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Private & Confidential

The Trustees
Dayspring Trust
Tunstall Bank
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Our ref: DAY0037NER/GF

Your ref:

Date: 19 December 2018

Dear Trustees

Report to management

During the course of our audit and regularity assurance engagement for the period ended 31 August 2018 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 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

Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2018

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
There was no evidence that the bank reconciliations for July and August 2018 had been reviewed, as required by your finance policy (medium risk)	The bank reconciliation is a key control over the trust finances, therefore we recommend that it is reviewed in accordance with your policy	This was due to an oversight. July and August bank reconciliations were undertaken and signed off by the Finance Officer. They were then filed away and presented with September figures. Key fund balances are reported to trustees on a monthly basis and this was still the case for July and August.
We identified a small number of cash and credit card transactions where receipts were not available and requisition forms did not evidence the appropriate authorisation (medium risk)	Whilst we did not identify any transactions that would give rise to concerns, mis-use of credit cards and cash is a risk in any organisation and therefore we recommend that all members of staff follow the agreed procedures	Receipts are always requested for any transaction, however on rare occasions this is not always possible i.e. where receipts have been mis-placed or lost. Wherever possible, requisition forms will be completed prior to a purchase made by credit card to ensure that the appropriate authorisation is given.
Opening balances on prepayments and accruals are no always reversed in the following financial period (low risk)	There is a risk that financial information presented to trustees and management may be inaccurate if the balance sheet contains balances that are incorrect. We recommend that balance sheet codes are reviewed on a monthly basis to ensure that all balances are materially correct	Balance sheet codes will be reviewed on a monthly basis and this has been added to the schedule of month end procedures.

<p>We identified a small number of petty cash postings on Sage without appropriate narrative to describe the nature of the transactions (low risk)</p>	<p>Whilst we did not identify any transactions that would give rise to concerns, all ledger reports produce by Sage should have sufficient narrative to allow the used to identify the nature of all transactions. We recommend that all transactions include appropriate descriptions</p>	<p>A narrative is usually included with transactions on SAGE, however it is noted that a more detailed narrative will enable easier identification of individual transactions.</p>
<p>When testing purchase transactions, we identified one example of only one quote being obtained instead of the required three in accordance with your finance policy (medium risk)</p>	<p>The trust may not be able to demonstrate that it is obtaining appropriate value for money, therefore we recommend that quotation/tendering processes are followed when required</p>	<p>It is usual academy practice that three quotes are obtained to ensure value for money. On this occasion the previous contractor was used due to time constraints and their previous knowledge of the materials and skill base required.</p>
<p>The finance policy lacks detailed controls around the processing of catering income (low risk)</p>	<p>This is a significant source of income and potential risk, therefore we recommend that the agreed procedures are documented and communicated to your staff</p>	<p>This was identified during a previous internal assurance visit and procedures have been tightened and included within the academy finance handbook.</p>
<p>We identified some minor differences between amounts banked and the reports in connection with catering cash income at Ian Ramsey School (low risk)</p>	<p>Whilst the identified difference was not significant, this remains a risk and staff should ensure that reports and cash banked are in agreement</p>	<p>Catering income is counted and recorded by the catering provider. There have been occasions where catering staff have either given a refund or where additional cash has been taken which has resulted in minor differences (no more than £5 in any week) between the cash banked and the report. A solution is being explored in order to resolve this with effect from January 2019.</p>

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
One of the bank reconciliations at the end of August 2017 did not agree to the trial balance (medium risk)	See above – some issues with the bank reconciliations were identified in 2017/18	A month end schedule summary sheet has been added to the month end procedures to ensure that all tasks within the month end procedures are signed as authorised before being filed away. Effective from January 2019.
Catering income was recorded and banked in the central trust account during the year (low risk)	This was resolved in 2017/18	Noted
There were several mispostings of fixed asset additions and the fixed asset registers maintained by the trust did not agree to the year end trial balance (low risk)	This matter was not identified in 2017/18	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 2017 to 2018 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'.

Graham Fitzgerald BA FCA DChA
Partner