

Private & Confidential

The Trustees
Dayspring Trust
Tunstall Bank
Sunderland
SR2 0SX

Our ref: DAY0037NER/GF
Your ref:
Date: 15 December 2017

Dear Trustees

Report to management

During the course of our audit and regularity assurance engagement for the period ended 31 August 2017 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the trustees of Dayspring 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 Baldwins Audit Services Limited towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy's comments against each point under the "management response" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully



Baldwins Audit Services Limited

Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2017

Audit approach

Our general audit approach was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the company operates.

To summarise our approach, we:

- updated our understanding of the business and its environment;
- reviewed the design and implementation of key internal financial control systems; and
- planned and performed an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated.

Significant risks arise on most audits and are often derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. In areas where we identified the potential for significant risk, we extended our audit testing to include more detailed substantive work. Our work in other areas was proportionally less.

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

There were no changes to our audit approach as previously communicated to you in our audit planning document.

Summary of significant audit findings

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Revenue recognition	We are satisfied that income is appropriately recognised in the financial statements	Noted
Management override	Our audit work did not suggest any evidence of attempts by the management to override financial controls	Noted
Fund accounting	Your finance team provided appropriate information and all funds have been accounted for in accordance with accounting guidelines with no material errors noted	Noted
Litigation risk	Our audit work did not highlight any significant risks	Noted
LGPS liability	We reviewed the assumptions made by the actuary and made appropriate enquiries, no significant issues were noted	Noted
Compliance with laws and regulations	Our audit work did not highlight any significant risks	Noted
Connected party transactions	We did not note any issues regarding the disclosure of nor transactions with connected parties	Noted
Sustainability and going concern	The trust has provided appropriate explanations to suggest that the going concern basis is appropriate in the financial statements	Noted
Financial statement disclosures	We have reviewed the financial statements with the management team at the trust and are satisfied that all appropriate disclosures have been made and they comply with the relevant reporting frameworks	Noted

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls 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. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
One of the bank reconciliations at the end of August 2017 did not agree to the trial balance (medium risk)	The integrity and review of bank reconciliations is a key control. We recommend that bank reconciliations are thoroughly reviewed on a monthly basis, agreed to the statement and trial balance and any differences investigated and corrected	This relates to the Trust bank account only, which had been incorrectly set up on SAGE. This meant that when income was entered onto the management information system, it showed only in the nominal ledger and not in the cash book. Once the error was spotted and items re-entered, this resulted in duplications. This has been corrected in the year end procedures by the Baldwins team.
Catering income was recorded and banked in the central trust account during the year (low risk)	The accounts for each cost centre will be misstated. Any central charges should be agreed and processed as a transaction between each academy and the central cost centre	Income was paid into the Trust bank account to facilitate the payment of Trust salaries. All income and expenditure is now being processed through the two academy bank accounts and journals prepared to allocate spend to the Trust.

There were several misposting of fixed asset additions and the fixed asset registers maintained by the trust did not agree to the year end trial balance (low risk)	There is a risk that the trust is not keeping adequate accounting records and may present inaccurate financial information. We recommend that asset postings and registers are agreed on a frequent basis, and any errors identified and corrected	Audit staff amended the fixed asset figures at the end of last financial year, however no explanation was given as to which figures to adjust. Finance staff continued to use their existing figures which meant that they did not agree to the year end trial balance. A check will be carried out against the new SAGE system once updated balances (post adjustment) have been received.
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Update on prior year's management letter points

Audit issues communicated in last year's management letter and our proposed approach to each of these areas, in light of developments in the period are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
The petty cash balance was above the limit noted in your Finance Handbook on occasions during the year (low risk)	This matter has not been raised during the 2016/17 audit	Noted
The procedures and controls documented in your Finance Handbook in respect of controls over cash and catering income are brief, although the actual controls in place are more robust (low risk)	Although no issues were identified in 2016/17, the procedures are still not fully documented	Details within the financial handbook will be further reviewed.
There were some examples where there were no receipts to support minor petty cash and credit card expenditure (low risk)	There were some examples of receipts not being available during 2016/17, although there was no evidence of inappropriate expenditure	Noted
ParentPay fees payable are netted off the income receivable in the accounts (low risk)	This matter has been resolved	Noted

The year end accounts presented to us for audit included some errors such as a debit balances on accruals and deferred income and credit balances on prepayments and accrued income (medium risk)	The 2016/17 trial balance included a number of opening balances that needed to be reversed as part of the audit process	Noted
A number of old balances were identified on the sales ledger at the year end (low risk)	This matter has been resolved	Noted
The December 2015 VAT reclaim had not been received by the year end (low risk)	This matter has been resolved	Noted
The catering reval. report was not always approved by the catering department as required by your Finance Handbook (low risk)	No issues have been identified during 2016/17	Noted
Expense nominal accounts (including ICT and furniture) including expenditure that should have been capitalised under your finance capitalisation policy (low risk)	Some adjustments were processed in 2016/17 in respect of fixed assets	Noted
The trust's website does not include all of the governance information required by the Academies Financial Handbook. Some trustees' business interests declarations are not up-to-date and some did not include details of all directorships and interests when we compared their declarations to directorships registered at Companies House (medium risk)	The website is in the process of being reviewed and was recently inspected by Ofsted	Noted

Anticipated audit report

We anticipate that we will issue an unmodified audit report for period.

Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by ESFA. 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 might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We anticipate that we will issue an unmodified regularity assurance report for the period.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G Fitzg', is positioned above the printed name and title.

Graham Fitzgerald
Director