BALDWINS
NOT JUST GOOD WITH NUMBERS

Private & Confidential
The Trustees
Dayspring Trust
Tunstall Bank
Sunderland
SR2 0SX

Our ref: DAY0037NER/GF
Your ref:
Date: 15 December 2016

Dear Trustees

Report to management

During the course of our audit and regularity assurance engagement for the period ended 31 August 2016 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 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 2016

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
Recognition of income in the appropriate accounting period	We are satisfied that income is appropriately recognised in the financial statements	Noted
Transition to new financial reporting standards	We are satisfied that the financial statements appropriately reflect SORP2015 and FRS102 and no material adjustments have been identified	Noted
Allocation of expenditure against the appropriate fund or income stream	Your finance team provided appropriate information and all funds have been accounted for in accordance with accounting guidelines with no material errors noted	Noted
Going concern and sector wide uncertainty over funding	The academy has provided appropriate explanations to suggest that the going concern basis is appropriate in the financial statements	Noted
Regularity of expenditure	The self assessment and audit work did not suggest evidence of any irregular expenditure being incurred in the period	Noted
Management override	Our audit work did not suggest any evidence of attempts by the management to override financial controls	Noted
Recognition of land and buildings	The trust has considered the Accounts Direction and accounting standards and concluded that the land and buildings should not be	Noted

	recognised on the balance sheet. We are satisfied with the basis and have no further comments to make	
Connected party transactions	We did not note any issues regarding the disclosure of nor transactions with connected parties	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
The petty cash balance was above the limit noted in your Finance Handbook on occasions during the year (low risk)	Balances should be monitored to ensure that they do not breach the controls agreed by the trustees	This issue has been raised in a previous internal assurance monitoring visit and the petty cash limit was raised following the audit recommendation. The limit has been raised again with effect from September 2016. Catering controls - It is pleasing to note that controls over cash and catering income were robust, however the issue of documenting this within the Finance Handbook will be addressed by the end of December 2016.

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)	Not all members of staff may be aware of the controls in place, therefore we recommend that your Finance Handbook is updated to reflect the actual procedures	It is pleasing to note that controls over cash and catering income were robust, however the issue of documenting this within the Finance Handbook will be addressed by the end of December 2016.
There were some examples where there were no receipts to support minor petty cash and credit card expenditure (low risk)	Whilst there was no evidence or suggestions of inappropriate expenditure, it is important that the trust retains third party paperwork to support all expenditure. We recommend that all receipts are retained by the trust	Receipts for all expenditure are requested as a matter of course, in a very few instances, it has not been possible to obtain the receipts e.g. evidence of a bus journey by a pupil. Where such rare instances occur, a note will be placed on file of the dates where receipts/evidence of proof of purchase have been requested.
ParentPay fees payable are netted off the income receivable in the accounts (low risk)	Income and expenditure should not be netted off in the accounts, therefore we recommend that posting procedures are reviewed to ensure that this is addressed	This has now been rectified with effect from 1 September 2016
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)	Adjustments were required to correct these balance sheet codes, some of which had an impact on the income/expenditure account and reserves. We recommend that the procedures for posting and checking month end and year end adjustments reviewed to ensure that reports are accurate	This has been addressed with finance staff and some additional training has been identified
A number of old balances were identified on the sales ledger at the year end (low risk)	The academy is not maximising cash flow and is increasing the risk of incurring bad debts, therefore we recommend that the trust reviewed and chased overdue balances to reduce this risk	This is to be carried out on a quarterly basis in future.

The December 2015 VAT reclaim had not been received by the year end (low risk)	The trust was not aware that this amount had not been received from HMRC, therefore we recommend that balance is reviewed and reconciled at each month to ensure that the trust is in receipt of all amounts due	The Trust were aware that December 2015 VAT reclaim had not been received and this was in the process of being reclaimed at the time of audit.
The catering reval. report was not always approved by the catering department as required by your Finance Handbook (low risk)	There is a risk that controls over the recording of income are weak, therefore we recommend that this is reviewed and procedures put in place to mitigate any risks	The report is now duly signed by two members of catering staff.
Expense nominal accounts (including ICT and furniture) including expenditure that should have been capitalised under your finance capitalisation policy (low risk)	Whilst these items were identified and adjusted during the audit, there is a risk that management reports presented to trustees may not be accurate and in accordance with your own policies, therefore we recommend that care is taken to record asset additions appropriately	There appears to have been some confusion as to whether certain assets should have been capitalised or not and this has now been addressed.
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 academy may not be fully complying with the EFA's requirements, therefore we recommend that you review the requirements and the information disclosed on your website. You should also ensure business interest declarations are regularly updated carry out spot checks to ensure that they are complete and accurate	Attendance details of all trustees are now included on the web site as and when meetings occur, rather than an annual report as previously. Business interest declarations will be renewed in January 2017 and trustees reminded to include all business interests.

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
There were some examples of reimbursements from petty cash being above the £25 limit (low risk)	Some issues with the petty cash balances have been noted again in 2015/16 – see above	See above comments
Fixed assets are not always appropriately accounted for • Opening assets at Ian Ramsey School were not on the balance sheet • There were a number of adjustments to the year end accounts to capitalise assets that had been expensed • The asset facility in Sage should be utilised across the trust and agreed to the accounts on a regular basis (low risk)	There have been examples of the non-capitalisation of assets again in 2015/16	See above comments
The bank balances in the trial balance presented for audit were not in agreement with the balances per the statements and bank reconciliations, for example the deposit account was shown as overdrawn on Sage although the actual balance was in credit (medium risk)	This matter has been resolved in 2015/16	N/A

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 2015 to 2016 issued by EFA. 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

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Graham Fitzgerald BA FCA DChA
Director