



Key Issues for Discussion Document

Elmlea Schools' Trust

("The Trust")

For the year ended 31 August 2023



Ref: BSEL1573/JS/CC/LC
Date: 15 December 2023

PRIVATE & CONFIDENTIAL

The Board of Trustees
Elmlea Schools' Trust
The Dell
Westbury on Trym
Bristol
BS9 3UF

Dear Trustees

Elmlea Schools' Trust – 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 Elmlea Schools' Trust (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 2023.

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 now complete.

Audit report

We have issued an unmodified audit report on the financial statements of Elmlea Schools' Trust for the year ended 31 August 2023.

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.

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.

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 2022 to 2023 (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.

Appendix

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	2023	2022
	0	0
	0	0
	3	2
	1	3

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 Matters

IT controls	
 <p>We have identified that there are no formal controls in place to ensure that passwords are strong enough and changed regularly. We also note that there is currently no process to test backups of financial reporting data nor any disaster recovering testing done. Finally we note that there is a reliance on a single person for IT systems and that there are no contingency plans should this person leave the Trust.</p>	<p><u>Recommendation</u></p> <p>We recommend that controls are implemented to set minimum requirements for password strengths and that these are changed on an appropriately regular basis.</p> <p>We recommend that a disaster recovery test is performed on financial data backups to ensure back up data can be recovered. These should be performed periodically.</p> <p>Finally we recommend that knowledge surrounding the Trust’s IT systems is shared with additional personnel and contingency plans should be set should key staff leave the Trust.</p> <p><u>Management comment</u></p> <p>The financial Management Policy will be amended to detail that password should be changed every 90 days. Passwords will need to be minimum of 12 characters, to include lower- and upper-case letters, numbers and a symbol, no identifying words, no similarity to previous passwords. Disaster recovery will be investigated and ICT knowledge shared with the DFO and other members where appropriate. Key processes will be documented to ensure there is no sole reliance on one individual.</p>

Register of Trustees	
	
<p>From a review of Companies House, we note that the details of a resigned Trustee and a newly appointed Trustee have not been updated. Any new appointments or resignations of Trustees should be updated on Companies House as they occur to reflect the correct position of the Trust.</p>	<p><u>Recommendation</u> We recommend that any appointments or resignations of Trustees are reflected on Companies House as they occur.</p> <p><u>Management comment</u></p>

Prior Year Matters – Unresolved

Maintenance of the fixed asset register	
	
<p>In the prior year we identified a number of issues with the maintenance of the fixed asset register, being:</p> <ul style="list-style-type: none"> - Reconciliation difference between FAR and trial balance – driven by missing asset additions - Depreciation in year not posted to the ledger <p><i>Reconciliation differences</i> In the prior year we noted that the fixed asset register maintained by the Trust did not reconcile back to the accounts. Numerous assets appeared to be missing compared to the register used in prior years, but the assets were still in existence. [value]</p> <p><i>Depreciation not posted</i> We recommended that the fixed asset register is maintained and reconciled to the accounts as part of the month end process. The register should also be regularly reviewed for any potential disposals. Depreciation charged to the register should also be reflected in the accounts. [impact on CY]</p>	<p><u>2023 update</u> This year we noted that no adjustments had been made to recognise the fixed asset additions in the year [value] and no depreciation charged [value]. However this was reflected in a fixed asset register. The net impact of these adjustments on the financial statements was £2,252. As this variance is clearly trivial, no adjustment has been proposed and we continue to recommend that the fixed asset register is reviewed and reconciled to Sage each month end to avoid any discrepancies.</p> <p><u>Management comment</u> New processes will be implemented to ensure movements to the fixed asset register are done on a monthly basis with invoices clearly marked to show which ones need to be added to the Fixed Asset Register.</p>

Prior Year Matters – resolved

Register of interests not complete	
	
<p>In the prior year, following a review of Companies House, we identified that one of the Trustees was a director of multiple entities. However these positions were not declared on the Trusts register of interests.</p> <p>Whilst we identified no transactions with any of these entities, there is a risk that the Trust is not aware of the Trustee's position and as such may miss potential related party transactions.</p>	<p><u>Recommendation</u> We recommended that all interests and positions of influence held by Trustees are reported on the Register of Interests.</p> <p><u>2023 update</u> No issues were noted this year.</p>

This document is confidential to: Elmlea Schools' Trust



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