

Bursar Primary Academy
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Audit Report Encompassing the Management Letter, Systems Findings and Other Audit Matters

Prepared by: _____

Kevin Hopper
(Senior Statutory Auditor)
Of Forrester Boyd
Date: 24th November 2021

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Audit introduction and general comments

The audit was completed successfully and without any problems.

We found your team helpful and not evasive in any way, which allowed us to obtain information freely and easily.

It is also worth noting that our audit work is only conducted on a sample basis, so is unable to guarantee that all errors are found. As it is completed on a test basis, you may feel that certain areas, such as review of specific controls, especially in connection with wages, tax and VAT obtain a further review.

The finance team need to be aware that the Accounts Return needs to be completed and then checked by Forrester Boyd by the **deadline of 25 January 2021**.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

Key audit areas

Key Audit Areas	Our Approach
Income recognition	We will reconcile any GAG funding to the funding document provided by ESFA. All other material grant funding will be agreed to funding documentation. Other material income streams will have controls testing completed.
Completeness and accuracy of payroll	As payroll is the main cost in the accounts a proof in total will be completed, agreeing the wages per the payroll provider back to the accounts. We will also test controls surrounding authorisation of payroll and ensure deductions surrounding PAYE and NI are made correctly.
Compliance with the ESFA requirements to ensure there are no regularity issues.	We will ensure the academy is complying with the 'musts' in the Academies Financial Handbook and that purchases made are deemed to be appropriate academy expenditure.
Statement of Financial Activities and fund allocations	We will review the major classification of income and expenditure to confirm they are consistent with expectations and to consider whether explanations are reasonable. We will review the allocation of funds in the statement of financial activities and ensure that this appears appropriate and in line with our expectations.
LGPS valuation	We will review the assumptions used by the actuary and compare those to other actuary pension fund assumptions to assess for reasonableness.

Overview of the year

We can make the following summary comments in connection with the year end accounts:

Income

The income is made up of the following:

	2021 £	% of income	2020 £	% of income
Funding for the Academy's educational operations (Note 3)	1,403,275	72.88%	1,204,345	92.98%
Other income	<u>522,286</u>	27.12%	<u>90, 942</u>	7.02%
	1,925,561		1,295,287	

99% of the total income is made up of Government Funding. This is in line with other primary Academies with similar levels of other income.

Funding for educational operations has increased this year as GAG funding has increased due to there being an additional 31 pupils funded for. Total funding per pupil has however decreased to £5,614 (2020: £6,268).

These funding income streams have been proved in total, by reviewing agreements from funding providers.

Other income can be broken down as follows:

	2021 £	2020 £
Donations and Capital Grants (Note 2)		
Capital grants	516,574	84,286
Educational visits	<u>1,038</u>	<u>5,811</u>
	517,612	90,097
Other trading activities (Note 4)	4,450	-
Interest received (Note 5)	224	845
<u>Total</u>	<u>522,286</u>	<u>90,942</u>

Capital grants have significantly increased as the academy was successful in applying for capital improvement funding for a new roof. This project is expected to be completed in the next financial year.

Educational visits income has decreased further due to Covid-19 forcing trips to be delayed or cancelled.

Other trading activities relate to teacher training income and early years supervision.

Our audit work has not highlighted any systems issues or cut off concerns in respect to other income.

Expenditure

The main costs relating to the Academy are salaries at £1,104,581 (2020: £1,044,819) excluding pension actuarial adjustments. This is 78% (2020: 85%) of total income, excluding capital.

The ESFA expect salary as a percentage of income to be between 70-80%, with 80% and above being an indication that the Academy is potentially not financially viable. However, we would re-iterate that it is only guidance but it is pleasing to see this percentage decrease this year.

It is also worth noting that the school is currently in a lagged funding position due to growing pupil numbers, therefore wages costs are ahead of the income which is received. As the funding has started to catch up in the year this has already seen a reduction in the wages costs against income percentage to 78%. This percentage is likely to drop further now that the previous head has left and the school now only has one dedicated head teacher.

These costs have been reconciled to your payroll provider's reports with no material errors.

The average salary per teacher is £44,313 (2020: £41,930). This has mainly risen due to all teaching staff receiving statutory increases as well as some teachers moving up through the pay scales. Other sizeable costs or costs worthy of note, relating to Academy's educational operations are as follows:

	2021	2020
Educational supplies	25,449	17,404
Depreciation	143,690	139,986
Staff development	1,171	6,975
Educational consultancy	300	6,910
Rent & Rates	31,785	31,660
Maintenance of premises and equipment	216,107	24,115
Cleaning	22,241	12,172
Catering	23,125	39,813
Other support costs	49,551	29,034

Educational supplies have increased this year due to the following additional costs being incurred; £4k for "Maths No Problem", £3k for wall graphics, £1k for "Lexplore" and £1k on new exercise books due to Covid-19.

Depreciation relates to the cost of the fixed assets being allocated to the income and expenditure account over your agreed policy, as noted in the accounting policies, which appear reasonable.

Staff development has decreased this year as 2020 included NQT training and Access software training all totalling £4.4k.

Educational consultancy has reduced this year as Covid-19 has meant on and offsite visits had to be cancelled.

Rent and rates have remained consistent this year.

The maintenance of premises and equipment has increased as the new window works have been completed costing circa £80k and also the roofing works began prior to the year-end which has seen £127k accrued for.

Cleaning costs have increased due to further costs being incurred on premises supplies such as paper towels, hand gel and hand soap.

Catering costs have fallen as hot meals were provided in 19/20 up until the first lockdown in March 2020 which were more popular than the cold packed lunches which were supplied in 20/21.

Other support costs are made up of various items including photocopying, telephones and stationery. This increase is mainly due to consultancy fees relating to the CIF projects being included this year which total £35k. This has been offset by savings in teacher absence insurance of £12k and stationary costs of £4k.

If you feel that any of these costs could be reduced, please do not hesitate to contact us, as we may be able to help with alternative.

Balance sheet

The main figure on the Balance Sheet is your fixed assets with a net book value of £7,674,593 (2020: £7,775,482). The decrease relates to depreciation outweighing the cost of additional assets. Additions this year include new playground works costing £25.5k, round tables costing £5k, Arti green screens costing £5k and 30 iPads costing £7k.

The other figures include:

Debtors	£589,081 (2020: £107,784)
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This relates to trade debtors, prepayments and VAT due from HMRC. The increase is in relation to additional accrued capital income of £448k, as well as a £28k increase in the VAT debtor which relates to claims made for April, June, July and August.

Cash at bank and in hand	£511,237 (2020: £477,285)
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The cash levels appear healthy and are in line with expectations.

Creditors due within one year £176,869 (2020: £41,022)

Creditors due in one year include trade creditors, accrued costs, and the tax owed in relation to your payroll. The increase is due to £127k being accrued for the roof works which had taken place prior to the year end. These figures have been confirmed to back up information and do not indicate there are any material errors.

We have also completed cut off work to ensure that all creditors are included in the accounts and no material problems have been encountered.

Pension Liability £906,000 (2020: £663,000)

The pension liability has increased by £243k in the period. This balance is based on work done by Hymans Robertson, the academy's actuary and can move up and down based on a number of Actuary assumptions. The change in the assumptions by the Actuary has increased the liability by £327k (2020: £41k). The liability is underwritten by the DfE so should never become payable by the Academy. However, it is possible that your annual contribution could increase, if the Actuary continues to increase the liability.

Overall

The total amount of free reserves available for the Academy to spend in the future has increased to £544,585 (2020: £457,238) and is made up of:

- Unrestricted funds total carry forward of £124,000 (2020: £115,259), which have increased by £8,741.
- Restricted funds, which exclude the fixed asset fund and pension reserve, have increased by £78,606; giving a total carry forward of £420,585 (2020: £341,979).

There is also capital funding still to spend of £369,671 held within Restricted Fixed Asset Fund.

This is a strong level of reserves and currently more than covers your policy of two months' salary costs of £140,000 plus designated funds of £50,000 to cover any boiler or repairs costs.

We do note that the reserves are being held due to the changes in premises and likelihood of lag in income and pupil number increases.

Independence and ethical matters

As discussed in the pre-year end meeting and confirmed in our letter. There is a potential ethical issue, i.e. a self-review threat arising from our firm being involved in completing the accounts and assisting the Academy in relation to its internal review procedures, and not just the audit.

In order to mitigate these risks we have ensured that any individual used to complete the internal review work has not been part of the audit team. We will also mitigate the self-review threat in relation to the production of the Financial Statements by having another member of our Academy team, not involved in the audit, reviewing the accounts and completing the required accounts production checklist.

We believe the Academy has individuals and groups within its management that can make decisions and understand the finances of the Academy, including the Financial Statements. We note this group of people as being 'informed management' and can actively approve any adjustments that we make to the accounts.

By informed management we mean that "a member of the management of the Academy who is capable of making independent decisions or judgements on the basis of information provided".

We agreed in our pre year end meeting and the subsequent letter sent to you, prior to the commencement of the audit, that the following individuals were considered to be informed:

Angela Pomfret

Jo Wiseman

Jo Arnold

The Board of Trustees as a whole is also deemed to be informed.

If you do not believe that the above group of people are informed, please inform us immediately as it will potentially mean that we have to ensure further safeguards are put in place and a second partner completes a review of the file.

Formal matters to be reported

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 academy accounts for the period ended 31st August 2021.

a) *Expected modifications to the auditors' report and regularity report*

There are no expected modifications to the auditors' report or the regularity report.

b) *Unadjusted misstatements*

A schedule is included at section 8 of all the unadjusted misstatements determined during the course of our audit, except for those considered to be clearly trifling. As confirmed in your letter of representation to us, you believe that these adjustments are not material and therefore no amendments to the financial statements are required.

You have confirmed in the Letter of Representation that any amounts below £1,000 are trivial and do not need reporting to you.

c) *Material weaknesses 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 6 of this report includes specific audit points and also contains details of actual and potential weaknesses identified during the course of our audit and our recommendations for improvements. It is not meant to be a full and accurate reflection of all weaknesses that may be present in your system.

In making our recommendations, we have considered the size of the academy and the number of staff you employ. We shall be glad if you will let us know what steps have been taken in connection with the above.

d) *Qualitative aspects of the entity's accounting practices and financial reporting*

We have no comments to make concerning the qualitative aspects of the academy's accounting practices and financial reporting.

e) *Identification of Fraud*

We are pleased to report that our audit has not found any instances of fraud.

f) *Compliance with key laws and regulations*

Our audit is required to consider and assess the academy's compliance with central laws and regulations, and consider the existence of breaches that could lead to a fundamental event, such as excessive fines that have a material impact on the financial statements, that threaten the going concern status of the entity, or legislation that could lead to the forced closure of operations.

Our work has not identified any instances of material breach, and the academy appears to have devoted sufficient resources, experience, skills and training to all key regulatory aspects of its affairs.

We are happy to offer any assistance necessary to ensure that this is the case.

g) *Other information connected with the financial statements*

Auditors are required to review any other information issued with audited financial statements, such as an annual review, web site announcement or trustees' report, and determine if such reports are consistent with the financial statements.

You have chosen to make public comment on the financial statements.

We are pleased to report that the trustees' report content is consistent with the financial statements.

h) *Other matters required by Auditing Standards to be communicated*

There are no other formal matters to be reported to you and the other details included within the report are above and beyond our requirements to report.

i) **Other relevant matters relating to the audit**

There are no other matters which we wish to draw to your attention.

Specific audit and control points

Following our recent audit visit, we have set out below the key observations of a systems and internal control nature that have arisen from the audit work undertaken.

The points are raised to assist the management team in strengthening and formalising the internal control environment, something which is essential and often overlooked in a small company environment.

These issues raised are not intended as, nor should they be construed as, criticism of management or individual persons. They are intended to be of assistance in establishing an appropriate system of internal control, essential to the academy if it is to grow.

Our audit focuses only on those aspects of internal control that are material to the production of accurate financial statements and safeguarding assets of the academy, and therefore is not exhaustive.

We only give consideration to peripheral areas if they directly support other systems of internal control or provide compensating controls to an area with potential weaknesses.

Where matters of efficiency come to our attention, we shall of course report these to you. However, the audit should not be relied upon to identify all matters of duplication or inefficiency in the allocation of responsibilities or the processing of transactions.

Key



Key concern - Action required immediately.



Moderate concern - Action believed to be required.

-  Minor concern - Action believed to be required, but not considered a significant issue.
-  No concern - Action not required but the suggested improvement should be considered.

Points noted	Suggested improvement	Benefit of control	Action and comments by the academy, including timescale for action

Summary and conclusion

Given the year the Academy has had to endure, it is pleasing to report that our audit work has not identified any fundamental weaknesses in accounting and internal control systems, nor have we found any evidence of fraud.

Surplus reconciliation and adjustments made

Please find detailed below the adjustments made during our audit work, which form part of the journals you approve within your letter of representation to us

Deficit per client	(39,927)
Fixed asset addition	37,596
Adjustment to depreciation	(143,690)
Prepayment adjustment	13,340
Accrued income adjustment	542,448
Accruals adjustment	(134,581)
Salix loan	(9,193)
Employers allowance	4,000
Opening balance adjustment	(673)
FRS102 pension adjustment	(243,000)
Deficit per accounts	<u>26,320</u>

If you require any clarification on the above adjustments please do not hesitate to contact us.

Unadjusted misstatements

Detailed below are the non-trivial misstatements found during the audit.

	Impact on Surplus £	Impact on Balance sheet £
Potential audit adjustments for 2020		
Understatement of accruals	3,041	
Potential audit adjustments for 2021		
Understatement of accruals	(4,388)	(4,388)
Understated fixed assets	1,960	1,960
Overstated wages	4,325	4,325
Net unadjusted misstatements	<u>4,938</u>	<u>1,897</u>

You have confirmed in your letter of representation to us that:

- a) £1,000 is deemed to be trivial and any adjustment under this amount does not need to be reported on
- b) The above items do not require adjustment, as they are individually and in total not material.