



**Chartered Accountants
& Business Advisors**

St John Bosco Catholic Academy
Audit Findings Report
Year Ended 31st August 2021

Approved by *Glennicks*

Date *16th December 2021*

Contents

1. Executive summary
2. Financial review
3. Audit approach and audit risks
4. Accounting practices and financial reporting
5. Accounting and financial control systems
6. Follow up of previous year recommendations
7. Unadjusted/adjusted misstatements
8. Independence

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 surplus in the year of £761,637 compared to a deficit of £26,073,032 in 2020. The 2020 deficit was significantly impacted by the transfer of the land and buildings back to the diocese resulting in a loss on disposal of £23,284,358 and losses as a result of the LGPS and conversion of new schools (£2,425,000 combined).</p> <p>General funds carried forward at 2021 amount to £3,071,103 compared with £1,986,158 in 2020.</p>
Key risks and audit approach	<p>The key risks identified at the planning stage and the work conducted have been scheduled out in section 3.</p>
Accounting policies and practices	<p>We have considered the accounting policies to be appropriate for the Academy. Section 4 summarises the main accounting issues we have discussed with management.</p>
Systems and controls	<p>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.</p>
Regularity	<p>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.</p>
Audit adjustments	<p>For a detailed review of all adjusted and unadjusted misstatements please see Section 7.</p>
Audit opinion	<p>We propose to issue an unqualified audit report.</p>

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

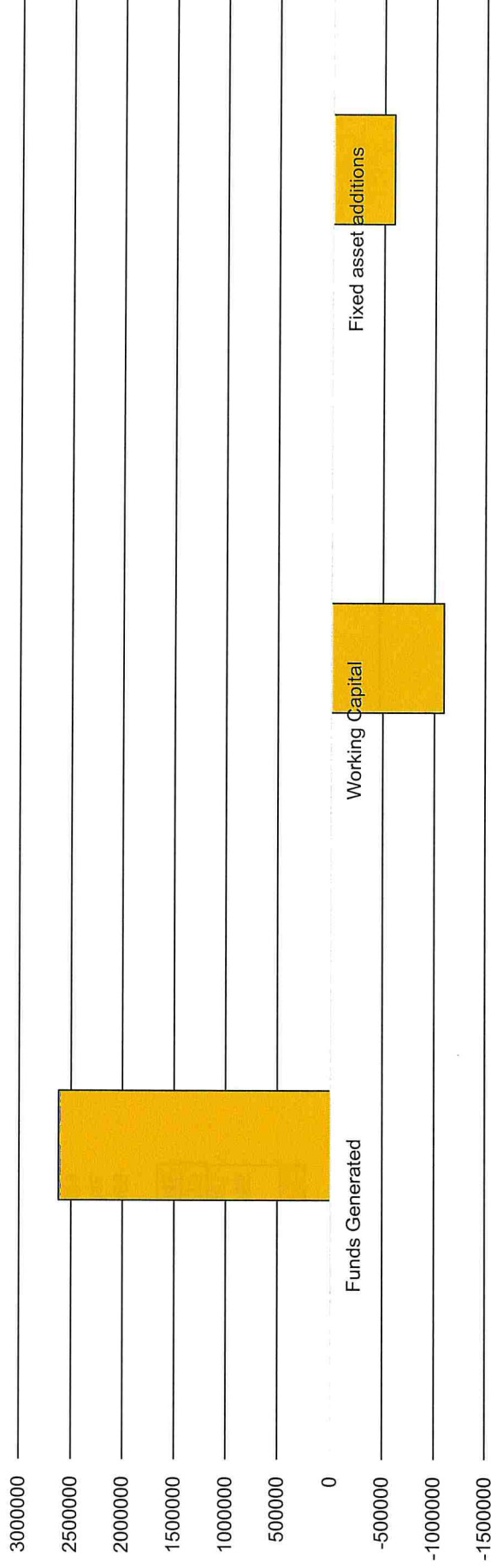
	2021	2020
Fixed asset income	£1,050k	£118k
Income before capital grants	£15,224k	£10,713k
Total incoming resources	£16,274k	£10,832k
Total resources expended	£14,440k	£35,829k
Actuarial gain/(loss) on pension	(£1,072k)	(£1,076k)
Net movement in funds	£762k	(£26,073k)
General funds carried forward	£3,071k	£1,986K

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

Income generated before capital grants has increased by £4,511k (42.1%) which is primarily due to a full year of income being recorded for the two new schools in the Trust, Stuart Bathurst and St Mary's. GAG funding increased by £3,688k following the two new academies generating £2,848k and £568k respectively. A 4% increase in funding per pupil re. pre-16 school budget share was also noted for the existing Dudley schools. There were also notable increases in pupil premium income (£202k), and Teacher Pay + pension grants (£150k) for the same reasons. Income from capital grants has risen by £932k as a result of successful CIF bids for 2021/22 capital projects at Bishop Milner, Stuart Bathurst and St. Joseph's.

Total expenditure fell by £21,407k compared to 2020 although this does include the loss on disposal of the land and buildings back to the diocese of £23,284k and the LGPS deficit transferred of £2,425k. Total staff expenditure rose by £3,464k following increases of £1,817k and £480k at Stuart Bathurst and St. Mary's respectively and teacher/admin pay awards amounting to £325k. Total costs incurred as a result of LGPS adjustments also increased by £279k.

Financial Review – Funds Generated



The Academy's overall cash position has increased by £932,354 to the year ended 31st August 2021, and is comprised of the following elements:

- Funds generated of £2,604,328, which is the surplus for the year adjusted for all non-cash items which were depreciation (£209,691) and LGPS pension adjustments (£561,000).
- An increase in working capital of £1,074,600 related to the following movements:
 - Increase in debtors: (£1,271,419). The growth in debtors is as a result of +£900k CIF funds being held in accrued income (yet to be paid).
 - Increase in creditors: £196,541. Mainly due to an increase in accruals of £256k.
 - Increase in stock: (£276)
- The purchase of fixed asset additions amounting to £597,374.

Financial Review – Funds Analysis

Statement of Financial Activities 2020/21	
Net income/(expenditure)	1,833,637
Actuarial gains/(losses) on DB	- 1,072,000
Net movement in funds	761,637

Revenue Reserves	
Income	15,224,196
Expenditure	- 13,669,481
Transfers	- 469,770
Total	1,084,945

Funds at 01/09/20	1,986,158
Total movement	1,084,945
Funds at 31/08/21	3,071,103

Free reserves

Capital Reserves	
DFE Grants	1,049,613
Depreciation	- 209,691
Transfers	469,770
Total	1,309,692

4,052,460
1,309,692
5,362,152

Capital Assets

Pension Reserves	
FRS 102 adj.	- 1,633,000
Total	- 1,633,000

- 7,161,000
- 1,633,000
- 8,794,000

Long term liability

Total	- 1,122,382
	761,637
	- 360,745

The reserves of the Trust at 31 August 2021 amounted to a negative £343k. 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 £1,084k for the year and accumulated funds of £3,071k 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.

Risk	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>Please see section 7 for issues regarding income recognition.</p> <p>There was 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>
Valuation of pension scheme deficit	<p>A review conducted on pension adjustments and accounts disclosures.</p>	<p>A review of the actuarial report has been carried out and the necessary adjustments made to the accounts. There is a £27k difference between the employer contributions in the accounts and the pension report which is considered immaterial.</p>

3. Audit approach and audit risk (cont.)

Risk	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.	Expenditure for capital projects appears to have been legitimately incurred from our review. The Trust was successful in obtaining CIF funding for fire compliance and window replacements which has been recognized appropriately in 20/21 following adjustment made on section 7.
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.
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 contain an income and expenditure report, balance sheet and cash flow forecasts. The balance sheet information supplied is deemed inadequate. Please see further comments on section 5.

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	The analysis of funds between schools has been reanalysed and it was noted that the previous years figures excluded intercompany recharges. The figures have now been updated.
Strategic/directors'/governors 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

<p>Management accounts distribution</p>	<p>Per the Academies financial handbook, the MAC are required to issue monthly management accounts comprising of an income & expenditure report, balance sheet and cash flow forecasts.</p> <p>During 20/21 the balance sheet issued to the directors and the board omitted the pension liability, school fund and the fixed assets therefore does not present a complete picture of the financial position of the MAC.</p> <p>We recommend that both fixed assets and the school fund be incorporated into the PSF system and accounts to include entries on a monthly basis.</p>	<p>The chair and board were notified in the error within the accounts whereby when the fixed asset issue was rectified revised balance sheets would be issued. At the time of audit no reissued balance sheets had been generated.</p>
<p>Personnel files</p>	<p>Two instances noted whereby no signed employee contracts were located on the employee files.</p> <p>We recommend that all employees of the MAC have signed contracts on their personnel files.</p>	<p>One employee deemed long standing therefore no re-signing of contract deemed necessary. The other employee file will be updated in 20/21.</p>

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

Accruals and prepayments

Comment



Accruals per the nominal ledger did not agree back to total of year end accruals and accruals by school. On investigation the majority of the difference related to opening balance brought forward by PSF from 2020 which had not been reversed against the wrong nominal ledger code. The opposite entry being prepayments and deferred income.

There was not list of prepayments produced at the year end to agree back to the figure in the nominal ledger. In reconciling the year end position we noted several amounts being carried forward as prepayments which need to be cleared down. The amounts were below materiality so have not been noted as an adjustment but we recommend these are cleared in the current year.

We also recommend that the prepayment nominal ledger is reviewed at the end of the year to a list of closing prepayments.

Management response

Noted will be reconciled 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

<p>Management accounts distribution</p>		<p>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.</p>	<p>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.</p>	<p>See section 5, distribution not a concern in 20/21 however substance of management accounts could be improved.</p>
<p>Register of interests</p>		<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>	<p>No such issue in 20/21. All completed.</p>

6. Follow up of previous year recommendations (cont.)

Control area	Comment	Management response	Status
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>	<p>Closed in 20/21.</p>
Accrued income	<p>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 these academic year.</p>	<p>This value was less than what is deemed significant.</p>	<p>See section 7 for adjustments to accrued income in 20/21 ref capital funding.</p>
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 20/21, please see section 5.</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 originally posted – (surplus) / deficit	(2,185,778)			
Accounts Adjustments				
1. Movement on stock balances	(801)			
2. Recognise school fund transactions	150,031			
3. Reconciling item on bank	961			
4. Fixed asset additions to capitalize	(558,800)			
5. 16 – 19 Bursary creditor adjustment	1,017			
6. School fund costs already accrued in 2020	(88,345)			
7. Remove school fund accrual	20,447			
8. St Mary's 2020 accrued audit fee reserved twice	3,460			
Surplus at beginning of audit	(2,657,808)			

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) £
Surplus at beginning of audit	(2,657,808)			
Audit Adjustments				
1. Intercompany balances within debtors	2,939			
2. CIF income over accrual	110,159			
3. Correction to opening reserves	562			
4. Reversal of 2020 I/C accrual adjustment	(39,760)			
5. Omitted capital items	(38,575)			
6. Omitted depreciation charge	209,691			
7. Required adjustments for LGPS disclosures	1,633,000			
8. Accruals adjustments (including audit accrual)	18,157			
Revised (surplus) / deficit	(761,637)			

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.