

PRIVATE AND CONFIDENTIAL

The Trustees
The Delta Education Trust
160 Herbert Avenue
Poole
Dorset
BH12 4HU

Our ref: QU016/LMH/PT

Dear Sirs

REPORT TO MANAGEMENT

During the course of our audit and regularity assurance engagements for the year 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 The Delta Education 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 Clifford Fry 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 sincerely



Clifford Fry & Co

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR 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:

- established 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 set out to you in our letter dated 8 August 2016.

Internal control

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
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<p><u>Teachers' Pension Return</u></p> <p>This return was not audited and submitted to teachers' pensions by the due date.</p>	<p>As a public body the filing of returns can affect your reputation. Late returns can often incur financial penalties.</p>	<p>This return is in the process of being audited by Clifford Fry and the End of year certificate will be provided to Teachers Pension.</p> <p>To improve processes, the trust is reviewing the possibility of bringing payroll management into the trust and not using a third party service provider.</p>
<p><u>Bank Borrowing</u></p> <p>It was noted that during June and September 2016 The Delta Education Trust bank account became overdrawn.</p>	<p>Prior approval from the EFA must be sought before any form of borrowing is entered into.</p>	<p>Funding that was due to be received from Hampshire County Council was processed to pay out on the incorrect day. The trust is dependent on the correct top-up funding being received from the Local Authorities on the correct due dates.</p>

Summary of audit differences and draft letter of representation

No audit differences other than those deemed 'Trivial' were unadjusted during the audit.

We have attached a draft letter of management representations required in connection with our audit.

Outstanding matters

Prior to issuing our audit report we require:

- the signed letter of representation;

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

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.

Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

We anticipate that we will issue a **modified** regularity assurance report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

The following Regularity issues need to be brought to your attention in connection with the regularity assurance engagement:-

- 1. The Teachers' Pension Return was not audited and submitted by the due date.**
- 2. Prior approval from the EFA was not sought before The Delta Education Trust bank account became overdrawn.**