

St John Bosco Catholic Academy  
Audit Findings Report  
Year Ended 31<sup>st</sup> August 2022

Approved by AMS .....

Date 8/12/2022 .....

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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	The Academy has made an overall surplus in the year of £8,495,584 compared to a 2021 surplus of £761,636. The 2022 surplus is significantly impacted by a £9,199,000 actuarial pension gain.
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 4 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 & 6.
Regularity	Our regularity checklist has been completed by management and responses provided by the MAC verified against supporting documentation. Errors have been noted in section 5 & 6.
Audit adjustments	For a detailed review of all adjusted and unadjusted misstatements please see Section 7.
Audit opinion	We propose to issue an unqualified audit report.

### 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

	2022	2021
Fixed asset income	£1,312k	£1,050k
Conversion income (exc. pension)	£1,032k	£0
Income before capital grants	£18,975k	£15,224k
Total incoming resources	£21,319k	£16,274k
Total resources expended	£19,065k	£14,440k
Pension deficit on conversion	£2,596k	
Actuarial gain/(loss) on pension	£9,199k	(£1,072k)
Net movement in funds	£8,856k	£762k
General funds carried forward	£8,496k	£3,071k

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

Income generated before capital grants has increased by £3,751k (24.6%) which is primarily due to the three new schools joining the MAC which accounted for £3.1m. The remaining rise in income is due to a 9% rise in basic entitlement per pupil which resulted in approximately £800k additional funding. The significant increase due to an inflationary rise along with the teachers pay and pension grants being incorporated within the ESFA national funding formula rather than being separate.

Conversion income relates to funds inherited from new schools St Bernadette's (£238k), St John Bosco Catholic Primary (£588k) and St Mark's Primary (£136K). Income from capital grants has risen by £262k as a result of six further successful CIF bids for 2022/23 capital projects at St Bernadette's, Stuart Bathurst, St Chad's and St. Mary's.

Total expenditure rose by £7,221k compared to 2021 although this does include the LGPS deficit transfer on conversion of £2,596k along with £3,250k relating to the three new schools joining the MAC. Staff costs rose by £500k through teacher/admin pay awards along with increased supply cover. Trips and general repairs and maintenance rose by £140k and £150k respectively given covid restrictions lifting in 21/22 and implementation of the school improvement plan. Overall expenditure is expected to rise due to 20/21 costs being suppressed following two national lockdowns resulting in closure of schools in November 2020 & January 2021.

## 2. Financial Review (cont.)

### Funds

Statement of Financial Activities 2021/22	
Net income/(expenditure)	- 342,670
Actuarial gains/(losses) on DB	9,199,000
Net movement in funds	8,856,330

Revenue Reserves	Capital Reserves	Pension Reserves
Income	DfE Grants	FRS 102 adj.
Expenditure	Depreciation	Transfer on conversion
Trf on conversion	Trf on conversion	Total
Transfers	Transfers	
<b>Total</b>	<b>Total</b>	<b>Total</b>
1,329,100	1,977,229	5,550,000

Funds at 01/09/21	Capital Assets	Long term liability
Total movement		
Funds at 31/08/22		
3,071,102	5,362,152	- 8,794,000
1,329,100	1,977,229	5,550,000
4,400,202	7,339,381	- 3,244,000
Free reserves		

The reserves of the MAC at 31 August 2022 amounted to a £8,496k. The table above shows an analysis of reserves between capital funds, pension liability and revenue reserves.

Revenue reserves are generally considered the best way to identify the underlying financial performance of a MAC. The above shows an operating surplus for the year of £1,329k for the year and accumulated funds of £4,400k 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 5 &amp; 7 for issues regarding income recognition.</p> <p>See section 5, potential CIF income claw back ref BIS windows project.</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 £41k 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 MAC were successful in obtaining CIF funding for Fire Compliance, Safeguard, Flat Roof and Window replacements which has been recognised appropriately in 21/22 following adjustments 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.

## 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 Hymans Robertson LLP. 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	As a result of the increase in government bond rates there is a significant actuarial gain in the LGPS pension deficit of £9.1m.
Strategic/directors'/governors report disclosures	The Trustee's 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>CIF Projects 21-22</p>		<p>From review of CIF projects 21-22, it was noted that the final submission of costs had not been made therefore the final income payment has not been received from the ESFA at year end. This had originally caused a significant shortfall within the accounts as this income had not been accrued, please see section 7 for the accounts adjustment. Furthermore, the BIS Windows project at year end has a potential underspend therefore a clawback may be required.</p> <p>CK recommend that CIF projects are regularly reviewed and reconciled to the accounts and funding schedule to ensure accuracy in disclosure.</p>	<p>NCIF Projects are currently led by our consultants Make who complete the final submissions once the project is finished. For 22/23 CIF projects this will be considered and final income/any clawbacks will be obtained where possible prior to the accounts work being undertaken.</p>
<p>Members Disclosure</p>		<p>Government Get information has not been updated to show the current status of MAC members.</p> <p>CK recommend Get information disclosed is reviewed periodically to ensure in line with MAC governance.</p>	<p>The members have now been added to Get Information and will be monitored regularly through the MAC Governance Lead</p>



## 5. Accounting and financial control systems (cont.)

Control area	Comment	Management response
Bank Posting	<p>From review of the year-end bank reconciliations for Stuart Bathurst and St John Bosco it was noted that significant transactions had been mis posted within the accounts resulting in adjustments at the accounts stage, please see section 7.</p> <p>The issues are caused by an overlap of duties between school level staff and the central team.</p> <p>CK recommend that the posting of bank transactions have an appropriate scheme of delegation to avoid overlap. Furthermore, when bank reconciliations are reviewed any significant reconciling items must be appropriately scrutinised to ensure the accounts remain accurate.</p>	<p>A review of finance processes and bank reconciliations will be undertaken with the schools to ensure their level of understanding is there to ensure this error does not happen again</p>
Accrued Income	<p>One instance noted whereby letting of site during summer holidays had not been accrued. Amount deemed trivial therefore accepted.</p> <p>CK recommend that invoices around year end are reviewed to ensure all income is correctly recognised.</p>	<p>Any further lettings will be invoiced/accrued in time for the final accounts work going forward.</p>

## 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

### Status

### Management response

Management accounts distribution		<p>Per the Academies financial handbook, the MAC are required to issue monthly management accounts comprising of an income &amp; 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 of 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>From Jan 2022 fixed assets appropriately shown within management accounts presented to the chair and board along with school fund. The pension liability continues to be omitted.</p>
Personnel files		<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>	<p>No issues to note in 21/22.</p>

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

Control area	Comment	Management response	Status
<p>Accruals and prepayments</p>	<p>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.</p> <p>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.</p> <p>We also recommend that the prepayment nominal ledger is reviewed at the end of the year to a list of closing prepayments.</p>	<p>Noted will be reconciled going forward</p>	<p>Similar issues in 21/22. See section 7.</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	(1,840,638)			
<b>Accounts Adjustments</b>				
1. School fund mis posting to reserves	(253,448)			
2. Mis posted accruals bfwd – released to SOFA instead of offset against prepayments	(250,680)			
3. Errors on bank reconciliation released	15,414			
4. Double posted income reversal	(468,523)			
5. Uncapitalised CIF project costs	(84,775)			
6. Year end omitted CIF income accrual	(198,287)			
7. Recognition of convertor inherited fixed assets	(69,168)			
8. Correction of bfwd accrued income release (School fund)	(20,447)			
9. Required adjustments for LGPS disclosures	(8,146,000)			
10. Recognition of convertor pension liability	2,596,000			
<b>Surplus at beginning of audit</b>	<b><u>(8,720,552)</u></b>			

## 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) £
Surplus at beginning of audit	(8,720,552)			
<i>Unadjusted Misstatements</i>				
St Mark's estimated fund on conversion	(135,778)			
Intercompany balance held within debtors (St Mary's & St Marks)			15,217	(15,217)
Miscellaneous balances held within Prepayments (System error)			17,452	(17,452)
	<u>(8,856,530)</u>		<u>32,669</u>	<u>(32,669)</u>

## 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.

## 9. Outstanding items

1. Trustees report for accounts
2. St Marks – Conversion balance
3. Harper trust liability calculation
4. Payroll spine testing (to be conducted on site)