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*By Email only*

**Strictly Private & Confidential**

DW/RJS

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14 October 2020

Dear Directors

**Letter of Comment (“Management Letter”) for the Year Ended 31 August 2020**

Following the completion of our audit fieldwork, we are writing to summarise and advise you of matters that have come to our attention of which you should be made aware. In accordance with International Standards on Auditing (UK and Ireland), we are expected to communicate to those charged with Governance and Management relevant issues arising from the audit. This letter of comment supplemented by our detailed systems report includes all such communication.

**Approach and Scope**

We have listed herein and separately within our interim systems report, recommendations in respect of possible improvements to accounting and internal control systems. This does not comprise a comprehensive statement of all weaknesses that may exist or of all improvements that could be made. It addresses only those matters that have come to our attention as a result of the audit procedures we have performed for the purpose of expressing an opinion on the financial statements. As required by International Standards on Auditing (UK and Ireland), the audit included consideration of internal control relevant to the preparation of the financial statements in order to design appropriate audit procedures but not for the purpose of expressing an opinion on the effectiveness of internal control.

This letter should not be considered in isolation from our interim systems report and we strongly recommend that this letter should be considered alongside and in conjunction with it.

For ease of reference, we have summarised and prioritised findings from our systems report within this letter.

**Summary of Recommendations (Section d):**

No. of High Priority Recommendations	0
No. of Medium Priority recommendations	1
No. of Low Priority Recommendations	3

**(a) Expected modifications to the auditor’s report**

There are no expected modifications to the audit report on the Financial Statements.

Auditors are also required to provide a second “regularity report” in their role as Independent Reporting Accountants and this too is expected to be unmodified.

**(b) Audit Adjustments**

Set out below is a list of audit adjustments for which you have authorised adjustment to financial statements, and those adjustments have been effected.

	<b>Effect on Fund Balances £’000</b>
Fund per ledger	34,677
Fixed asset additions were “capitalised” in the financial statements, i.e. reported as fixed assets in the balance sheet rather than as expenditure within the Statement of Financial Activities. Reserves available for spending are unaffected by this adjustment but the value of the fixed asset fund is increased.	1,070
Depreciation of fixed assets has been charged to the fixed asset fund.	(970)
The movement in the FRS 102 (LGPS) liability has been included in the financial statements, impacting on the Pension Reserve.	(365)
Reclassification of CIF Loan as a liability rather than as income.	(125)
Additional expenditure accruals and/or income deferrals have been included in the financial statements.	(160)
Funds per Accounts	<u><b>34,128</b></u>

In addition to the above, some presentation adjustments have been included in the financial statements although these have had no impact on the total of fund balances:

1. Payments made after the year end had been processed as if made in 2019/2020. These have instead been treated as liabilities at 31 August 2020. The reported bank balance increased by a corresponding amount (£317k).
2. Transfers between funds have been included in the financial statements, where required (e.g. to reflect the source of funding for fixed asset additions).
3. Reclassifications of grant and other income between standard ESFA headings.

**(c) Potential Adjustments**

Other than the adjustments listed at b), above, we have not identified any misstatements or omissions (unless clearly trivial) from the financial statements, which have not been adjusted by you.

**(d) Recommendations in respect of accounting and internal control systems arising from work performed during the audit**

We have set out below a summary of the matters we have raised within our interim system report. We have included our view of the priority (low, medium or high) of each point. In arriving at our view of priority we have considered both the potential impact of the weakness identified and the likelihood of the related risk materialising.

	<b>Point Raised</b>	<b>Priority</b>
1.	We recommended that Management reports should include Private Fund transactions.	Medium
2.	When using the UK Government DBS update service, we recommended that the test results are recorded on file.	Low, given circumstances and the explanations provided.
3.	The records maintained should demonstrate that all procurement card payments are authorised prior to payment being made.	Low in view of general compliance and the supporting controls in place.

Additionally, as a result of our pre-audit planning work, we advised in our letter of 15 September of the following issues;

- i. Payroll has now been brought in-house, effective June 2020, therefore we conducted an additional test on the existence of staff and no issues arose. The June and July 2020 payroll reports were reviewed and again no issues arose.
- ii. Homeworking during lockdown affected the independent review of the charge card statements. Whilst generally, the individual purchases had been approved; the statements were yet to be noted as independently checked and approved by the Headteacher. ***Low Priority in view of circumstances and nature of expenditure concerned.***

We also reported that the charge cards had been used for the purchase of Tesco eCodes for students on Free School Meals (FSMs). Book tokens for prize giving had also been purchased. The supporting invoices were not available for inspection at the time but have subsequently been provided and no issue arose.

**(e) Status of Previous Year Recommendations**

The Accounts Direction 2019/2020 requires auditors to report on the status of previous year recommendations.

All previous year recommendations have been implemented.

**(f) Regularity Issues**

As stated earlier herein, our regularity report within the financial statements is expected to be unmodified.

**(g) Letter of representation**

A draft letter of representation is attached. The representations requested are important, but standard. There was however one issue in addition to those listed elsewhere in this letter that we would bring to your attention.

The purchase of alcohol during the year amounted to £149. All purchases of alcohol are deemed irregular by the ESFA. We do however understand this forms part of the Brewers bid process, from which the Trust receives substantial funding and that it follows a history of tradition at the Trust. We are aware that trustees have considered this issue and have concluded that they are satisfied with the purchase. In view of all of the circumstances, previous advice and trustee consideration of the matter, the amounts involved and the source of funding for the expenditure (paid from Foundation funds), we have no recommendation.

**(h) Significant difficulties, if any encountered during the audit**

We did not encounter any significant difficulties during the audit.

**(i) Significant matters, if any arising from the audit**

There are no further significant matters that we need to bring to your attention.

**(j) Independence Issues**

As agreed with you, the provision of non audit services to you results in a potential threat to our independence. We can confirm that as required by professional ethical standards, we have implemented appropriate safeguards to deal with this threat, in accordance with the guidance issued by our professional body.

**(k) Other Action Points – Reminders and Submissions**

- (i) **A written reply should be prepared** in response to this letter. Please return it to us keeping a signed copy for your own records and for submission to ESFA (see (iv) below).
- (ii) On return to us of the signed statutory accounts and representation letter, we will certify the audit report(s) and send you the certified accounts for submission to the ESFA (**the filing deadline is 31 January 2021**). You must also publish the accounts in full on your website by **28 February 2021**.
- (iii) You should also check that the register of business and pecuniary interest in respect of members and trustees is also published on the academy website (per AFH 2019 5.44).

- (iv) The accounts and other documentation **must be submitted electronically to the ESFA. Auditors have not been given access** to the online filing so the **submissions must be made directly by the academy trust.**

The Trust will therefore need to submit by 31 January 2021:

- i) an **“accounts cover sheet”** , summarising key facts about the accounts.
  - ii) the accounts for the year, signed by the Trust and **certified by the auditors.**
  - iii) the letter of comment from the auditors (**i.e. this letter**), together with the Trust’s response thereto.
- (v) An accounts return must be completed, signed and submitted to the ESFA prior to **23 February 2021.** We will correspond with you separately on this, if we have not already done so.

Please note that this report has been prepared for the sole use of the Directors of Dame Alice Owen’s School. We appreciate that a copy of this letter is required to be submitted to the ESFA. Apart from that however, it must not be disclosed to third parties, quoted or referred to, without our prior written consent. We assume no responsibility to any other person.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

If you have any queries regarding the matters raised in this letter, or other issues of concern please contact us as soon as possible.

Yours faithfully,



Baxter & Co



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8<sup>th</sup> December 2020

Dear Baxter & Co

Thank you for your letter of comment dated 14<sup>th</sup> October 2020.

We note the contents and your helpful advice on the filing of the accounts. Please note our comments below regarding the points you raised in your letter.

Point 1. The Private Fund transactions are now included in the Management reports submitted to the Governing Body.

Point 2. Dates of checking the DBS update service are recorded on our single central record.

Point 3. For the one incident in question, the procurement card payment *was* authorised in advance. However, because this occurred during the first national lockdown when all finance staff were working from home, there was a delay in delivering the relevant paperwork to the appropriate staff. This won't happen again now that all key staff are back in school. No transactions took place before they were authorised by the Headteacher.

Point 4. This was caused purely by the circumstances of the first national lockdown, and the delay in getting relevant paperwork to the Headteacher who was working from home at the time. As noted, all individual purchases had been approved in advance.

Yours sincerely

Peter Martin

Chair of Governors