



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

Our ref: AEB/LE/TKYFED/22
 Date: 21st November 2022

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 2022.

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.

We would draw your attention to paragraph 19 in the attached letter of representation confirming that you do not anticipate a refund or reduction in payments on the LGPS contributions payable in respect of the University Collegiate.

There are no additional matters to draw to your attention other than those communicated to you in our pro-forma letter of 8th 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
Completeness of provisions/ accruals	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. Please note items listed on Appendix 1.
Information on Instances of Non-Compliance with Laws & Regulations that could give rise to a material misstatement in the financial statements	Review minutes of the Governing Body. 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.

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

WEBSITE
www.xeinadinaudit.com

REGISTRATION
 Xeinadin Audit Limited trading as Xeinadin Auditing.
 Becket House, 36 Old Jewry, London EC2R 8DD
 Registered in England & Wales
 Registration No. 11364541

Registered to carry out audit work in the UK by the Institute of Chartered Accountants in England and Wales. Xeinadin Audit Limited is a separate independent company registered for audit which is provided with professional resources by Xeinadin Group Limited member firms under a formal arm's length agreement. A list of the directors' names is available at the Registered Office of the company.



Key area of focus	Work undertaken	Resolution
<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 36 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 undertook work in line with our outlined approach. No issues were identified other than as highlighted on Appendix 1.</p>

Key area of focus	Work undertaken	Resolution
	We reviewed actual costs for the year against our expectations and obtained explanations for the variance.	
<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 SALIX loans have been identified and recorded.</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.

All adjustments made as a result of the audit process were discussed with Tonia Hewitt. All relate to disclosure within the notes to the accounts and are listed below.

One related party transaction with Fortalice Limited for £275
 Inclusion of the depreciation policy for tenants' improvements
 Update of the operating lease amounts to include the extension of the lease on one mini bus.

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 is one specific audit representation to which we draw your attention, paragraph 7 related parties and 19 LGPS.

7 Other relevant matters relating to the audit

None

8 Independence

We have discussed with you the fact that Hallidays (part of the Xeinadin group) provide accounting services in addition to Xeinadin Audit Limited 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 Xeinadin Audit Limited 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 or Lauren Evans.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Anna Bennett', written in a cursive style.

Anna Bennett
For and on behalf of
Xeinaadin Audit Limited

QUEST (A CHURCH OF ENGLAND SCHOOLS TRUST)

Appendix 1

SCHEDULE OF UNADJUSTED ERRORS - Final Materiality £90,000 clearly trivial if below £4,500

FOR THE YEAR ENDED 31ST AUGUST 2022

No	FILE REFERENCE	EXTRAPOLATED ERRORS		ACTUAL ERRORS		P&L		Balance Sheet		
		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
1	L200-1	Understatement of accruals	17,160	17,160	2,814	2,814	19,975			19,975
2	L200-1	Understatement of prepayments	15,645	15,645	2,566	2,566		18,211	18,211	
3	F400	Depreciation - Difference in proof in total			5,672	5,672		5,672	5,672	
4	R100	Understatement of deferred income	412	412	6,993	6,993	7,405			7,405
5	R300-1	Difference in expected employer pension costs	30,748	30,748	6,101	6,101	30,748			30,748
6	N100	Difference in FRS 102 service cost due to staff cost assumptions	36,270	36,270			36,270			36,270
			<u>100,236</u>	<u>100,236</u>	<u>24,146</u>	<u>24,146</u>	<u>94,398</u>	<u>23,883</u>	<u>23,883</u>	<u>94,398</u>
							70,515		70,515	

Appendix 2 QUEST – Audit – Memorandum of Weaknesses

Management Letter for the Year Ended 31st August 2022

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

<u>Recurring Item</u>	<u>Audit Ref</u>	<u>Risk</u>	<u>Weakness</u>	<u>Consequences</u>	<u>Recommendations</u>	<u>Action</u>
Y/N						
N	D200	MA	For 1 of the 6 credit card transactions tested, the purchase requisition was approved retrospectively.	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.	Trust Business Development will ensure that school administrators complete the correct requisition forms which are approved by the Principal/DoE/HoF in advance of any purchases made. Recap of the financial procedures to be actioned at the admin/finance team meeting.
N	S200 Purchases	MA	The FPM refers to PSF authorisation procedures in respect of invoice authorisation for payment. The current working practice for the approval of purchase invoices was discussed with the Trust Finance Manager who confirmed that purchase invoices are signed as approved by the individuals listed on page 16 of the FPM and there is no approval required on PSF at the invoice stage.	The approval of purchase invoices for payment may not be occurring in line with the expectations of the Board.	We would recommend that the purchase invoice approval process is clarified and any amendments to the FPM if required are approved by the Board.	Amendment to be added to the SOFA to clarify that invoices are signed as certified.