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Hilbre High School Humanities College

Audit Findings Report

Period ended 31 August 2022

Issued 16 November 2022



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 2022. 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

Alan Reynolds

Audit Manager



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Structure of this report.



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Audit status.



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.

	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
	Crowe	
4	Payroll testing	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 Report.



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>Management override of controls</p> <p>Auditing standards require us to consider this as a significant audit risk area. We have reviewed significant accounting estimates and judgments, controls around journals, detailed review of journals made in the year and review of significant transactions outside the normal course of business.</p> <p>We are pleased to confirmed there were no issues raised as a result of this work.</p>
2	<p>Going concern conclusion</p> <p>We have reviewed your budgets and longer term forecasts that support managements going concern assessment.</p> <p>We agree that the going concern assumption applied is correct.</p>
3	<p>Trustees' Report</p> <p>We have reviewed the draft Trustees' Report.</p> <p>There have not been any major changes to the reporting requirements. The minor changes that have arisen are included later in this report.</p>
4	<p>Regularity opinion</p> <p>The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity.</p> <p>We are happy to report that we have not identified any significant regularity matters that should be brought to your attention. The previously reported matter regarding the historic lease is no longer applicable as the agreement has expired.</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? ✓

Governors' 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? ✓

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

Brazel v Harpur Trust

5

The recent decision from the Supreme Court in July 2022 brings to an end the long-standing Harpur Trust v Brazel dispute and provides welcome certainty to employers surrounding the method by which payments of holiday pay are made to non-regular workers.

The maximum exposure to the Trust is estimated by management to be nil due to the existing contractual arrangements with potentially affected staff. We have accepted this treatment. Further details can be found later in this report.

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? ✓

Governors' 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 £8,600 to remain appropriate.

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



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.

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 noted that the initial draft version of the report did not include details around the management of conflicts of interest. Management have confirmed that the final version of the financial statements will be updated to include such comments.

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:

- LGPS

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 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 have been discussed with management	Satisfactory – no significant items to note	✓
A review of the budget to 31 August 2023 – understanding assumptions made, impact on cash and impact on funds carried forwards	Satisfactory – no significant items to note	✓
A high level review of the 3 year budget forecast submitted to the ESFA to 31 August 2025	Satisfactory – no significant items to note	✓
Consideration of your assessment of sector risks (including any potential financial and reputational impact on the Trust of future growth and expansion)	Satisfactory – no significant items to note	✓
Assessment of your key assumptions, judgments and estimates (including funding levels, pupil numbers, salary increases, energy costs, inflation, availability of personnel and cost of supply staff)	Satisfactory – no significant items to note	✓
Review of the ongoing process from [TCGQ] and management to challenge and update the forecasts during the year, in an environment of rapid political and economic change.	Satisfactory – no significant items to note	✓
Review of disclosures relating to going concern	Satisfactory – no significant items to note	✓

Your assessment of going concern

We explained in our planning report that in preparing the financial statements to comply with Financial Reporting Standard 102 the Board and management are required to make an assessment of the Academy's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Board and management are required to consider all available information about the future of the organisation in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

Your going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

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

We agree with this assessment.

Response to audit **risks.**

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Audit findings - Significant audit risks.



Risk assessment at the planning stage

We reported in our Audit Planning Report a number of areas we identified as having specific audit risk including the potential risk from management override of controls.

Significant risk

Significant risk is considered in the context of how, and the degree to which, inherent risk factors affect the likelihood and magnitude of a misstatement occurring.

Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

We have commented within the following pages on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of Hilbre HS identified during our audit.

To assist in the understanding of these risks we have identified one or more of six potential reasons, as defined by ISA 315, for the increased audit risk. In addition, we also consider other factors which may give rise to significant risks, such as a history of previous issues or that the matter involves significant judgement.

Six drivers of significant audit risk

- 1) Fraud risk
- 2) Recent significant economic, accounting or other developments
- 3) Complexity of the transactions
- 4) Financial information involves a wide range of measurement uncertainty
- 5) Involves significant transactions with related parties
- 6) Significant transactions that are unusual / outside the normal course of business for the entity

Audit findings - Significant audit risks.



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.

Risks

1, 2, 3, 4, 5,
6

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 estimates and judgements employed by management for evidence of bias. This has been considered in more detail on the following pages, separating those deemed to be of significant risk, and those deemed to be of other specific risk.
- We also consider whether there is evidence of any significant transactions arising outside of the normal course of business.

Crowe comments

- We did not identify any issues in the posting of journals or any indication of management bias in the postings made within the financial statements.

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

Management override of controls – significant accounting estimates and judgements

As noted in our audit planning report, auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures is applicable for the current year, and requires 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.

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

- the assumptions adopted by management and used by the actuary to calculate the LGPS pension obligations;
- the allocation of pension asset values apportioned to the trust as part of the above Actuarial valuation.

The use of professional valuers in calculating the LGPS liability reduces the risk of material misstatement. Consequently, we do not consider these estimates to be significant risks for audit purposes.

Crowe comments

- We did not identify any issues in relation to the testing of the LGPS liability.

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

Revenue recognition (accuracy, existence and cut off)

Further to our income assessment as documented previously we have also performed audit work on the following income streams. However we do not consider these income streams to be at significant risk of material misstatement due to fraud.

- Core grant and other charitable income: in most cases, core grant income can be verified to external sources, ESFA and LA funding statements, and is received directly into the bank, there is a low risk of material misstatement due to fraud;
- Other income: on the basis that this is considered insignificant, and is made up of low value transactions, there is low risk of material misstatement from fraud;

Key elements of our work included:

- We have agreed the General Annual Grant through to the ESFA funding letter and check for evidence of clawback;
- We have agreed a sample of other grant income (including Pupil Premium) from published funding data or relevant documentation to ensure correctly recorded and that any restrictions are adhered to;
- We have compared income recorded in the year to a schedule of income that we believe the School is entitled to and to the expected budget.
- We have reviewed income recorded in the following academic year to ensure it has been recorded in the correct period.

Crowe comments

- We have reviewed the school's core grant income streams and we are satisfied this income has been recorded correctly and that there is no evidence of clawback.
- We have also compared income recorded in the year to expected budget and noted any variances between budget and actuals.
- We have no matters to bring to your attention in this area.

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

- We have not identified any issues in relation to regularity and propriety from our audit testing.

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

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

- Forecasts factor anticipated increase specifically in relation to staffing at agreed rates (eg admin staff have a flat £1,925 increase applied) and the rate at which the PFI contract has been estimated to increase is reasonable when we compared the rates used to ONS data.
- The forecasts show a near break event position in 22/23, small deficit in 23/24 and large deficit in 24/25, which is a common trend we are seeing across a number of academies with future funding uncertain against a backdrop of ever increasing cost pressures.
- The academy has sufficient reserves to meet these deficits and gives the Board and management time to consider mitigating strategies and actions.

Audit findings - Other audit risks.



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.

Academies Accounts Direction (“AAD”) 2021-22



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:

- Severance payments to be disclosed in set bandings of £25,000
- The encouraged provision of narrative to support numerical disclosures where a Trust is subject to service concession arrangements and are committed to such payments such as PFI arrangements;
- Removal of the requirement to produce a separate trading account note for teaching schools;
- Reiteration that the Trustees’ Report should pay particular reference the Trust’s performance and circumstances in the year;

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

Local Government Pension Scheme (LGPS) overview



The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2022. The value of the liability at the year-end is £2m which represents a 66% decrease compared to the previous year.

The performance of scheme assets during the year to 31 August 2022:

- There has been substantial volatility in equity markets around the world this year, in relation to the COVID-19 pandemic, the Russian invasion of Ukraine and volatile UK political scene. This has led to falls in equity markets as at 31 August 2022. The return on assets during the period was a deficit of £208k (2021: £742k surplus)

The price of corporate bond yields as at 31 August 2022:

- Over the same period the market volatility extended to corporate bonds including yields on AA-rated corporate bonds as at 31 August 2022 have settled at around 4.3% per annum a significant increase on the prior year. As the discount rate for accounting purposes is based on corporate bond yields, this has been the main driver on reducing the net liability position.

Audit findings - Other audit risks.



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	4.30	4.27
Inflation (CPI)	2.80	2.99
Life expectancy – male, 65	20.9	20.6
Life expectancy – female, 65	24.0	23.53

- 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 £324k compared to £322k advised by the Actuary. The difference is £XXXX and considered to be clearly trivial.

Other matters arising.

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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.

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.

Brazel V Harpur Trust



The recent decision from the Supreme Court in July 2022 brings to an end the long-standing Harpur Trust v Brazel dispute and provides welcome certainty to employers surrounding the method by which payments of holiday pay are made to non-regular workers.

Management has estimated that the total exposure to the school as a result of this case is nil. As such no liability has been recorded in the financial statements.

Please note that an employee can make a claim for backpay going back two years providing that a claim is made within three months of the last unlawful deduction. We understand that the plan is to correct pay in relation to this matter (prospectively) as part of the October 2022 payroll run.

We have considered management assessment in relation to this matter and agree with the current accounting treatment. If any are claims received before the financial statements are approved please let us know as it you may need to include a post balance sheet event disclosure in the financial statements.

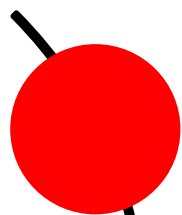
Systems and **controls.**

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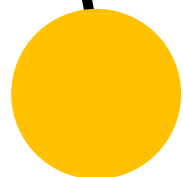
Systems and controls.

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.

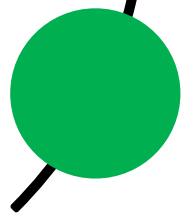
Our evaluation of the systems and controls relevant to the preparation of the financial statements of Hilbre HS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's 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>Fixed Asset Register</p> <p>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.</p> <p>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.</p> <p>We recommend that the register is thoroughly overhauled and we would be willing to assist with this.</p>	Clear	A revised version of the fixed asset register is in use and we have not identified any issues in relation to its function and content.

Summary of adjustments.

Summary of disclosure misstatements.



The following financial statement **disclosures, presentation and narrative items** were noted throughout our audit work and have been agreed with, and actioned by, management as described.

Financial statement disclosure item	Action taken?
Missing comment on the management of conflicts of interest within the Governance Statement.	Management are adding in relevant wording into the final version of the financial statements.

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, 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.

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 Report, 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 Report 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
- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2019)
- Academies Account Direction 2021 to 2022
- Academies Trust Handbook 2022
- Applicable Accounting Standards

Our responsibilities in respect of the audit.



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

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 2022 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 not 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.

Communicating with you.



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		✓

Fraud – our work and your responsibilities.



As explained in our Planning Report, **the safeguarding of assets and the prevention and detection of fraud, error and non-compliance 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 non-compliance 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 when the financial statements are approved.

- The Governors acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Governors have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Governors 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 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.

