

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

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St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

Index

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1. Introduction and scope

 2. Executive summary

 3. Financial performance

 4. Areas of audit focus

 5. Accounting issues and financial reporting disclosures

 6. Accounting and financial control systems

 7. Summary of unadjusted/adjusted misstatements

 8. Independence

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

1. Scope and coverage

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 highlight the key issues arising from the audit of the financial statements of St John Bosco Catholic Academy and the Regularity audit for the for the year ended 31 August 2017.

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 the 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.

Financial statements

Our audit objectives as financial statements auditors are as follows:

- to obtain sufficient information and explanations to provide us with appropriate evidence to give us reasonable confidence that the financial statements are free from any material misstatement, whether caused by fraud or other irregularity or error; and
- to evaluate the overall adequacy of the presentation of information in the financial statements in order that they meet the relevant United Kingdom Accounting Standards and legislation and do not incorrectly mislead or influence a user of the financial statements.

Regularity

The Regularity opinion is a separate opinion provided to both the Academy and the designated funding agency. The opinion does not relate specifically to the financial statements but requires the auditors of the financial statements to give a limited assurance opinion on the regularity of the Academy's transactions. A framework has been published by the EFA which sets out the expectations for academy's and their financial statements' auditors, acting as regularity auditors, in giving this opinion.

In forming our overall opinion we have examined whether in all material respects;

- The Academy's activities are within its statutory powers;
- Specific requirements within the Financial Memorandum have been complied with;
- Funds received have been applied for the purpose intended by parliament;
- Propriety of expenditure is maintained

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

Our tests may not necessarily disclose all errors and irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would of course inform you immediately.

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

2. Executive summary

Financial performance	The financial position of the Academy remains healthy with the balance sheet showing a strong net asset position large cash balance. The movement on net funds in the year has been negative, largely as a result of increased expenditure on repairs and maintenance and a significant increase in employer pension costs.
Accounting and financial control systems	<p>In our opinion the Academy operates adequate internal financial controls in order to meet its objectives and comply with its funding agreement.</p> <p>No significant weaknesses in internal control systems have been noted. Section 6 highlights two areas which merit attention.</p>
Audit adjustments	A list of potential audit adjustments has been noted on section 7 of this report.
Audit opinion	We propose to issue an unqualified opinion on the financial statements of St John Bosco Catholic Academy.
Regularity opinion	We propose to issue an unqualified opinion on the Regularity audit.

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

3. Financial Performance Graphs

Annual Performance

	2017	2016
Fixed asset income	£51k	£31k
Income before capital grants	£6,960k	£7,019k
Total incoming resources	£7,011k	£7,051k
Total resources expended	£7,202k	£7,006k
Actuarial gain/(loss) on pension	(£28k)	(£1,217k)
Net movement in funds	(£219k)	(£1,173k)

Income

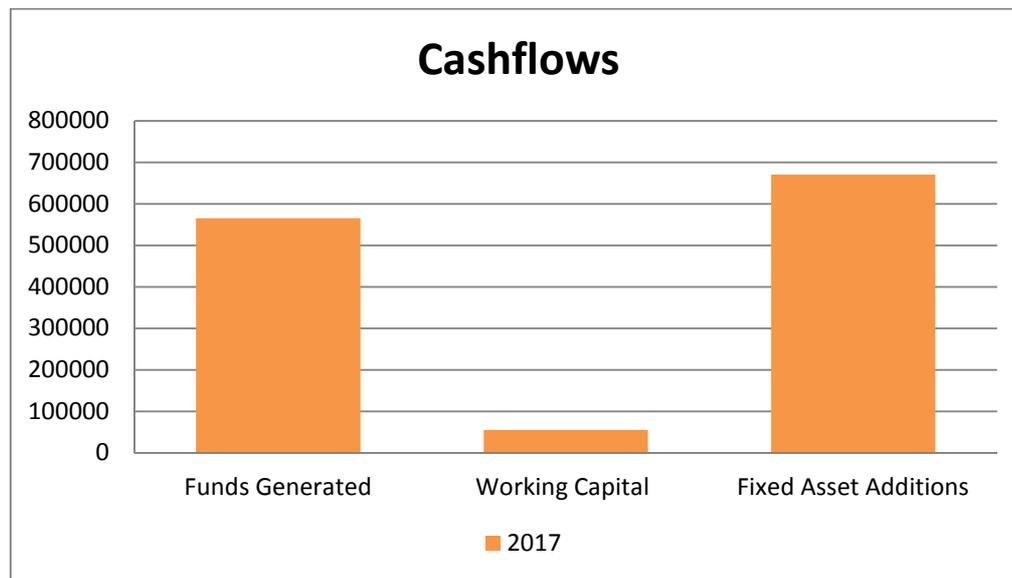
The income from funding has increased by £37k (0.5%) in 2017 compared to 2016. The main source of this increase is from the increase in devolved capital grant of £20k due to there being no income deferred in 2017. There has been a £6k increase in income from the hire of facilities as the ability to hire Bishop Milner's facilities has become better known amongst the community. The other factor in the increase is the consultancy work provided to St Catherine of Siena Multi Academy Company which has resulted in £12k of additional income.

The fall in other income relates to the school fund activities and the timing and frequency of school trips.

Expenditure

Total expenditure has increased by £196k in the year. This is largely as a result of the pension valuation posting for the period, contributing an additional £140k of costs. There has also been an increase in repairs and maintenance of £84k. Significant repairs carried out in 2017 include external decoration (£11k) and roofing repairs (£19k) at Bishop Milner and £22k of staff room works carried out at St Joseph's.

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017



Cash balances have decreased by £49,982. This is as a result of funds generated during the year of £565,326 and a decrease in working capital of £55,103 offset by fixed asset additions of £670,411.

Funds generated represents the net expenditure in the year per the Statement of Financial Activities adjusted for any items that do not directly impact on cash flows.

Net expenditure per SOFA	(191,949)
Add back depreciation	629,275
Add back pension adjustments	<u>128,000</u>
Funds generated	565,326

There has been an decrease in working capital during the year of £55,103. This is made up of the following items:

Decrease in stock	500
Increase in Creditors	51,884
Decrease in Debtors	<u>2,719</u>
Working capital mvt	55,103

The increase in creditors is due to one off repairs items which were not present in 2016 and the timing of invoices around year end.

The main fixed asset addition relates to the Gym Conversion which took place during the year.

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

4. Areas of audit focus

Area	Work performed
<p>Management override Risk that controls could be overridden by finance team.</p>	<p>Selection of journals tested and no issues noted.</p> <p>Analytical review of income and expenditure carried out and explanations sought for significant movements.</p>
<p>Income recognition Risk that funding is not recognised in the correct period.</p> <p>Risk that funding targets have not been met and a claw-back of funds received will be made after date.</p>	<p>GAG income was reconciled to agreed funding from the ESFA. Variances in income was discussed and comments made in line with expectations.</p> <p>Potential claw back noted regarding bursary funding. See comments in section 5 below.</p>
<p>Expenditure (including wages and salaries) Risk that expenditure may not be applied for intended purposes.</p>	<p>Analytical review of expenditure carried out and variances discussed with management.</p> <p>Sample of expenses throughout the year tested to confirm bona-fide. No issues noted.</p>
<p>Capital projects Risk that accounting treatment of capital projects may not be correct.</p> <p>Procedures in respect of major capital projects may not be followed.</p>	<p>Review of capital projects carried out and no issues noted.</p> <p>Review of sensitive nominal ledger to ensure no capital items expensed in the year. Potential capital items amounting to £69,122 discussed with the client and agreed to capitalise. See comments in section 5 below.</p>
<p>Funds Allocation and accounts presentations of funds may not be correct.</p>	<p>We are satisfied that the year end position of funds is in-line with the requirements of the ESFA. See comments in section 5 below regarding the prior year adjustment in relation to school funds.</p>

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

5. Accounting issues and financial reporting matters

Accounting area	Comment
Holiday pay accrual	In line with FRS 102 a holiday pay accrual has been calculated by the academy. A potential adjustment has been noted in section 7 below.
16-19 Bursary creditor	<p>A portion of the bursary funding has remained unspent. Per EFSA guidelines this cannot be carried forward for more than one year and the academy should contact the ESFA to arrange the return of any unspent funds. In relation to 14/15 and 15/16 there is unspent funds of £22,245 which should be returned to the ESFA.</p> <p>The above is assuming that expenditure is offset against the oldest income first. Therefore an adjustment of £10,695 has been noted in section 7 below to offset expenditure in 2017 against the creditor.</p>
Depreciation	No depreciation was posted to FMS. An adjustment has been posted to adjust the depreciation in line with academy policy.
Unrestricted Funds	<p>Following a review of the 2016 accounts it was noted that the unrestricted fund carried forward was incorrect. A prior year adjustment has been made to correct this of £603,433.</p> <p>Unrestricted funds is made up of balances transferred upon conversion, income from the hire of facilities, investment income and certain school funds. It was noted that once a trip has been completed any balance is then transferred to the 'School Fund' account and becomes unrestricted. At 1 September 2017 the balance on the BM School Fund account has increased by £13k and SC School Fund of £14k which will be a result of the close down of a number of trip accounts which are now complete. There is no record of which accounts make up this transfer.</p>

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

6. 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.

Accounting area	Comment
School fund bank accounts	<p>The school fund bank accounts sit outside the main accounting system and as a result the management accounts do not include the correct figures for income from school fund activities. The school fund bank accounts also are not incorporated in to the management accounts.</p> <p>Whilst the school funds are reconciled to bank accounts and transactions are recorded we recommend that these funds are integrated in to the nominal ledger for completeness.</p>
Overdrawn bank account	<p>During the year the bank account went overdrawn for a very short period of time due to the payment of PAYE and NI from BM bank account before transfers from the primary schools were made. Technically the academy should notify the ESFA of any borrowing (including an overdrawn bank account) however given that this was immediately corrected and was just an oversight we do not feel this was necessary. At the time of the one bank account in question being overdrawn the overall bank position for the MAC was not overdrawn. We recommend that controls are put in place to ensure that this is not repeated.</p>
Fixed asset register	<p>The fixed asset register did not agree to the accounts. Several items included in the capital project nominals were not included on the fixed asset register, these included items such as the internal works and architect fees. This was corrected whilst CK was on site so that additions noted in 2017 agrees to the fixed asset register.</p> <p>We recommend that anything posted to the capital project nominal each year is included in the fixed asset register as an addition.</p>

Areas noted on previous year management letter

Control area	Comment
Purchase orders were not routinely authorised.	No instances noted this year

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

7. Unadjusted/adjusted misstatements

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

Adjusted misstatement

Journal	Account	Dr	Cr
16-19 Bursary Funding	Other creditors	£10,695	
	ESFA Bursary Funding		£10,695

Unadjusted misstatement

Journal	Account	Dr	Cr
FRS102 Holiday pay accrual	Wages & Salaries	£5,639	
	Accruals		£5,639

St John Bosco Catholic Academy
Audit Summary Memorandum
Year Ended 31 August 2017

8. Independence

In accordance with International Standard on Auditing (UK and Ireland) 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.