue if it's not signed and the FO is on holiday and has temporary replacement, it could result in inappropriate approvals of claims. The forms were also not dated.</p> <p>There were also various instances during the year where the School Business Manager, Peter Albertini, authorised his own expense claims.</p>	<p><u>Recommendation</u></p> <p>The management letter point has been removed as this was not found to be an issue in 2019/20</p>

Bank reconciliation	
	
<p>Last year there was an unreconciled difference on the bank account.</p>	<p><u>Recommendation</u></p> <p>The management letter point has been removed as this was not found to be an issue in 2019/20</p>