

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

Our ref: AEB/LE/TKYFED/20  
 Date: 04 December 2020

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 31<sup>st</sup> August 2020.

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 the outstanding work noted in our proforma report of the 24<sup>th</sup> November has been completed.

There has been no revision to the financial statements arising from this work, no additional matters to be brought to your attention and at the date of this report, we anticipate no modifications to either the financial statements, audit report or the regularity assurance report

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

Key area of focus	Work undertaken	Resolution
<b>Fixed Asset Valuation and Impairment</b>	<p>Verification of the cut off applied on capital projects -where CIF projects run over the summer break</p> <p>Consideration of the valuation methodology applied to Fixed Assets transferred on conversion.</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 other than £46,789 of capital expenditure not recognised in 2019/20 as noted in Appendix 1.</p> <p>We are satisfied that the valuation methodology used is appropriate.</p> <p>Invoices were obtained and physical verification of assets completed.</p> <p>There were no indicators of impairment. We note that disposal have not been eliminated from the financial statements as noted in appendix 1.</p> <p>Depreciation is in line with our experience of the sector and has been consistently applied. We noted a drop in the total depreciation charge from £457,205 to £367,239 despite the additions of £399,911 .</p>

 **ADDRESS**  
 Hallidays, Riverside House,  
 Kings Reach Business Park,  
 Yew Street, Stockport,  
 Cheshire SK4 2HD

 **CALL**  
 0161 476 8276

**FAX**  
 0161 476 8277

 **EMAIL**  
[hello@hallidays.co.uk](mailto:hello@hallidays.co.uk)

 **VISIT**  
[www.hallidays.co.uk](http://www.hallidays.co.uk)

Key area of focus	Work undertaken	Resolution
		We have satisfied ourselves that this has been driven by assets held on conversion being fully depreciated and additions taking place late in the year and therefore depreciated from date of acquisition.
<b>Completeness of provisions/ accruals</b>	We reviewed the provisions and accruals in the financial statements against primary documentation and post year end events.	We are satisfied that there are no material exceptions to accruals or provisions.
<b>Information on Instances of Non-Compliance with Laws &amp; Regulations that could give rise to a material misstatement in the financial statements</b>	Review minutes of the Governing Body and Local Governing Body minutes.  Discuss with the senior management team.  Review legal and professional costs for indicators of claims.	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.
<b>All detected or suspected instances of material fraud</b>	Review of the minutes of the Governing Body.  Discussions with the senior management team.  Review of large and unusual transactions and transactions with related parties for indications of possible fraud.	No information has come to light which suggests instances of material fraud have occurred.
<b>Management override</b>	Review of large and unusual journal entries.  Consideration of large and unusual transactions.	We have seen no evidence of management override.
<b>Areas of management estimates</b>  The most significant areas of estimate are the assumptions utilised by the actuary during the valuation of the Local Government Pension Scheme (LGPS).  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.	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.  We confirmed that the Employee and Employer rates on the payroll records are in line with the contributions required under the scheme.  We reviewed the disclosure made in line with information we obtained for	We have reviewed the FRS 102 report issued by the actuary and the disclosures in the financial statements with no issues noted.  We are satisfied that the accounting treatment and contributions are in line with expectations.

Key area of focus	Work undertaken	Resolution
<p>There is a risk that the amount might be materially misstated where the data and assumptions used are not appropriate.</p>	<p>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><b>Staff Costs</b></p> <p>The major cost for the Academy Trust is the direct teaching and other staff costs.</p>	<p>We tested in detail 23 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 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>We undertook work in line with our outlined approach. No issues were identified other than those items noted in Appendix 2.</p>
<p><b>Capital Funding</b></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 SALIX loans have been identified and recorded.</p>
<p><b>Impact of COVID19</b></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>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>

### **3 Adjusted and Unadjusted misstatements:**

Materiality was set at £139,000 and items below £13,900 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 2019 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 is one specific representation to which we draw your attention paragraph 7 on related parties.

### **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

A handwritten signature in cursive script that reads "Hallidays".

Hallidays

QUEST (A CHURCH OF ENGLAND SCHOOLS TRUST)

Appendix 1

SCHEDULE OF UNADJUSTED ERRORS - Final Materiality £139,000 clearly trivial if below £13,900

FOR THE YEAR ENDED 31ST AUGUST 2020

No	FILE REFERENCE	EXTRAPOLATED ERRORS		ACTUAL ERRORS		P&L		Balance Sheet			
		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr		
1	F300-1	Items disposed of not included within statutory accounts FA Disposals			32,599		32,599		32,599		
3	R300-2	Payroll difference				14,381	14,381				
4	F200-1f	Fixed asset additions IT equipment deliver to UCS in year not capitalised - accruals			46,789			46,789	46,789		
5		Funding due from DFEE for IT equipment				76,656	76,656	76,656			
				0	32,599	46,789	76,656	46,980	91,037	123,445	79,388
DISCLOSURE								-44,057	-44,057		
		Play Pals Childcare Limited related party transaction does not include mention of £75K donation received in year to 31.08.20									
D4/D100	GEOFF ASHTON CONSULTING LTD - Travel Expenses- not disclosed in related party transactions										140
	Capital commitment for IT equipment funded by DFEE to be included in notes to the accounts										29,867

## Appendix 2 - Quest (A Church of England Schools Trust) – Interim Audit – Memorandum of Weaknesses

### Management Letter for the Year Ended 31st August 2020

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

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

Recurring Item Y/N	Audit Ref	Risk	Weakness	Consequences	Recommendations	Action
N	<b>Purchases</b> C5-1g	<b>S</b>	Three of the five purchases tested had an invoice value greater than the approved purchase order value.	The Trust may incur unauthorised expenditure Leading to a deficit budget	We would recommend that the Trust ensures that all expenditure is authorised in line with the Scheme of Financial Administration.	Process has been put in place to ensure any additional expenditure on invoices is authorised by appropriate personnel.
N	<b>Payroll</b> C5-1c	<b>MA</b>	For one employee timesheet tested, the overtime claim form was not signed by the Principal or Director of Academy Excellence in line with the Scheme of Financial Administration (SOFA). We note that this was during the COVID-19 lockdown period and the timesheet was signed as checked by the Estates Manager and COFO.	There is a risk that overtime is paid to employees without being appropriately checked and authorised, which may lead to incorrect payments being made	We would recommend that all variations to payroll are authorised in line with the Scheme of Financial Administration.	Estates Manager signed the timesheet to certify the additional hours had been completed and COFO certified the timesheet for payment in absence of Principal.

<u>Recurring Item</u>	<u>Audit Ref</u>	<u>Risk</u>	<u>Weakness</u>	<u>Consequences</u>	<u>Recommendations</u>	<u>Action</u>
N	<b>Bank</b> <b>C5-1a</b>	<b>MA</b>	The bank reconciliation for June 2020 was reviewed against the bank statement for 30.06.20. The accounting system bank reconciliation is dated 30.06.20 whereas the bank balance reconciled against per the bank statement is dated 22.06.20.	There is a risk that monthly management information presented to the Board is inaccurate, which may lead to decisions being made based on this information.	We would recommend that the bank is reconciled monthly up to a date as close to the month end date as possible.	FO had balanced the month end to the latest bank statement downloaded. Staff reminded to ensure statement is downloaded as near to end of month as possible.
N	<b>Purchases</b> <b>R200</b>	<b>MA</b>	Of the eight purchases tested, one purchase requisition was raised retrospectively.	The retrospective approval of requisitions negates the authorisation process meaning that expenditure may be incurred that is outside the objects of the trust.	We would recommend that all purchases are authorised in line with the Scheme of Financial Administration.	Ordering guidelines reissued to all staff
Y	<b>Petty Cash</b> <b>C5-1b</b>	<b>MA</b>	For one petty cash item sampled, the expenditure was authorised retrospectively. This is not in line with the Trust Scheme of Financial Administration.  For one petty cash item sampled, the expenditure was higher than the £10 limit as stipulated within the Scheme of Financial Administration. The expenditure was not authorised prior to being incurred in line with the Scheme of Financial Administration. The value of this petty cash transaction was over £100.	There is a risk that the Trust may incur unauthorised expenditure and/ or disputes with employees in respect of claims not upheld.	Ensure that petty cash expenditure is authorised in line with the financial procedures' manual.	Petty cash guidelines reissued to all staff.  Verbal authorisation had been secured prior to purchase, but due to COVID-19 lockdown, this had not been signed by senior leader.  Staff reminded of guidelines to follow.



<u>Recurring Item</u>	<u>Audit Ref</u>	<u>Risk</u>	<u>Weakness</u>	<u>Consequences</u>	<u>Recommendations</u>	<u>Action</u>
N	<b>Purchases</b> <b>R200</b>	<b>S</b>	The extension of a supplier contract was not taken to the Board for approval. This contract was originally tendered however there is no evidence of the extension being approved.	The Trust has continued with a contract which may in 2019/20 not be deemed best value, as the re tendering process has not occurred.	We would recommend that any extensions to supplier contracts whereby a tender has been completed initially should be approved by the Board in line with the Trust Scheme of Financial Administration.	Catering tender had the option to extend for 1+1 years. This was extended in August 2018 for 2 years and the tender process will be completed for Sept 2021. Board approval will be sought.
N	<b>Purchases</b> <b>R200</b>	<b>MA</b>	One of the expenditure items tested did not have a corresponding purchase requisition form in line with the Scheme of Financial Administration.	There is a risk that expenditure is incurred that may be outside the objects of the Trust and for unbudgeted expenditure.	We would recommend that all expenditure items have a corresponding purchase requisition form in line with the Scheme of Financial Administration.	This was an older order from 2018/19 which was paid in 2019/20. However, staff reminded to ensure all documentation is attached to invoice.
N	<b>Charge Card</b> <b>D200</b>	<b>MA</b>	One item of expenditure was authorised by the Principal retrospectively.	The retrospective approval of requisitions negates the authorisation process meaning that unauthorised unbudgeted expenditure may be incurred	We would recommend that all purchases on the charge card are authorised in line with the Scheme of Financial Administration.	Financial guidelines reissued to staff.
N	<b>Expenses</b> <b>D200</b>	<b>MA</b>	For one expense item tested, although authorised in line with the Scheme of Financial Administration there was no detailed breakdown of the mileage claimed.	There is a risk that the Trust is incurring costs which do not relate to the Trust.	Ensure that all mileage claims are supported by evidence of mileage incurred.	Staff reminded to complete forms in full.