

A/HR716/TEAPO723/HR716/SA/ID:938712

3 December 2018

**Private & Confidential**

The Board of Trustees  
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Dear Sirs

**TEACH POOLE**

**Management and Governance Report for the year ended 31 August 2018**

The purpose of this letter is to provide the Trustees with constructive observations arising from the audit process. We set out below details of any expected modifications to our audit report, details of any uncorrected misstatements in the financial statements (except any misstatements which are clearly trivial) including the effect of uncorrected misstatements related to prior periods on the current period, any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, and any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to below may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Teach Poole;
- It must not be disclosed to any third party without our written consent;
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

**Expected modifications to our report**

We do not expect to make any modifications to our audit report. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

**Unadjusted misstatements detected by us**

We have discussed with you the misstatements we identified in the financial statements but which you have declined to correct. We attach the schedule we discussed which records the misstatements and/or omissions and the reasons you gave us for not making the corrections. The schedule does not include matters we believe to be clearly trivial. We have asked you separately to affirm in writing the reasons you have given us for not making the adjustments to the financial statements.

## **Qualitative aspects of accounting practices and financial reporting**

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We have discussed with you the following observations:

- The appropriateness of the accounting policies to the particular circumstances of the charity;
- The timing of transactions and the period in which they are recorded;
- The appropriateness of accounting estimates and judgements, including the consistency of assumptions and degree of prudence reflected in the accounting records;
- Material uncertainties related to events and conditions that may cast significant doubt on the charity's ability to continue as a going concern;
- Significant difficulties, if any, encountered during the audit.
- Other matters, if any, arising from the audit that, in the auditors professional judgment, are significant to the oversight of the financial reporting process.

Having discussed these matters no matters are needed to be further pursued.

### **Accounting system and internal controls**

During the course of our audit of the financial statements for the year ended 31 August 2018, we examined the principal internal controls which the Trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of the charity's accounting records and to safeguard the charity's assets.

We have discussed these matters and we are writing formally in order to draw your attention to weaknesses in control, which came to our notice during this examination and to suggest ways in which the system could be improved. The attached schedule provides details of our observations and recommendations. Please provide your response to each matter and return the schedule to us.

### **Concluding remarks**

Finally, we take this opportunity of thanking your staff for the assistance offered to us during the course of our work. Their patient help and assistance was much appreciated.

We shall be pleased to supply you with any further information you may require.

We shall be glad if you will inform us in due course what steps you decide to take in connection with each of the above matters.

It would be helpful if you would also inform us when any changes are made in the existing system.

Yours sincerely



**Moore Stephens (South) LLP**

**Management Letter Points 2018**

	Observation	Implication	Recommendation	Severity	Response from Management
1	Declaration of interest forms are currently not completed by all budget holders, and the new finance team.	There could be related party transactions that go unidentified.	There could be related party transactions that go unidentified.	L	We acknowledge this recommendation but feel it is currently mitigated by the Trust Supplier vetting process which ensures that only Trust checked and agreed suppliers are added to the Supplier lists.
2	Debit balances on the creditors ledger have been caused by direct debit payments being posted with no corresponding invoice.	If invoices are not posted, cut off errors at the year end are likely to occur.	Ensure that invoices relating to direct debits are posted in a timely manner, prior to the payment.	M	We have streamlined this process to mitigate this issue by ensuring that the accounting of all transactions are completed on an accrual only basis and that we don't use any other method of recording commitments (e.g. raising annual purchase orders)
3	The bank mandate has not been changed to remove Wendy Trueman and update for a new second signatory. Currently only one trustee on the bank mandates as an authorised signatory.	Increases the risk of fraudulent transactions or fraudulent bank accounts being set up due to not having dual signatories from the trust board, and an old employee still being on the mandate.	We recommend that bank mandates are updated in a timely manner when there are changes in signatories.	M	WT had no access to the Trusts bank accounts from the date that she left the Trust. All Credit cards were shredded and all access to the Trusts Bank accounts were voided. The only item that was not finalised was the Trust making the decision on who will replace WT on the Banking Mandate.
4	The process for payroll authorisation has changed in the year and currently the payroll is being checked and approved by staff who are involved in the processing of the payroll. No approval from any key budget holders, CEO or CFO.	There is a lack of segregation of duties and therefore lack of control around the approval of payroll. This could lead to errors or fraudulent transactions being processed.	We recommend there is a higher level check as this is the largest cost to the Trust. Ideally the Head / CEO would perform a high level check each month focusing on the monthly variance report. If the CFO carries out the check we would expect there to be an CEO review and approval a few times in the year, coinciding with the key annual salary changes.	M	The new payroll process being implemented ensures that the Trust budget information and the Payroll information system agree. The checking process is completed by HH (HR Manager) and JR (Trust Business Manager) on a monthly basis prior to the Pay date to ensure there are no discrepancies and that Budget monitoring is accurate. The completed reports will then be authorised by the CEO/CFO.

5	<p>Not all bank reconciliations have been evidenced as reviewed by the Head/CEO. The year end bank reconciliation for the Trust was not on file.</p>	<p>If bank reconciliations are not checked in a timely manner there is a risk that errors or fraudulent transactions may not be identified.</p>	<p>Bank reconciliations should be checked monthly by the CFO and CEO per the Trusts financial regulations. This should be evidenced in the month end checks.</p>	<p><b>M</b></p>	<p>Bank reconciliations are completed by the Central Finance team then checked and authorised by the CFO/CEO. A robust cash flow management system is being implemented alongside the centralising of the bank accounts in the existing accounting system to improve efficiency.</p>
6	<p>Not all month end checks have been completed and evidenced consistently towards the end of the year. July was not done due to the summer break.</p>	<p>If month end checks are not fully completed each month it increases the risk of errors in postings and fraudulent transactions not being identified. It is also in breach of the Trusts financial regulations.</p>	<p>Ensure checks are completed by the CFO and CEO, per the month end checklist, and this is evidenced on the month end file.</p>	<p><b>M</b></p>	<p>Staff currently employed by the trust, are not employed to work over Summer holidays (VFM); with this in mind the Trust closed the months of July and August together and mitigate any risk of additional expenditure by ensuring that orders are stopped at the end of June. Accruals are raised for all the Trust known expenditure for the 2 periods.</p>

**Management Letter Points 2017 – Followed up during this years audit**

**Unadjusted errors 2018**

There are no unadjusted errors this year above the clearly trivial threshold of £6,250.

	Observation	Implication	Recommendation	Severity	Follow up from this years audit
1	<p>The register of interests, as published on the website, is inconsistent with the declaration of interest forms and Companies House, in relation to directorships of Greg Neilson and Anne Jolliffe, both of which have additional directorships not included in the register of interests on the school website.</p> <p>The register of interests also does not include all members and senior leadership team.</p>	<p>Related party transactions may be missed, non-compliance with section 3.1.19 of the EFA financial handbook.</p>	<p>Update the register of interests from the declaration of interest forms and ensure they include all interests. Ensure declaration of interest forms are completed annually by members, trustees, and senior leadership team. Ensure trustees are aware they need to include directorships as well as all business interests, and any connected parties.</p>	<b>M</b>	<p>The completed forms contained all relevant interests this year. However forms not completed for all budget holders and the new finance team. As explained in Point 1 - 2018</p>
2	<p>Debit balances on the creditors ledger have been caused by direct debit payments being posted with no corresponding invoice.</p>	<p>If invoices are not posted, cut off errors at the year end are likely to occur.</p>	<p>Ensure that invoices relating to direct debits are posted in a timely manner, prior to the payment.</p>	<b>M</b>	<p>Rolled forward. As explained in point 2 - 2018</p>