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Hilbre High School Humanities College

Audit Findings Report

Period ended 31 August 2021

Issued 7 November 2021



Reporting to you.

We have pleasure in submitting our report to Board of Hilbre High School Humanities College (“Hilbre HS”), to set out the findings from our audit of the statutory financial statements of the Academy for the period ended 31 August 2021. Auditing Standards require us to communicate with “those charged with governance” various matters from our audit including:

- ✦ our views about significant qualitative aspects of the Academy’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- ✦ significant difficulties, if any, encountered during the audit,
- ✦ any significant matters arising during the audit and written representations we are requesting,
- ✦ circumstances that affect the form and content of our Auditor’s Report, if any, and
- ✦ any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

This report, therefore, provides a record of the points we believe should be brought to your attention before you approve the statutory financial statements. The matters included have been discussed with management during our audit and we have incorporated their comments and/or proposed actions where relevant.

We welcome the opportunity to discuss this report with you and receive your feedback.

We would like to express our appreciation for the assistance provided to us by your team during our audit for their kind and professional help throughout.

Vicky Szulist

Senior Statutory Auditor

Crowe U.K. LLP

Please note that this report is prepared solely for the Members and Officers of Hilbre HS for you to consider in line with your governance structure. We accept no duty, responsibility or liability to any other parties since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Vicky Szulist

Audit Partner

E vicky.szulist@crowe.co.uk

Alan Reynolds

Audit Manager

E alan.reynolds@crowe.co.uk



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Structure of this report.



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COVID19 – limitations on our work

To complete our audit this year we have worked with your management team to establish any lessons learnt from Covid-19 – for example adapting our communication methods or adapting a ‘hybrid’ audit approach. We have continued to move some of our audit processes to be on-line and remote, but ensured that we have had direct access to your premises, staff and on-site records where possible.

We have therefore had to assess the overall impact of this on our audit and, in particular, whether we have been able to obtain sufficient audit evidence on which to base our audit opinion.

We are pleased to report that we have been able to complete our work as planned and have no limitation issues to report.



At the time of writing, our audit work is substantially complete and, subject to satisfactory clearance of the outstanding items below, we expect to sign an **unqualified** and **unmodified audit opinion** on the financial statements.

Audit status.

	Open item	Opinion risk*
1	Finalisation of post-fieldwork review	Low
2	Receive signed letter of representation (to be provided at the time of financial statements approval/signing.)	Low
3	Final review of the financial statements.	Low

* The likelihood that this item could affect our expected audit opinion - Low/Med/High



Changes to our audit plan?

No circumstances or matters arose which required us to modify our planned approach as set out to you in our Audit Planning Letter.



Restrictions on our work?

There were no restrictions or limitations placed upon us. We were able to complete our audit work as planned.



Ethical considerations?

We remain satisfied that there are no matters which compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff.



Audit opinion?

Subject to the satisfactory clearance of the open items above, we have obtained sufficient audit evidence to enable us to provide our audit opinion

What matters **most.**

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

Critical matter	
1	<p>Completeness of Income</p> <p>With the exception of ESFA academy funding (in essence GAG & Pupil Premium), we have not rebutted the presumption that completeness of income is a significant risk.</p>
2	<p>Management override of control</p> <p>Override of controls is a common way that frauds can either be perpetrated or masked and therefore this area is always a significant risk area.</p>

Has there been satisfactory clearance of audit work in respect of:

Matters relating to fraud? ✓

The validity of assumptions made in adopting the going concern basis of preparation? ✓

Matters relating to related parties? ✓

Matters relating to compliance with relevant laws and regulations? ✓

Material disclosures within the financial statements? ✓

Trustees' Report narrative? ✓

Choice and application of material accounting policies? ✓

Significant estimates and judgements employed in the preparation of the financial statements? ✓

Compliance with regularity and propriety reporting? ✓

Misstatements and adjustments.



Materiality

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgement but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

We have reviewed our planned level of materiality and are satisfied it remains appropriate.

As set out in our Planning Report, we do not report errors to you where we consider the amounts to be trivial and for this purpose we determine the planned trivial level of £4,150 to remain appropriate.

Summary of adjustments	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Draft financial statements	(677,074)	754,822	(6,395,128)	(5,640,306)
Total adjustments arising throughout the audit				
Revised result per final financial statements	(677,074)	754,822	(6,395,128)	(5,640,306)

Summary of unadjusted misstatements	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Final financial statements (above)	(677,074)	754,822	(6,395,128)	(5,640,306)
Total potential adjustments	-	-	-	-
Potential result and position if processed	(677,074)	754,822	(6,395,128)	(5,640,306)

Systems and controls items relevant to the audit	Significant deficiencies*	Other systems points
Number of current year items	-	1
Number of open items from prior year audit findings	-	1
Number of cleared items from prior year audit findings	-	1

* A risk that this systems and controls deficiency could create a material misstatement.

Qualitative elements of the financial statements.

Narrative reporting:

We have reviewed the Trustees' Report, Governance Statement, Statement of Regularity, Propriety and Compliance and The Statement of Trustees' Responsibilities of Hilbre HS to consider whether they are consistent with the financial statements and prepared in accordance with the relevant legal framework. We have also reviewed the financial statement disclosure notes.

- We have no issues to report – the reports and financial statement disclosures appear consistent with the requirements of the Academy Accounts Direction, financial statements themselves and the information presented to us throughout our audit work.

Areas of significant estimate and judgment:

We have considered those areas where management has used significant estimates and judgments in the preparation of the financial statements. The key significant accounting estimates and judgements made by management that we have identified for specific audit review are:

- The present value of the Local Government Pension Scheme defined benefit liability;

We have no issues to report – the wording included in the financial statements is reasonable and well balanced.

Selection and application of accounting policies

Accounting policies are relevant to the entity? ✓

Accounting policies are consistently applied? ✓

Accounting policies are clearly disclosed – neither excessive nor insufficient to provide necessary understanding by the reader? ✓

Where company law or the financial reporting framework permits



Here we comment on the **qualitative elements** of your financial statements, such as narrative reporting, the application of accounting policies and disclosure notes, including those relevant to significant estimation techniques and judgments made.

management to make a ✓
policy choice, it is clear which
option has been taken?

Going concern - conclusions.

After reviewing your assessment of going concern, we concur that **the going concern basis of preparation is appropriate and disclosures relating to going concern are adequate.**

Key elements of our work included: Outcome Clear? Discussions with Board and management Satisfactory – no

significant items to note

Comparison of the previous years budget to actual
outturn to assess for reasonableness, key movements

Satisfactory – no significant items to note
✓ have been discussed with management



A review of the budget to 31 August 2022 –
understanding assumptions made, impact on cash and

Satisfactory – no significant items to note
✓ impact on funds carried forwards

A high level review of the 3 year budget forecast
submitted to the ESFA to 31 August 2024

Satisfactory – no significant items to note



Consideration of your assessment of sector risks,

Satisfactory – no significant items to note

including funding levels, pupil numbers,
exam results and ✓ availability of
personnel

Assessment of your key assumptions,
judgments and Satisfactory – no significant
items to note

estimates



Review of disclosures relating to going
concern Satisfactory – no significant items
to note



Audit findings

Your going concern assessment has concluded that **there are no material uncertainties in respect of the going concern assumptions.**

We agree with this assessment.



Response to audit
risks.



Audit findings



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Management override of controls

In any organisation, management are best placed to circumvent systems of internal control.

International Standards on Auditing (ISA 240) presumes this area to be a significant audit risk.

Key elements of our work included:

- We have reviewed the system for the generation, authorisation and posting of journal entries. We have performed a review of material journals posted for evidence of journals that may be considered unusual and/or which fell outside of our expectations for the size and nature of the entity.
- We have considered audit adjustments identified from our audit work for evidence of bias in reporting.
- We have considered significant estimates and judgements employed by management for evidence of bias. This has been considered in more detail on the next page. We also consider whether there is evidence of any significant transactions arising outside of the normal course of business.

Crowe comments

- No issues arose from our testing of journals.
- We have not identified any audit adjustments therefore there is no evidence of management bias.

- Significant audit risks.

Audit findings -



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Management override of controls – significant accounting estimates and judgements

As noted in our audit planning report, a revised auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures, effective for accounting periods commencing on or after 15 December 2019, is applicable for the current year, and required additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Significant accounting estimates and judgements made by management that we have identified for specific audit review:

- the assumptions adopted by management and used by the actuary to calculate the pension liability;

It is worth noting that the estimates involved in the estimates used by the actuary to calculate the pension liability carry a significant amount of estimation uncertainty which is mitigated by the use of management experts. The balance in question, whilst material, is not considered critical to the financial statements of the trust, nor is it particularly contentious.

Significant audit risks.

Audit findings



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Local Government Pension Scheme



The assumptions adopted by management and used by the actuary to calculate the pension liability:

Management use experts to value the local government pension scheme deficit. We performed:

- a) benchmarking of the assumptions used compared to the wider sector and other similar clients; and
- b) we also ensured that the employers pension contributions reconcile back to the employers' pension costs recorded in the statutory accounts as a means to check that the data being used by the Actuary is reasonable.

The additional substantive work carried out on the experts assumptions mitigates the risk of material misstatement inherent in the estimate.

Our findings on the two areas of substantive work are noted on the following page.

– Significant audit risks.

Audit findings -



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Local Government Pension Scheme (LGPS): a) Benchmark of assumptions



We reviewed the actuary assumptions against other academies of similar size to ensure that the assumptions used by the actuary appear reasonable.

Assumption	Hilbre HS	Average
Discount Rate	1.7	1.68
Inflation (CPI)	2.8	2.88
Life expectancy – male, 65	21	21.3
Life expectancy – female, 65	24.0	24.0

- We have nothing to bring to your attention and confirm that the assumptions for Hilbre HS fall within the ranges seen of other Trusts.

Local Government Pension Scheme (LGPS): b) Reconciliation of employers contributions



We have identified an apparent difference between the total employer's contributions made by the trust during the year to that advised by the Actuary as part of the closing actuarial valuation.

Total employers contributions (including lump sum payments) paid by the trust amount to £302k compared to £304k advised by the Actuary. The difference clearly trivial to the trust's financial statements and to the total LGPS pension deficit.

Significant audit risks.

Audit findings -



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Completeness of grant and other income recorded in the financial statements

International Standards on Auditing (ISA 240) presumes there is always a risk of material misstatement due to inaccurate revenue recognition. This audit risk is common to most organisations and is not specific to Hilbre HS.

Key elements of our work included:

- We have agreed the General Annual Grant through to the ESFA funding letter and receipts from the nominal into the bank;
- We have agreed a sample of other grant income from documentation to ensure correctly recorded and that any restrictions are adhered to;
- We have reviewed pupil censuses to ensure that pupil numbers are in line with the funding numbers and that any clawback of GAG is accurate;
- We have agreed a sample of other income from supporting documents, ensuring that income is correctly accrued/deferred as applicable and that any restrictions are adhered to;
- We have compared income recorded to budgets and to schedule of income that we believe the trust is entitled to.

Crowe comments

- No issues have arisen from our work.

Significant audit risks.

Audit findings -

Other audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Regularity and propriety reporting

The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity.

In order to do this we will follow similar procedures to those applied in order to provide assurance over any other financial statement assertion. However the level of work required to support a limited assurance conclusion may be less than that required to support a reasonable assurance conclusion.

The analysis needed to inform the regularity opinion goes beyond that required to support statutory audit work, but may involve normal sources of audit evidence as the evidence base is the same. In many areas, dual testing of the same sample could provide evidence to support both engagements.

Key elements of our work included:

- We have reviewed delegated authorities. There has been consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.

- We have reviewed transactions with related parties. There has been consideration and review of related party transactions, ensuring they took place at no more than "cost"; review of counter party declarations.
- We have confirmed the governance structure of the trust and reviewed the budgeting procedures and considered instances of irregular activities.
- We have considered the internal controls in place. This has included a review of all internal scrutiny reviews conducted; authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- We have also reviewed other aspects of regularity including a consideration of "value for money".

Crowe comments

- The only item of note is the historic finance lease. The final lease payment occurred in the year. This is therefore the final year that we have to report this as a regularity breach.
- We did not encounter any other issues in our audit work.

Audit findings -



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Going concern

Under ISAs (UK) the revised audit report includes specific references to going concern. The trustees' assessment that the going basis is appropriate has increased emphasis and importance and this is therefore an area to which we are required to pay particular attention.

The assessment must be in respect of a period of at least one year from the date of approval of the financial statements.

Key elements of our work included:

- We have considered the review period performed by Board to assess the ability of the academy trust to continue as a going concern.
- We have examined budgets prepared by management covering the period of the going concern assessment to ensure these are appropriate
- We have reviewed any other documentation which Board use in assessing the going concern status and made any necessary enquiries of management
- An overview of the going concern work covered has been provided earlier in this report.

Crowe comments

- Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention.



Other matters

arising.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.



There have been some changes in this year's version of the Academies Accounts Direction that must be adhered to. We have summarised the key changes that have impacted the financial statements of all trusts across the sector.

Key changes this year include:

- Updating the requirements of the financial review provided in the Trustees Report;
- Introduced a requirement to disclose a Financial Notice to Improve where one has been issued in the year;
- Clarified that where an "off-payroll" arrangement has been entered into with someone who is not an employee, the amount should be included in the staff cost disclosure note;
- Clarified which sub-heading funding sources should be shown in, to ensure consistency between the statutory accounts and the AAR;

Further details can be found in our Further Sector Developments document which accompanies this report.

The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2021. The value of the liability at the year-end is £5.95 million which represents a 13.7% increase compared to the previous year.

The performance of scheme assets during the year to 31 August 2021:

- There has been substantial volatility in equity markets around the world this year, in relation to the COVID-19 pandemic. The falls in equity markets and the subsequent recovery are reflected in the accounting figures as at 31 August 2021.

The price of corporate bond yields as at 31 August 2021:

- Over the same period the market volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 August 2021 have settled at around 1.7% per annum which is broadly similar to the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, there has been little impact on accounting liabilities.

Valuation of scheme liabilities at 31 August 2021:

- The value of the liabilities has increased and outweighed the actual return on assets made during the period. A large part of this is due to a 're-calibration' of figures and assumptions following the 31 March 2019 valuation.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Controls over disclosures



International Standards on Auditing require us to express an opinion on the financial statements as a whole. This includes the notes to the financial statements. Therefore, it is important that during all stages of the audit we give appropriate consideration to the disclosures made within the notes to the financial statements. We must also ensure that the financial statement disclosures are in line with the AAD.

Key elements of our work included:

- Understanding who prepares the key disclosure information and establishing what controls are in place to ensure that they are complete and accurate;
- Agreeing the material disclosures within the accounts to the appropriate supporting documentation

We have nothing to report on the way in which disclosures have been prepared by management. Generally, disclosures provided to us were accurate and in line with the relevant legal frameworks.

Audit findings - Other matters arising.

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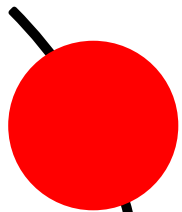
Systems and
controls.



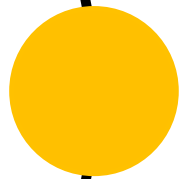
Systems and controls.

We have set out in this section the key internal control matters identified during our audit work which we believe merit being reported to you.

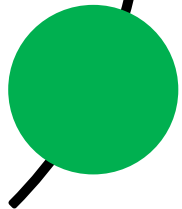
Our evaluation of the systems and controls relevant to the preparation of the financial statements of Hilbre HS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's processes and control environment and would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors which are immaterial to the financial statements.



Findings categorised as red are high significance and require urgent action



Findings categorised as amber are of a less urgent nature, but still require reasonably prompt action



Findings categorised as green are of lower significance and merit attention within an agreed timescale

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Low	<p>Internal Audit The risk register is reviewed on an annual basis rather than being embedded in continual risk management. This allows the possibility of certain items being forgotten or missed in the annual review. We recommend this is updated more frequently as and when conditions change and not on a single annual basis.</p>	Clear	The risk register was been updatd more than once during the year. From our review of the minutes, risk management has been observed as a key part of discussions.

Low

Fixed Asset Register

The fixed asset register is overly complicated and contains a lot of out of date information. For example asset disposals from a number of years ago were still listed as disposals on the register thus suggesting the disposals had taken place in the year. The register had not been kept up to date as noted in section 3.

The risk is that items could be stolen if the register is not kept up to date, assets may not be replaced in a timely manner, errors are not spotted due to the cumbersome nature of the register and depreciation is incorrectly calculated. We recommend that the register is thoroughly overhauled and we would be willing to assist with this.

Partial

A new fixed asset register is in use this year. A clearly trivial difference between it and the trial balance was noted.

To avoid greater discrepancies from arising we recommend a quarterly review of the two documents.



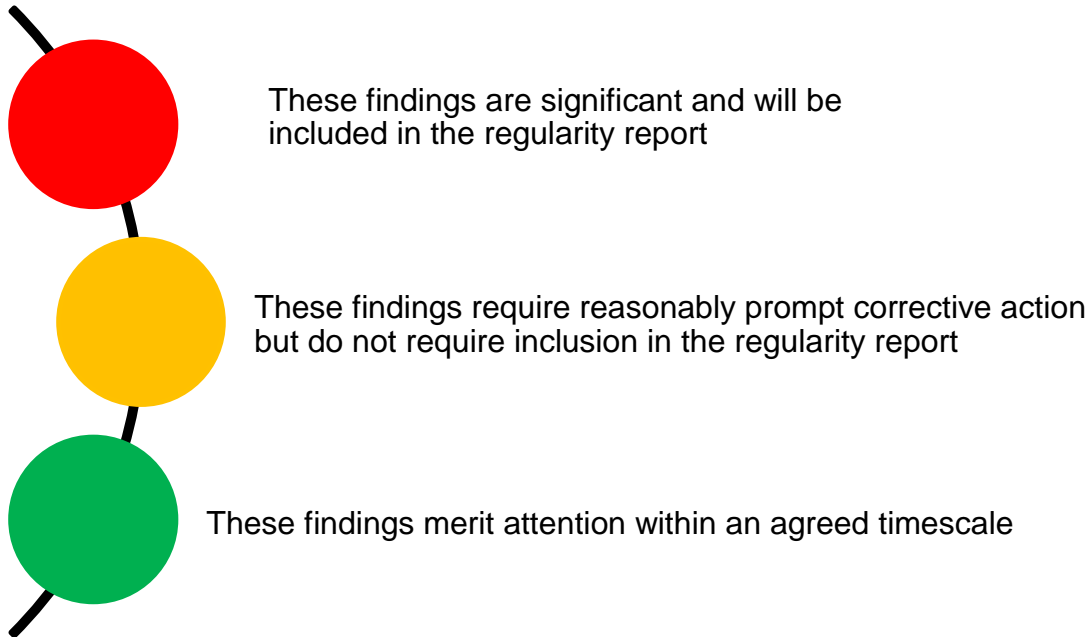
Regularity and Propriety.

**Matters arising in relation
to regularity and
propriety.**



We have set out in this section the regularity and propriety matters identified during our audit work which we believe merit being reported to you.

Our evaluation of regularity and propriety matters relevant to the preparation of the financial statements of Hilbre HS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's regularity and propriety environment and would not necessarily reveal all regularity and propriety issues which a special investigation might highlight, nor irregularities or errors which are immaterial to the financial statements.



Regularity and propriety – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
High	A finance lease has been in place during the year as reported in the past two audits.	This matter will not arise in the future as the final lease payment has been made. When the Academy reviewed the cost of breaking the lease versus paying it until finalisation, the best value for money was to continue paying until finalisation.	

Appendices



A reminder of audit scope and some key responsibilities.

Scope of our audit and our report to you.

Overview of audit scope and approach

Purpose

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of Hilbre High School Humanities College, prepared by management with the oversight of the Governors/Members, and has been carried out in accordance with International Standards on Auditing (UK) (“ISAs”).

Approach

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

Materiality

Our audit approach is based on consideration of audit materiality as explained in our planning report. The assessment of materiality is a matter of professional judgment but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality has been considered having regard to

the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

We do not therefore seek to review all immaterial amounts. © 2021 Crowe U.K. LLP

Ethical Standards

We are required by the relevant Revised Ethical Standard for auditors issued by the Financial Reporting Council (“FRC”) to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Revised Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As stated in our Planning Letter, in our professional judgement, there are no relationships between Crowe U.K. LLP and Hilbre HS, nor any other matters of note, that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention since our Planning Letter was issued to Board.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant.

- ✦ Companies Act 2006



The scope of an audit and **our responsibilities in respect of the audit** are set out below.

- ✦ The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- ✦ Financial Reporting Standard 102 (FRS 102)
- ✦ Academies Account Direction 2020 to 2021
- ✦ Academies Financial Handbook 2020
- ✦ Applicable Accounting Standards

Our responsibilities in respect of the audit.

We are responsible for forming and expressing an opinion on the financial statements prepared by management, with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Consistent with our responsibilities we will provide an audit opinion as to whether the financial statements give a true and fair view of the Academy's state of affairs at 31 August 2021 and its result for the year then ended. Our audit report will be addressed to the members of Hilbre High School Humanities College.

The scope of the audit work and the design of audit tests undertaken will be solely for the purposes of forming an audit opinion on the financial statements.

Our audit responsibilities do extend to the other information that is published with the financial statements. Our responsibility in respect of these other statements is to read the information contained therein to ensure that there are no matters that are inconsistent with the accounts. If there are inconsistencies or apparent mis-statements, we have to consider the impact on our audit report.

We are required to assess the business risks and risks of fraud within the Academy and to assess the systems and controls in place to mitigate these risks. This will form an integral part of our evaluation of the control environment.

We are also required to evaluate the design, implementation and monitoring of your internal control systems. We will do this by ensuring that we understand your systems and identifying the key controls that operate therein.

The scope of our audit work in this area will be undertaken solely for the purposes of forming an opinion on the statutory accounts. Our examination will not be specifically structured to detect fraud, all errors or non-compliance with all laws and regulations.



In respect of the audit, International Standards on Auditing require us to communicate certain prescribed matters to those charged with governance of Hilbre HS. **Our approach to written communications with you is:**

Audit matter	Planning Report	Findings Report
Planned audit scope and responsibilities of the auditor	✓	
Responsibilities of management and those charged with governance	✓	
Timings, logistics and planned communications in response to significant audit risks and key audit matters	✓	
Key issues in respect of going concern	✓	✓
Confirmation of our consideration of, and compliance with, ethical requirements, particularly concerning our independence and objectivity.	✓	✓
Key findings and issues identified throughout the audit		✓
Proposed modifications to the Audit Report, including emphasis of matter narrative		✓
Discovery or reasonable suspicion of material misstatement arising through fraudulent activity by management		✓
Material non-compliance with relevant laws and regulations		✓
Unadjusted misstatements above the trivial reporting level		✓
Consideration of the qualitative elements of the financial statements, including narrative reporting, inconsistencies between surrounding information and the financial statements, selection and application of accounting policies, disclosure notes and accounting estimates and judgements.		✓
Significant difficulties, limitations or challenges in obtaining audit evidence and completing audit work		✓
Significant deficiencies in the internal control environment		✓
Significant matters identified in respect of related parties		✓

Communicating with you.

Fraud – our work and your responsibilities.



As explained in our Planning Letter, **the safeguarding of assets and the prevention and detection of fraud, error and noncompliance with law or regulations rests with the Board of Hilbre HS.** International Standards on Auditing require us to consider fraud when planning and executing our audit.

Audit work and limitations in respect of actual and suspected fraud

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including any material misstatements resulting from fraud, error or noncompliance with law or regulations).

However, no internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

As part of our audit procedures we made enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. We have also considered fraud risk by reference to our knowledge of the structure, systems and industry in which Hilbre HS operates, as well as emerging fraud risks.

We have reviewed and discussed the accounting and internal controls systems management has put in place to address these risks and to prevent and detect error. However, we emphasise that management and Board should ensure that these matters are considered and reviewed on a regular basis.

Audit work and limitations in respect of actual and suspected fraud

We have included the following statements in the letter of representation which we require from the Governors/Members when the financial statements are approved.

- ✦ The Governors/Members acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- ✦ The Governors/Members have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- ✦ The Governors/Members are not aware of any fraud or suspected fraud affecting the company involving management, those charged with governance, or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- ✦ The Governors/Members are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the financial statements.

We draw your attention to bullet point 2 above, which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the financial statements, or in the period since the previous year end. We emphasise that this section is provided to explain our approach to fraud and error, but the responsibility to make and consider your own assessment rests with yourselves.



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