



# St Anne's Catholic School

Audit Findings Report

Year ended 31 August 2017

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# Audit findings for St Anne's Catholic School for the year ended 31 August 2017

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

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 2017.

## **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**

There were no unadjusted misstatements determined during the course of our audit.

A schedule of adjustments that were agreed should be processed when finalising the statutory accounts are summarised in section 5 of our audit findings report.

## **Audit opinion**

In view of the forecast deficit in funding 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 auditors' 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 report on regularity are set out in section 3 of this report.

**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	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 requires ESFA prior approval.	M	A finance lease would be entered into without prior approval from the ESFA.	Seek advice from a professional adviser and/or us before entering into a lease agreement.	We have sent a copy of the proposed lease for 60 laptops to HWB. The lease for the new phone system has already been signed. In future we will send copies of leases to HWB before signing.	
2	Teaching Personnel Limited were paid £30,000 in advance for supply teachers in order to have first choice of supply teachers when needed.	M	This exposes the school to an increased risk of financial loss should Teaching Personnel go into liquidation.	Trustees to assess whether the benefits of paying in advance outweigh the risk and minute the decision. Also consider reducing the amount paid in advance.	The risk of the company going into liquidation was considered remote. The saving to the school of having the arrangement in place outweighs the remote risk of loss.	

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
3	House 3 has been closed due to health and safety concerns and a lack of funds for repair and refurbishment.	M	May impact on the number of pupils in the future and the ability of the school to operate efficiently.	<p>(a) Seek emergency CIF funding to enable House 3 to be opened again.</p> <p>(b) Consider impairment of the property value included in the statutory accounts.</p>	<p>(a) A CIF bid will be made in December for £800k to refurbish House 3. The cost is high as the building is listed.</p> <p>(b) A note has been included in the accounts so that there is transparency over the possible permanent impairment should the CIF bid not be successful.</p>	

## 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 the 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	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").	M	Non-compliance with the SORP and the AAD. We consider that the omitted details do not affect our opinion on the financial statements. Our audit report is therefore not qualified in this respect.	We recommend that the governors consider full disclosure in accordance with the SORP and the AAD when preparing the 2017/18 financial statements.	Full disclosure of staff governors' remuneration by individual governor has not been made as we consider that this would not provide any additional meaningful information to users of the financial statements.	
2	Charge card expenditure of £220 was incurred at Pitcher and Piano for an SLT planning meeting in March 2017. No itemised receipt was retained. Anne Murphy has confirmed no alcohol was purchased.	M	There is no evidence to support that alcohol wasn't purchased using grant monies. The ESFA consider the purchase of alcohol not to be the best use of public funds.	Ensure a receipt is obtained to support all petty cash and charge card expenditure.	All petty cash and charge card items will have supporting itemised receipts.	

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
3	Three of the seven items tested to ensure the procurement process was being followed did not receive the correct number of quotes. (Electrical Inspection £16.4k) Four companies were approached but only two responded (Room 26 & 38 Desktop Refresh £15.1k) only two quotes were requested. Repair of 29 cubicles (£5.9k) [four companies were approached by only two responded].	M	The academy may not achieve the best value for money.	Obtain the correct number of quotes as per the schools policy.	A number of companies were approached to quote for the work, however some do not want to complete the works so do not submit a quote. This is frustrating as the process is being followed.	

## Section 4: Unadjusted Misstatements

There were no unadjusted misstatements above audit triviality of £600.

## Section 5: Adjusted Misstatements

	<b>Restricted/ unrestricted £</b>	<b>Restricted fixed asset £</b>	<b>LGPS (restricted) £</b>	<b>Total funds £</b>
Surplus/(deficit) per trial balance	(81,649)	(274,619)	-	(356,268)
1 Movement in LGPS liability	-	-	633,000	633,000
Surplus/(deficit) per final accounts	<u>(81,649)</u>	<u>(274,619)</u>	<u>633,000</u>	<u>276,732</u>

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

Issue	Status
<p>School Fund</p> <ul style="list-style-type: none"><li>a) The opening balance journal of £57,374 to correct the school fund bank balance has been posted to reserves rather than bank.</li><li>b) The movement on the school fund bank account of £36,575 for the year had not been posted to the income and expenditure accounts in the SOFA.</li></ul> <p>Both of these have now been included in the statutory accounts.</p>	<p>The opening balances have been posted and the bank movement included within the trial balance.</p>

## 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 2015 ("the AAD").	This has been considered and no changes are to be made in the 2016/17 accounts.

## Section 8: Going Concern

### Work performed by HWB

- ❑ Review latest budgets to ascertain whether going concern has been correctly addressed.
- ❑ 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 budget

The budget forecast for the year ended 31 August 2018 shows a deficit for the year of £597,879 and a cumulative deficit of £434,564. In accordance with paragraph 2.2.5 of the Academies Financial Handbook 2016 the Trustees have notified the ESFA of the deficit prior to submitting the forecast to them. A recovery plan has been submitted to the ESFA and the Trustees are working with the ESFA to demonstrate that the Trust can return to a cumulative surplus position within the next 3 years. Pupil numbers in the 6th form increased from 35 in 2016/17 to 75 in 2017/18. The funding for this will not be received until 2018/19. An application has therefore been made to the ESFA for additional funding due to this loss in grant income. The outcome of the application is not yet known.

In view of the above our audit report includes a paragraph drawing attention to this matter but is not qualified in this respect.

## Section 9: Assignment Team Contact Details



Richard Hurst (FCA)

Audit Director

T: 023 8046 1208

M: 07941 300902

E: [richard.hurst@hwb-accountants.com](mailto:richard.hurst@hwb-accountants.com)

### Address

HWB Chartered Accountants  
Highland House, Mayflower Close, Chandlers Ford  
Eastleigh, Hampshire, SO53 4AR.



HWB Chartered Accountants



@HWB\_Accountants



HWB Chartered Accountants

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