



Key Issues for Discussion Document

Pewsey Vale School ("The Trust")

For the Year ended 31 August 2024



Our Ref: BSPE6844/AB
Your Ref:
Date: 26 November 2024



PRIVATE & CONFIDENTIAL

The Board of Trustees
Pewsey Vale School
Wilcot Road
Pewsey
Wiltshire
SN9 5EW
United Kingdom

Dear Trustees

Pewsey Vale School – 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.

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming Ltd." in a cursive script.

BISHOP FLEMING LLP

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- Management letter points and internal control systems

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 Pewsey Vale School (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 31/08/2024.

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 substantially complete although we are finalising our procedures in the following areas:

- Review of latest management accounts/monthly finance report to consider post balance sheet events
- Approval of financial statements
- Receipt of the management representation letter

Audit report

We anticipate issuing an unmodified audit report on the financial statements of Pewsey Vale School for the Year ended 31 August 2024, subject to the successful conclusion of matters within this report and to receiving all outstanding information set out previously. The audit report will reflect that the accounts are being prepared on a basis other than going concern.

We have summarised our findings and conclusions in relation to the significant risks within this report.

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.

Unadjusted items

We have not identified any unadjusted items to be material to the financial statements.

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 2023 to 2024 (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.

2. Key audit risks and other findings

1 Significant risk: Management override of controls

Summary

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have considered:

- Reviewed the reasonableness of accounting estimates such as useful economic lives of assets;
- Tested journals with a material impact on the results for the year;
- Considered a sample of other journals with key risk attributes.

We have not identified any material errors from our work.

2 Significant risk: Fraud in income recognition

Summary

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

To address this risk, we have:

- Documented and validated the control environment for income and debtors using walkthrough testing;
- Performed substantive procedures over income to address this risk;
- Considered income journals as part of our work on fraud risks documented above.

We have not identified any material errors from our work.

3 Regularity risk: Unauthorised transactions

Risk

Risk of unauthorised activities or expenditure being incurred

Work done and conclusion

Throughout the audit, consideration has been given to any transactions reviewed or identified. This includes transactions discussed at board level, or as selected in our detailed expenditure testing.

We have not identified any material errors from our work.

4 Regularity risk: Related parties

Risk

Risk of related party transactions occurring and not being detected

Work done and conclusion

We have reviewed the register of interests, declarations forms, board minutes and enquired with management. This has also been considered in connection with our detailed expenditure testing.

We have not identified any material errors from our work.

5 Regularity risk: Unauthorised borrowings or leases

Risk

Risk of unauthorised borrowings and leases being in place

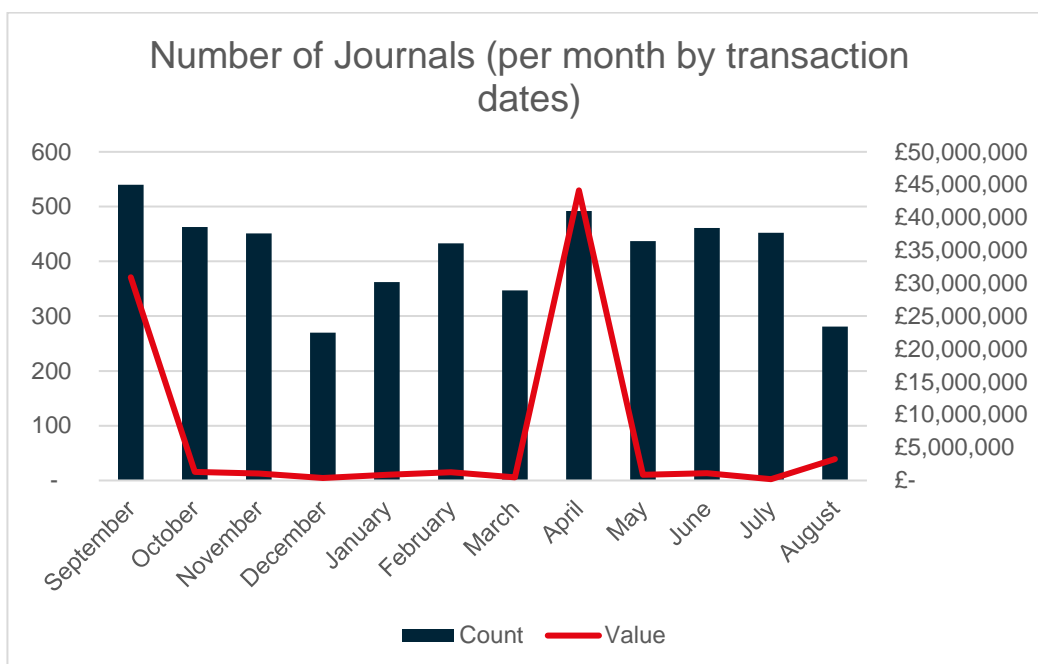
Work done and conclusion

We have reviewed the bank confirmation letter for any bank borrowings, reviewed the balance sheet for any other borrowings, and reviewed the processes for new leases in the year to ensure correct consideration was given as to whether it was a finance lease or not before entering into it.

We have not identified any material errors from our work.

3. Audit insights

No. of Journals (per month by posting date)



This graph represents the number of journals posted each month.

We would typically expect journal transactions per month to remain broadly consistent throughout the year due to preparation of monthly management accounts. Peaks are expected in September and August for opening and closing adjustments.

As you can see, for the majority of the year, a consistent number of journals and value of journals are posted each month, with the exception of September, April and August. The increase experienced in April is not consistent with expectations due to posting opening balance adjustments in April instead of September as expected. This is because April was the earliest opportunity for the trust's Accounting & Budget Support Technician to complete the final closedown. There is also a slight peak in the value of journals posted in August, which is in line with expectations as a result of the year-end process.

The current year trend closely resembles that of the prior year, with the exception of February. In the prior year, the peak in value for February was primarily caused by the recoding of a disposal posted in this month as well as high-value BACS payments, which explains our difference.

From this analysis, no further risk has been presented.

Timing of journals

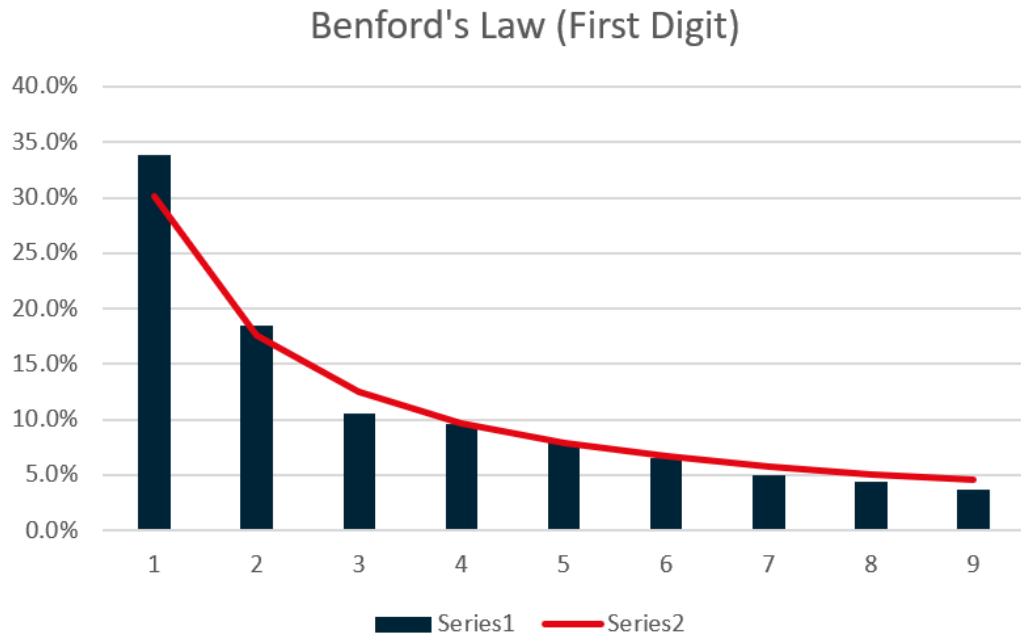
Day	No. of Single Debit Entries	
	2024	2023
Monday	563	731
Tuesday	1,591	1,101
Wednesday	1,305	1,164
Thursday	751	852
Friday	727	824
Saturday	0	0
Sunday	52	13
Total	4,989	4,685

This table demonstrates the days on which journals are posted. As expected, most journals are posted between Monday and Friday, the standard working week. However, a few journals, mostly relating to October payroll, have also been posted on a Sunday.

The majority of these journals are due to the finance team occasionally working remotely on weekends to keep on top of workload. This is consistent with the prior year, and we noted that it was isolated occurrences of weekend postings making up the primary bulk of the journals.

We recommend the reason for weekend postings is investigated as it could impact on the quality of financial governance and may indicate under-resourcing in the finance team.

Benford's Law Review



Benford's Law states that in a natural collection of numbers, the leading significant digit is likely to be small and follow a logarithmic curve. This is analysed to assess whether there is a heightened risk of fraud due to unusual data being posted that is not in line with what is deemed a normal data set.

From the data set of all journals posted during the year, it was noted that one as a first digit exceeded a 2% variance. These journals showed a large volume of invoices, charge card payments, ScoPay transaction fees and payroll entries (salaries) beginning with one, as well as income journals for catering.

From this analysis, no further risk has been presented.

Key Word Analysis

We have also performed a review of key words contained within journal descriptions. The majority of those identified related to month end adjustments, bank and intercompany account transfers and correction of journals posted.

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	2024	2023
	0	0
	2	1
	6	6
	3	2

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

Bank Reconciliations	
	
It was noted that monthly reconciliations of the school fund account do not take place, which resulted in a material variance between the account and the trial balance.	<p><u>Recommendation</u></p> <p>We recommend that the school fund account is reconciled monthly.</p> <p><u>Management comment</u></p> <p>Recommendation noted and actioned.</p>

Capitalisation of assets															
															
When carrying out a repairs and maintenance review, we identified a number of items that had not been capitalised but were above the capitalisation threshold and were capital in nature.	<p><u>Recommendation</u></p> <p>We recommend using the following as guidance for capitalisation.</p> <p>For expenditure items to be treated as capital, the asset must:</p> <ul style="list-style-type: none"> • Be used for more than one year • Be above the £2k threshold • Increase the useful life, performance or value of the asset <p>Keyword indicators of whether expenditure is more likely to the capital or revenue are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #1a3d4d; color: white;">Capital expenditure</th> <th style="background-color: #1a3d4d; color: white;">Revenue Expenditure</th> </tr> </thead> <tbody> <tr> <td>Enhance</td> <td>Repair</td> </tr> <tr> <td>Upgrade</td> <td>Maintain</td> </tr> <tr> <td>Extend</td> <td>Remedial</td> </tr> <tr> <td>Improve</td> <td>Renew</td> </tr> <tr> <td>Construct</td> <td>Service</td> </tr> <tr> <td>Acquire</td> <td>Retain</td> </tr> </tbody> </table> <p><u>Management comment</u></p> <p>Recommendation noted and keywords to be considered when looking at whether expenditure is to be classed as revenue or capital.</p>	Capital expenditure	Revenue Expenditure	Enhance	Repair	Upgrade	Maintain	Extend	Remedial	Improve	Renew	Construct	Service	Acquire	Retain
Capital expenditure	Revenue Expenditure														
Enhance	Repair														
Upgrade	Maintain														
Extend	Remedial														
Improve	Renew														
Construct	Service														
Acquire	Retain														

Creditors schedules



It was noted that there is no separate schedule for accruals and trade creditors. This meant that trade creditor invoices had been recognised as accruals.

Recommendation

We recommend the following treatment:

Trade creditors:

- Expenses that are invoiced before year-end and paid after year-end

Accruals:

- An expense that has been incurred but not invoiced and paid until after year-end (e.g. accrue for the quoted price)

This will allow for a separate schedule for each and a true comparison of creditor movements between the current and prior year figures in the accounts.

Management comment

Recommendation noted and actioned.

Purchase authorisations



During our regularity review, it was noted that not all items had been approved in line with the Scheme of Delegation, as there was no evidence of correct approval provided to us.

Recommendation

We recommend that for purchases that fall within the approval threshold, documentation is held for the authorisation of these.

Management comment

Recommendation noted and actioned.

Prior Year Matters - Unresolved

Maintenance of Fixed Asset Register



Prior Year Rating:



In the prior year it was noted that no fixed asset register is maintained at the Trust. The Academies Trust Handbook states that Trusts must establish a control framework that includes management and oversight of assets, including maintenance of a fixed asset register. This has remained unresolved this year, with the register being incomplete at fieldwork.

Recommendation

We recommend that a fixed asset register is maintained by the finance team. The register should detail additions, disposals and depreciation charged in the year and should reconcile to the accounting system.

A fixed asset register will be provided alongside the signed financial statements for the Trust to maintain going forward.

Management comment

Fixed asset register now in place.

Employment contracts



Prior Year Rating:



It was noted during our review of employee existence that not all employment contracts are signed by both the Trust and the employee. All contracts should be signed by both parties to enable us to gain assurance that they have been appropriately authorised and accepted by both parties.

Recommendation

We recommended that all employment contracts going forward be signed by both the Academy and the relevant employee.

Management comment

Recommendation noted and actioned.

Employment ID



Prior Year Rating:



Previously resolved, it was noted this year during the review of employee existence that photographic identification is again not held on file for some employees. Identification should be held by the school for right to work purposes.

Recommendation

We recommended that photographic ID be held on file for all employees to comply with the right-to-work requirements.

Management comment

Photo ID is kept for all employees. There was one employee where no photo id was able to be obtained.

Trustees as members



Prior Year Rating:



Of the twelve Trustees who were in position at the year end, eight were also members. Per the Academies Trust Handbook, there should be significant separation between the individuals who are members and those who are Trustees.

Recommendation

We recommend that the Trust seeks to limit the number of members who also sit on the Board of Trustees to maintain objectivity. Per the Academies Trust Handbook, the majority of members should be independent from the Board of Trustees.

Management comment/ Current Year Update

No longer applicable, as we transfer to Acorn Education Trust.

Prior Year Matters - Resolved

SLT Expenses



Prior Year Rating:



During our review of staff expenses in the prior year, we noted that invoices or receipts were not held in relation to some items purchased by staff members during the year, which they were later reimbursed for

Recommendation

We recommended that documentation is held in relation to all staff expenses with copies of authorisation.

Current Year Update

Receipts were provided for all samples of SLT expenses we tested during our fieldwork.

Resignation letters



Prior Year Rating:



In the prior year, it was noted during our review of employee starters and leavers that in some instances resignation letters did not detail the date of leaving, and in some cases verbal resignation was accepted.

Recommendation

We recommended that all leavers complete or provide a resignation letter including leaving date – or P45 documentation is held at the school in relation to leavers in the year.

Current Year Update

Resignation letters were reviewed during our fieldwork and contained all the relevant information.

Scheme of delegation



Prior Year Rating:



During our tender review in the prior year, we noted that the school had not considered value for money when choosing to roll over an existing catering contract—with no other options having been reviewed. This remained an unresolved matter during our tender review this year when it was noted that the long-standing outsourced IT service provider had been selected. Although a service-level agreement is in place, per the finance policy, three quotes should be obtained for purchases over £6k.

Recommendation

To adhere to the finance policy, we recommend that quotes be obtained when it stipulates to ensure value for money is being achieved where long-standing service providers/suppliers have been in place.

Management comment

Management use a broker to find catering contracts for best value for money. This deemed appropriate to follow scheme of delegation.



This document is confidential to: Pewsey Vale School



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bishopfleming.co.uk