



St Anne's Catholic School

Audit Findings Report
For the year ended 31 August 2018

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Audit findings for St Anne's Catholic School for the year ended 31 August 2018

The Trustees
St Anne's Catholic School
Carlton Road
Southampton
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SO15 2WZ

Audit findings for St Anne's Catholic School for the year ended 31 August 2018

Dear Trustees

In accordance with our normal practice we are writing to draw your attention to various matters which arose during the course of our audit of the accounts for the year ended 31 August 2018.

Internal Controls

The control environment at the trust was good and the key financial controls that we would have expected to see were in place.

Adjusted and unadjusted misstatements

The unadjusted misstatements determined during the course of our audit, (except for those considered to be clearly trivial) are summarised in section 4 of our audit findings report. A schedule of adjustments that were agreed should be processed when finalising the accounts are summarised in section 5 of our audit findings report.

Audit opinion

In view of the forecast low level of reserves at 31 August 2019 our audit report includes a paragraph drawing attention to the material uncertainty related to going concern. This does not constitute a qualification of our audit opinion.

There are no expected modifications to the auditor's report on regularity.

Improvements in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts.

Section 1 of this report contains details of matters identified during the course of our audit and our recommendations for improvements. This may not contain all areas for improvement that are present in your system.

In making our recommendations, we have considered the size of the school and the number of staff you employ. Responses from the school's Business Manager are included in the final column.

Regularity

We have performed a limited assurance scope regularity review. The work performed is summarised in section 2. Matters arising from our work on regularity are set out in Section 3.

Other relevant matters relating to the audit

We have discussed with you the fact that we provide additional services to the academy in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services provided are of a routine compliance nature and the Accounting officer and Trustees take any decisions where judgement is required.

Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

We would like to take this opportunity of expressing our thanks to all of your staff for their assistance during the course of our audit, in particular Anne Murphy and Donna Shorter.

Please note that this report has been prepared for St Anne's Catholic School. It must not be disclosed, quoted or referred to third parties, other than the EFSA, without prior written consent. No responsibility is assumed by us to any other person.

Yours faithfully



HWB

Section 1: Management letter points arising from audit work

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	Staff costs are high in relation to non-capital income of 84% in 2018 and 80% in 2017. This is higher than the 2017 median of 77% of other secondary schools that we act for in Hampshire.	H	This could give rise to the school going into deficit.	Ensure all staff costs are closely monitored and have a plan in place to reduce the percentage of income that is spent on staffing.	The percentage of staff costs have risen exponentially as a direct result of a significant reduction in GAG funding (£1,047,139 since 2013) and the refusal of 8% growth funding (£406K 2017/18) and exceptionally high additional costs imposed externally. We have 9 fewer FTE staff than in 2014 costing almost £400,000 more. We have worked with the ESFA's SRMA and have an action plan to reduce staffing costs over the next 3 years by reviewing curriculum costs, increasing teaching loads and limiting recruitment.	

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
2	The forecast reserves (excluding school fund) at 31 August 2019 are £14,813.	H	If expenditure is not tightly controlled the school would go into deficit.	Closely monitor actual against budget each month and take steps where necessary if unforeseen costs are incurred.	<p>St Anne's Academy Funding Agreement (point 48) provides for an amendment to the allocation of funding where the case for a 'significant impact on costs, such as an extra class' is clear. St Anne's grew by 8% last year, double the 4% benchmark and a highly significant impact on costs was predicted. Therefore staff applied for additional funding in advance of the new financial year in April 2017 to provide for these additional pupils. The ESFA refused the application 16 months later despite being strongly recommended by the ESFA's own SRMA. There is no mechanism to appeal the decision. Without the £406K to provide for the 8% growth in pupil numbers spending has been severely restricted and reserves are low.</p> <p><i>(continued overleaf)</i></p>	

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
2	<i>(Continued)</i>				The budget is closely monitored weekly by senior staff, weekly by the Executive Headteacher and the Chair of Governors and half termly by finance governors and the Full Governing Body. The budget has been set using realistic estimates and assumptions which have been reviewed and agreed by the SRMA. Spending restrictions are in place and detailed strategies have been developed to ensure the school does not go in to deficit despite inadequate funding.	

Section 2: Regularity Assurance Review

In accordance with The Academies Accounts Direction (AAD), we have performed a limited assurance scope regularity review of Academy Trust. The following work was undertaken:

- ❑ Planning of assurance procedures including identifying key risks;
- ❑ Substantive testing including analytical review;
- ❑ Concluding on procedures carried out.

Substantive testing included the following procedures:

- ❑ Confirming that activities conform to the Trust's framework of authorities;
- ❑ Considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- ❑ Evaluating the general control environment of the Trust;
- ❑ Testing a sample of transactions to consider whether the transaction is permissible within the Trust's framework of authorities;
- ❑ Confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- ❑ Reviewing documentation for evidence of borrowing and confirming if approval was obtained from ESFA;
- ❑ Confirming whether ESFA approval was obtained for any disposals of assets;
- ❑ Reviewing the internal control procedures relating to charge cards;
- ❑ Reviewing for any indication of purchases for personal use by staff or officers;
- ❑ Reviewing the list of suppliers to consider whether supplies are from related parties;
- ❑ Considering whether income generating activities are permissible within the Trust's charitable objects;
- ❑ Reviewing whether lettings to related parties are made at favourable rates.

Our work was undertaken in accordance with the guidance in the AAD and the ICAEW's technical release TECH08/12AAF

Section 3: Management letter points arising from our work on regularity

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	None					

Section 4: Unadjusted Misstatements

Schedule of unadjusted misstatements above audit triviality of £670

	Description	Nominal	Unadjusted Misstatement				Surplus/(Deficit)
			SOFA		Balance Sheet		
			Dr	Cr	Dr	Cr	
1	Accrue for Spetisbury retention	Asset under construction	-		6,180		-
		Accruals		-		6,180	-
			-	-	6,180	6,180	-

Section 5: Adjusted Misstatements

		Restricted/ unrestricted	Restricted fixed asset	LGPS	Total
		£	£	£	£
	Surplus/(deficit) per management accounts (before funds transfer)	(295,815)	500,400	-	204,585
	Audit adjustments:				
1	Prepayment adjustment re Medhurst	7,667	-	-	7,667
2	Accounting for Salix loan creditor		(9,311)		(9,311)
	Surplus/(deficit) before LGPS movement and funds transfer	(288,148)	491,089	-	202,491
	LGPS movement	-	-	239,000	239,000
	Transfers between funds	(18,574)	18,574	-	-
	Surplus/(deficit) per final accounts	(306,722)	509,663	239,000	441,941

Section 6: Review of Internal Control Recommendations Raised in Prior Year

Issue	Status
Due to lack of funds available for capital projects, it is expected that there will be an increase in the need to lease rather than purchase assets. The differentiation between an operating lease and finance lease is difficult to determine. Finance leases represent borrowing and require ESFA prior approval.	Professional advice is sought regarding the type of lease being offered and only operating leases are put forward for consideration.
Teaching Personnel Limited was paid £30,000 in advance for supply teachers in order to have first choice of supply teachers when needed.	When this agreement ended it was not renewed and supply teachers are now booked when required.
House 3 has been closed due to health and safety concerns and a lack of funds for repair and refurbishment.	A CIF bid for funding to renovate the building was successful and work has now begun to bring the building back into use.

Section 7: Review of Regularity Recommendations Raised in Prior Year

Issue	Status
The financial statements do not give full disclosure by individual staff governor as required by Accounting and Reporting Charities: Statement of Recommended Practise ("the SORP") and the Academies Accounts Direction 2016 ("the AAD").	This is disclosed in the 2018 accounts.
Charge card expenditure of £220 was incurred at Pitcher and Piano for an SLT planning meeting in March 2017. No itemised receipt was retained. The business manager has confirmed no alcohol was purchased.	All claims tested during the 2018 year had supporting receipts and it is the school policy not to pay the claim unless supporting documents are provided.
Three of the seven items tested to ensure the procurement process was being followed did not receive the correct number of quotes.	Procurement testing completed during the year showed that the correct number of quotes was obtained as per school policy.

Section 8: Going Concern

Work performed by HWB

- ❑ Review latest budgets to consider whether assumptions used are reasonable.
- ❑ Review of documentation from SRMA review undertaken in July / August 2018 and resulting action plan.
- ❑ Enquire into whether there have been any material new commitments, borrowings or guarantees post year end.
- ❑ Enquire into whether there have been disposals or acquisition of material assets or any appropriation or destruction of assets.

Findings

The budget forecast for the year ended 31 August 2019 shows a deficit for the year of £203,374 and cumulative reserves (excluding school funds) of £14,813 at 31 August 2019.

Surpluses are forecast for 2019/20 (£185,571) and 2020/21 (£119,752) as a result of increase in pupil numbers. However as the funding for the increase in pupil numbers is lagged it will not impact on the GAG income until 2019/20.

An application for temporary estimate funding of £406k to the ESFA was refused which has led to detailed plan of action being put in place (including a postponement of expenditure such as IT equipment) to ensure the school doesn't go into deficit.

In view of the low level of reserves forecast at 31 August 2019, our audit report includes a paragraph drawing attention to this matter but is not qualified in this respect.

Section 9: Assignment Team Contact Details



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