



St John Bosco Catholic Academy
Audit Findings Report
Year Ended 31st August 2020

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We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing an opinion on financial statements of St John Bosco Catholic Academy.

This report has been prepared for the sole use of the management of St John Bosco Catholic Academy and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1. Executive Summary

As auditors we are required under the International Standards on Auditing 260 (ISA 260) to communicate matters arising from the audit of the financial statements to those charged with governance.

The purpose of this memorandum is to record the overall results of our work and to highlight those matters that came to our attention during the audit.

Financial review	<p>The Academy has made an overall deficit in the year of £26,073,032 compared to a deficit of £669,935 in 2019. The 2020 deficit is significantly impacted by the transfer of the land and buildings back to the diocese resulting in a loss on disposal of £23,284,358. The loss is also impacted by the pension deficit of the new schools coming on board of £2,425,00.</p> <p>General funds carried forward at 2020 amount to £1,986,158 compared with £1,680,821 in 2019.</p>
Key risks and audit approach	The key risks identified at the planning stage and the work conducted have been scheduled out in section 3.
Accounting policies and practices	We have considered the accounting policies to be appropriate for the Academy. Section 3 summarises the main accounting issues we have discussed with management.
Systems and controls	We have noted no fundamental weaknesses in the academy's accounting and financial control systems but we have noted recommendations for improvement in section 5.
Regularity	Our regularity checklist has been completed by management and responses provided by the MAC verified against supporting documentation. Major errors or areas of concern have been noted in section 5.
Audit adjustments	For a detailed review of all proposed audit adjustments in place please see Section 7.

Acknowledgements

We would like to take this opportunity to thank the staff for all the kind assistance provided during the audit.

2. Financial Review

Annual Performance

	2020	2019
Fixed asset income	£118k	£214k
Income before capital grants	£10,713k	£7,301k
Total incoming resources	£10,832k	£7,515k
Total resources expended	£35,829k	£7,628k
Actuarial gain/(loss) on pension	(£1,076k)	(£557k)
Net movement in funds	(£26,073k)	(£670k)
General funds carried forward	£1,986K	£1,681k

The above table outlines the financial performance of the MAC for the last two academic years.

Income generated before capital grants has increased by £3,412k (46.7%). This due to a conversion grant of £175k was received to support the MAC upon conversion of the two academies. GAG funding increased by £2,559k following the two new academies generating £2,010k and £409k respectively along with all Dudley academies increasing their pupil numbers resulting in £127k additional funding. The teachers pay grant received increased by £58k along with the new teachers pension grant of £320k following the rise of employers contributions in 19/20. Pupil premium rose by £105k predominately due to the addition of St Mary's and Stuart Bathurst.

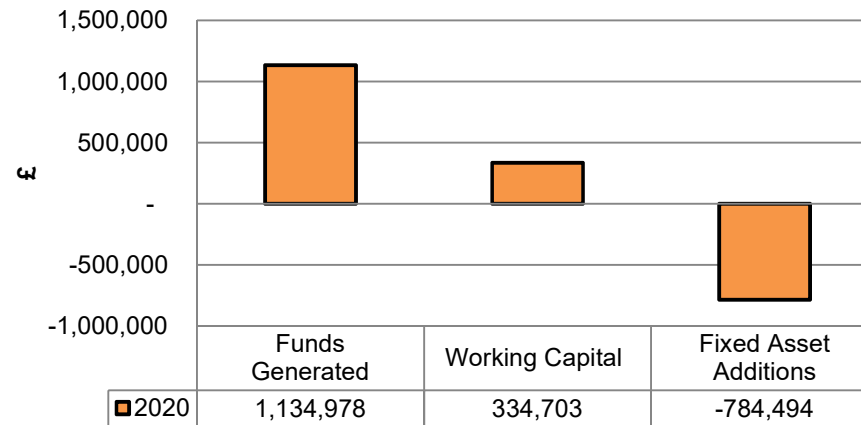
Income from capital grants has decreased in the year by £96k, which mainly relates to the one off additional £65k DFC funding received in 18/19.

Total income has risen by £3,317k (44.14%) in the year.

Total expenditure within the MAC rose by £28,201k compared to 2019 with the most significant increase the loss on disposal of the land and buildings back to the diocese of £23,284k, the LGPS deficit transferred as a result of the two new schools joining of £2,425k and an increase in depreciation of £93k which is expected following the growth of the MAC. Total staff expenditure rose by £2,522k, following costs of £1,852k from the two new academies, £102k redundancy costs not present in 18/19 and an increase of £141k in pension costs following the rise in the Ers contribution percentage. Pay rises of £103k were incurred in the year with agency costs also rising by £74k following Stuart Bathurst struggling with staffing.

2. Financial Review (cont.)

Cash flows



The chart above shows what has impacted on the MAC’s cash position for the year.

The Academy’s overall cash position has increased by £685,188 to the year ended 31st August 2020, and is comprised of the following elements:

- Funds generated of £1,134,978, which is the surplus for the year adjusted for non-cash items as below:
 - Deficit in year: £24,997,032
 - Depreciation: £499,141
 - Loss on disposal: £23,284,358
 - Fixed assets on conversion (£354,489)
 - LGPS on conversion £2,425,000
 - LGPS pension adjustment: £278,000
- An increase in working capital of £334,703 related to the following movements:
 - Increase in debtors: (£15,032).
 - Increase in creditors: £350,814 Mainly due to an increase in trade creditors.
 - Increase in stock: £1,079
- The purchase of fixed asset additions amounting to £784,494.

2. Financial Review (cont.)

Funds analysis

Statement of Financial Activities 2019/20						
	Net Income/(expenditure)	(24,997,032)				
	Actuarial gains/(losses) on DB	(1,076,000)				
	Net Movements in Funds	(26,073,032)				
Reflected between funds						
Trust Results 2019/20	Revenue Reserves		Capital Reserves		Pension Reserves	
	Income	10,713,434	DfE/ESFA grants	118,458	FRS102 adj	(1,354,000)
	On conversion	218,766	On conversion	354,489	On Conversion	(2,425,000)
	Expenditure	(9,915,680)	Depreciation	(499,141)		
Transfers	(711,183)	Transfers	711,183			
		Loss on disposal	(23,284,358)			
	Total	305,337	Total	(22,599,369)	Total	(3,779,000)
Funds at 01/09/19		1,680,821		26,651,829		(3,382,000)
Total movement above		305,337		(22,599,369)		(3,779,000)
Funds at 31/08/20		1,986,158		4,052,460		(7,161,000)
		Free reserves		Capital assets		Long term liability
						Total
						24,950,650
						(26,073,032)
						(1,122,382)

The reserves of the Trust at 31 August 2020 amounted to a negative £1.1m. The table above shows an analysis of reserves between capital funds, pension liability and revenue reserves.

Free reserves are generally considered the best way to identify the underlying financial performance of a Trust, above shows an operating surplus of £305k for the year and accumulated funds of £1,986k at the end of the year.

3. Audit approach and audit risk

Our planning letter highlighted the key risks that our audit would focus on and the work we planned to perform to address them. Below is a summary of the key risk, the work performed and our findings.

	Work performed	Conclusion
Income recognition	<p>A detailed review of income has been completed to confirm the accuracy of cut-off.</p> <p>Enquires made to confirm no claw-back provision is required.</p> <p>ESFA income reconciled to remittances and enquiries made to establish whether clawback is necessary.</p>	<p>No issues were noted regarding income recognition and there is no evidence identified which would indicate ESFA funding is likely to be clawed back.</p>
Management override	<p>Review conducted for journals, accounting estimates and any unusual items.</p>	<p>No evidence has been noted of management bias or override of internal controls.</p>
Different controls and accounting functions at new school	<p>Additional test of detail conducted to ensure all academies at the MAC are following appropriate procedures during the period.</p>	<p>No breaks from procedure were noted from the sample selected for testing.</p>

3. Audit approach and audit risk (cont.)

	Work performed	Conclusion
Capital Projects	All transactions relating to capital projects have been reviewed to confirm the relevant accounting treatment has been applied. Expenditure funded by grants has also been reviewed to gain assurance that it is incurred in line with terms and conditions of any grants. Procedures for major capital projects have been reviewed.	<p>Expenditure for capital projects appears to have been legitimately incurred from our review.</p> <p>The Trust was successful in obtaining £69k of CIF funding for replacement boilers. This has been fully recognised in 2020 in line with the SORP.</p>
Valuation of pension scheme deficit	A review conducted on pension adjustments and accounts disclosures.	A review of the actuarial report has been carried out and the necessary adjustments made to the accounts. There is a £30k difference between the employer contributions in the accounts and the pension report. We are awaiting a response from WMPF on this.
Funds	Accounts workings have been reviewed along with fund reconciliations to determine that the accounts presentation is accurate.	The statutory accounts demonstrate the correct allocation of funds required.

3. Audit approach and audit risk (cont.)

	Work performed	Conclusion
Going Concern	Review of three year forecasts (including cash flows), bank covenants and bank facilities.	No major areas of note were identified on our review of going concern.
Governance	Review of meeting formats, frequency and information has been conducted to ensure compliance with PPN02/20.	Per the Academies Financial Handbook management accounts must be sent to the Chair of Governors once a month. From May 2020 no management accounts were sent due to an error regarding prepayments and accruals. This has been highlighted in the independent reporting accountant's report on regularity.

4. Accounting practices and financial reporting

During the course of our audit we consider the accounting practices, accounting policies adopted that have a significant impact on the information and disclosures in the financial statements.

Aspect considered	Conclusion
Accounting policies	We have not noted any significant errors or issues relating to the accounting policies adopted by the Academy.
Estimates and judgements	The major accounting estimate within the accounts relates to the valuation of the Local Government Pension Scheme, calculated by Barnett Waddingham. Our review of their report would suggest the year-end position is suitably estimated.
Accounting treatment	Errors identified in the accounting treatment of items have been noted in section 7.
Financial statement disclosures	The financial statements have been reviewed including disclosures made.
Unusual transactions to report	No unusual transactions to report.
Trustees report disclosures	The Trustees report has been reviewed and all appropriate disclosures are included.

5. Accounting and financial control systems

We are required to report to those charged with governance any significant weaknesses in the internal control environment that we have noted as part of our audit.

From the audit work performed we have noted the following weaknesses in internal control.

We have categorised our findings as follows:



Fundamental

Action is imperative to ensure that the objectives are met



Significant

Requires action to avoid exposure to significant risks in achieving objectives



Merits attention

Action is advised to enhance control or improve operational efficiency

Control area		Comment	Management response
Management accounts distribution		The management accounts are required to be distributed to the chair twelve times a year and the board six times a year. This has not occurred in the year with the last management accounts being distributed in April 2020.	Distribution of the management accounts has been sporadic during the year in the main due to the global pandemic and with initial finance system set up. Directors have been provided with multi pieces of finance information to ensure that high regularity has been achieved outside of the management accounts model.
Personnel Files		Five instances whereby no signed employee contracts were located on the employee files. We recommend that all employees of the MAC have signed contracts on their personnel files.	Each employee is long serving and inherited from DMBC. Employee files are being reviewed and those without contracts are being reissued imminently.
Accrued income		One instance whereby incorrect calculation of DMBC deprivation income conducted. The payment relates to the financial year therefore only five months required an accrual. Over accrual deemed trivial however CK recommend that accruals only made for income that relates to thee academic year.	This value was less than what is deemed significant.

5. Accounting and financial control systems (cont.)

Control area		Comment	Management response
TSB bank accounts		<p>One TSB bank account exists for Stuart Bathurst school fund with a balance of £2,574, however no statements were able to be provided in relation to the balance. CK unable to confirm the balances held at year end.</p> <p>CK recommend that where bank accounts exist, statements are requested and the balances reconciled to the nominal.</p>	<p>Multiple attempts have been made to close these accounts and source statements in the interim. Due to significant staff change there are no longer any signatories employed at this schools.</p>
Register of interests		<p>There were no registers of interest for senior members of staff at Stuart Bathurst for 2019/20. There have been register of interests obtained for 2020/21. This is a requirement of the Academies Financial Handbook.</p>	<p>All incoming schools to the MAC were requested to complete register of interests for their employees, this has been an oversight and 2020-21 forms have been completed instead.</p>

Points to note:

In line with the Academies Financial Handbook for 2020/21 the MAT should maintain a fixed asset register which agrees to the accounts. It is recommended that this be drafted going forward and fixed assets included within the balance sheet of the management accounts. It is currently maintained within the profit and loss and this can make it difficult to maintain a list of the costs associated with fixed assets as they can often go to multiple nominal codes. This was discussed with management and will be implemented going forward.

6. Follow up of previous year recommendations



Fundamental
 Action is imperative to ensure that the objectives are met



Significant
 Requires action to avoid exposure to significant risks in achieving objectives



Merits attention
 Action is advised to enhance control or improve operational efficiency

Control area	Comment	Management response	Status
Personnel files	<p>Through employee existence testing it was noted that two employee files did not contain contracts of employment, furthermore, two instances noted whereby two employee files did not contain ID.</p> <p>CK physically verified both employees however, it is recommended that contracts of employment are retained and proof of ID obtained and evidenced on employee files.</p>	<p>One employee has not returned a signed copy of their contract and the other employee has been employed for numerous years therefore is a historical issue.</p> <p>Issue noted and will be updated.</p>	<p>Similar issue in 19/20, please see section 5.</p>
Unspent 16-19 bursary	<p>The ESFA guidelines indicate that unspent 16-19 bursary funds cannot be carried forward more than one year, and need to be returned to the ESFA once this period has elapsed.</p> <p>The Academy still appears to have amounts relating to periods dating as far back as 2014-15 which have not been returned. Following discussions with management it is clear that not all expenditure has been allocated against the bursary in previous years, therefore the only creditor should relate to the underspend in 17/18 of £781. We have confirmed that the Academy has contacted the ESFA, but that no correspondence from the ESFA has been received in return.</p>	<p>The ESFA have been notified and we await a response.</p>	<p>£781.18 repaid in 19/20 in relation to previous balances unused. Nothing further to note.</p>

7. Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted misstatements identified during the course of our work is set out below.

Description	Adjusted Misstatements		Unadjusted Misstatements	
	Profit & Loss effect Dr/(CR) £	Balance Sheet effect Dr/(CR) £	Profit & Loss effect Dr/(CR) £	Balance Sheet effect Dr/(CR) £
Per Client Accounts (Surplus)/Deficit	(346,682)			
Accounts Adjustments				
1. Stock adjustment	(1,079)	1,079		
2. Accruals / prepayment adjustments	277,316	(277,316)		
3. Recognise School Fund	(196,703)	196,703		
4. 16-19 bursary adjustment	(11,130)	11,130		
5. Capital expenditure shown in client SOFA	(894,434)	894,434		
6. Depreciation	744,586	(744,586)		
7. Fixed assets on conversion	(354,489)	354,489		
8. Recognise STJB bank account	(125,164)	125,164		
9. Bank reconciliation error on transfer to FMS	(4,064)	4,064		
10. Misc funds bfd difference	(407)	407		
Per accounts at start of audit (surplus)/deficit	(912,250)			

7. Unadjusted/adjusted misstatements (cont.)

Description	Adjusted Misstatements		Unadjusted Misstatements	
	Profit & Loss effect Dr/(CR) £	Balance Sheet effect Dr/(CR) £	Profit & Loss effect Dr/(CR) £	Balance Sheet effect Dr/(CR) £
Audit Adjustments				
1. Audit accrual omitted	17,300	(17,300)		
2. Depreciation adjustments	(19,601)	19,601		
3. Interschool adjustments	40,126	(40,126)		
4. Removal of land and buildings back to diocese	23,146,236	(23,146,236)		
5. Correction of Stuart Bathurst additions in relation to 6 th form and toilets	22,221	(22,221)		
6. LGPS pension adjustments	3,779,000	(3,779,000)		
Revised deficit	26,073,032			

8. Independence

In accordance with International Standard on Auditing (UK) 260 “Communication with those charged with governance”, there are no changes to the details of relationships between CK Audit and St John Bosco Catholic Academy that may reasonably be thought to bear on CK Audit’s independence and the objectivity of the senior statutory auditor, **Wendy Davies** and the audit staff and the related safeguards from those disclosed in our audit planning letter.

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