



**Lord Agnew Kt DL**

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Dear audit colleague

We would like to take this opportunity to thank those of you who attended the ESFA's Auditor Conference. We found the day very helpful and a good opportunity to meet you all and listen to the questions and concerns you raised. It is through these events we are able to discuss openly and constructively some of the challenges faced and how collectively we can work together to help improve the overall quality of financial management and governance, within the academy and further education college sectors.

We had three primary objectives for the day, which were to: convey how much we value and rely on the work external auditors provide, continue to develop and strengthen the dialogue between us and share findings from our assurance work, including areas of good practice and areas for development.

On the first point, conveying how much we rely upon your work, we are aware that your audit teams will be currently 'in the thick of' academy and college external audits. It therefore seems an appropriate time to re-emphasise one of the key messages from the day - ensuring that the financial expertise you provide is appropriately shared as part of the audit process, both at an operational and board level. A key aspect of this for your clients will be responses to and implementation of recommendations raised in your management letter by boards of trustees and governing bodies. Management letters are a key tool, which assist academies and colleges in improving their governance and financial management arrangements. They also continue to be a key source of information for us, both in terms of issues identified and recommendations made, as well as responsiveness in strengthening the controls or issues identified on a timely basis.

As discussed at the conference, we are particularly interested in recurring issues raised in management letters that have not been fully addressed. To help us review this area in the current audit cycle, we have updated both the Accounts Submission Coversheet (ASC) and Annual Accounts Return for academies to track this information. We will also be considering this as part of

our review of college Annual Audit Committee Reports. This information will help us in our overall risk assessment of academies and colleges and follow-up action.

In terms of the second objective, and as part of our ongoing dialogue, we would like to remind you of the importance of flagging significant concerns with us early. This is particularly important when you expect to issue a qualified audit opinion or modified regularity opinion. This is a requirement of both academy and college assurance frameworks and also aligns with the Agency's prevention approach. Through earlier dialogue, we would hope that in some cases, we are able to reduce the scale and extent of subsequent intervention, leading to more effective outcomes for both organisations and learners. We see the advice and opinions you provide being an important part of our intelligence and in some cases, being an 'early warning' of emerging issues.

Thirdly, in terms of sharing best practice, we have issued the slide packs from the day, including the sessions on: financial statements and annual accounts return, assurance findings and changes to the framework and also fraud and investigations. These summaries highlight common areas of weakness, error and irregularity. Last year we were pleased to report an overall level of substantial assurance over funds paid to providers. However, areas of weakness remain consistent year on year and common findings continue to include: non-compliance with providers' own procurement and tendering policies, including the management of related party transactions, weaknesses in the implementation of a robust internal control framework and limited financial management reporting. We will continue to work closely through respective auditor forums to discuss these areas, where there is always an opportunity for you to make further suggestions on how we can strengthen or develop our guidance. We continue to see these forums as an integral part of our stakeholder engagement and welcome your continued involvement and participation.

In summary, once again thank you for the work you do in the sector in ensuring that academy trusts and further education colleges account for the public funds invested in them by Parliament, transparently and in accordance with the assurance frameworks in which they operate. As we work through the 2017/18 audit season, we look forward to seeing the returns due at the end of December.

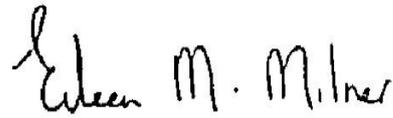
Finally, in relation to the conference, thank you to those who have already returned the evaluation forms, all comments received are very helpful and will help us plan and inform future events.

Yours faithfully

A handwritten signature in black ink that reads "Theodore Agnew". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

THEODORE AGNEW

Parliamentary Under Secretary of State  
for the school system

A handwritten signature in black ink that reads "Eileen M. Milner". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

EILEEN MILNER

Chief Executive, Education and  
Skills Funding Agency