PKF FRANCISCLARK
SHAREDAMBITION

31 August 2019

AUDIT COMPLETION REPORT

PENAIR SCHOOL

AUDIT COMPLETION REPORT

PRIVATE AND CONFIDENTIAL

FAO: Those Charged With Governance
Penair School
St Clement's Hill
Truro
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Audit Completion Report

We are pleased to attach our Audit Completion Board Report for the year ended 31 August 2019. This report summarises issues that arose during the audit and the conclusions reached.

This report is intended solely for the information and use of the Board of Governors, the Academy's management and the Department for Education, in their monitoring role. It is not intended to be and should not be used by anyone other than these specified parties.

This audit completion report meets the requirements of ISA 260 – 'Communication with those charged with governance' and ISA 265 – 'Communicating deficiencies in internal control', since we are required to communicate matters arising during the audit of the Academy Trust to you.

It also complies with the requirements on management letters as set out by the Education and Skills Funding Agency in the Academies Accounts Direction 2018 to 2019.

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

Yours faithfully
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CONTENTS

SECTION 1

AUDIT APPROACH AND STATUS REPORT

1 AUDIT APPROACH

Scope of the audit and approach

The scope of our work, as set out in our engagement letter, is to provide an independent opinion as to whether the financial statements give a true and fair view, and whether they have been prepared in accordance with the Companies Act 2006 and the Academies Accounts Direction 2018 to 2019. We also provide a limited assurance report as Reporting Accountants in accordance with the regularity requirements of the Education and Skills Funding Agency (ESFA).

Our audit work is planned to provide the necessary level of assurance that the financial statements are free from material error, and to enable us to have a reasonable expectation of detecting material misstatements in the financial statements as a result of irregularities or fraud. However due to the inherent limitations of an audit, our work is not a comprehensive report covering all the systems and controls in place.

When planning our audit work, we assessed the inherent risk of a potential misstatement in the financial statements, as well as the control environment of the Academy Trust. We then used this assessment, together with our understanding of the Academy Trust and the environment in which it operates to develop an appropriate approach to the audit.

Based on our assessment, we identified the following areas as significant risks:

- Fraud in revenue recognition
- Management override of controls
- Regularity
- Going concern

Whilst our audit work was planned to cover all material areas of the financial statements, there was an increased focus in our audit testing on the significant risks set out above.

Materiality

In carrying out our work, we apply the concept of materiality to evaluate the effect of unadjusted misstatements. Overall materiality was set at £62,650 for the year ended 31 August 2019.

In general, misstatements would be considered to be material if, individually or in aggregate, they would reasonably influence the decisions of those using the financial statements.

Materiality is a matter of professional judgement, and therefore different levels of materiality may be appropriate for different aspects of the financial statements. However we assessed the overall materiality for the audit by considering the income level of the Trust, together with other indicators such as the level of gross and net assets.

1 STATUS REPORT

Status of audit fieldwork and expected auditors' report

Our audit fieldwork is substantially complete, and subject to the outstanding matters detailed below we expect to issue an unqualified audit opinion and an unqualified limited assurance report:

Post balance sheet review

We are required to review events up to the date of signing our audit opinion. We will require confirmation that no significant events have occurred which would require restatement of or disclosure within the financial statements. As part of this we would also seek to review the most up to date management accounts / budget returns for the Trust and discuss these with you.

Letter of representation

A letter of representation signed on behalf of the Board of Directors and dated as the date of approval of the financial statements is required. All representations within this letter are standard and routine.

Key audit and accounting matters

We draw your attention to key audit and accounting matters which are explained more fully in section 2 of our report.

Adjustments to the financial statements

There were certain adjustments made to the accounts of the Trust during the course of the audit, and these are documented within section 3 of this report.

Unadjusted audit differences

No unadjusted audit differences were identified during the course of our audit.

Internal control findings

Section 5 of our report summarises our findings in respect of internal financial controls.

We did not identify any deficiencies in internal control which we would consider to be material weaknesses, however other observations are discussed.

SECTION 2

KEY AUDIT & ACCOUNTING MATTERS

2 KEY AUDIT & ACCOUNTING MATTERS

The following pages outline the significant auditing issues and qualitative aspects of the Academy Trust's accounting practices and financial reporting that were noted during the course of our audit. In line with the Academies Accounts Direction these matters have been categorised by level of importance/ risk as:

HIGH	Areas where the risk of potential material misstatement in the financial statements is high. This may reflect sector wide issues, the control environment of the Trust or transactions outside the normal course of business.
MEDIUM	Areas where the risk of potential material misstatement in the financial statements is moderate. This may reflect sector wide issues, the control environment of the Trust or transactions outside the normal course of business.
LOW	Areas where the underlying significant risks are addressed by the control environment or other factors, reducing the risk of potential misstatement in the financial statements.

2 KEY AUDIT & ACCOUNTING MATTERS

(SIGNIFICANT AUDIT RISK)

Approach to fraud (LOW)

Description of risk

ISA 240 requires the auditor to consider the risk of fraud due to (i) management override of controls and (ii) in relation to revenue recognition. This includes the risk that management may override controls or present revenue inappropriately in order to manipulate the financial statements.

How we addressed the risk

Our audit work in this area has included:

- Testing the appropriateness of journal entries made during the year, and in adjusting the management accounts to produce the final accounts;
- Reviewing material provisions at the balance sheet date (if any) to ensure that they are included on a consistent basis with FRS102;
- Reviewing accounting estimates for potential biases;
- Review of accrued and deferred income at the year end date; and
- Reconciliation of all material grant income streams to funding remittances.

Conclusion

No material issues were noted in these areas.

(SIGNIFICANT AUDIT RISK)

Going concern (MEDIUM)

Description of risk

In approving the financial statements, it is the Trustees responsibility to consider whether the Trust is a *going concern*. This conclusion needs to extend to a period of at least 12 months from the date of approval of the accounts and consideration will include review of budget forecasts and cash flow projections.

How we addressed the risk

Our audit work in this area has included:

- Reviewing the three year Budget Forecast Returns to assess financial viability;
- Reviewing the reasonableness of key assumptions applied in preparing the above projections and performance of sensitivity analysis thereon; and
- Discussion with management as to future plans and how financial viability will be maintained.

Conclusion

At the end of the year we note that the Trust's unrestricted reserves have depleted to £203k (2018: £313k) which is below the £362k (1 month's ESFA funding) balance that is set as the Trust's reserve buffer. We understand that the school is growing in terms of pupil numbers and the related funding is lagged which is giving rise to financial challenges in the 'growing' years, as evidenced by the GAG overspend. From review of the BFRs and confirmation of the GAG to be received in the 19/20 year we have gained comfort that the Trust's going concern position should not be threatened within the next 12 months.

Going forward, we note that the Trust will be particularly reliant on the continuation of the TPECG (Teachers' Pension Employer Contribution Grant) and tight control of costs. We therefore recommend that the Board should continue to closely monitor the Trust's performance and position, as well as developments in the sector generally, and take action to address financial pressures before they eventuate. We also recommend that the Board should carefully consider and minute their consideration of going concern when approving the accounts.

(SIGNIFICANT AUDIT RISK)

Regularity (LOW)

Description of risk

There is a risk that 'public' funds – in the form of grants and other restricted incomes are not used appropriately and/or for the purpose intended.

How we addressed the risk

Our procedures have focused on:

- Reviewing unrestricted income streams and ensuring that costs have been appropriately allocated to these funds;
- For all significant restricted income streams, the funding conditions have been reviewed and allocation of costs to these funds has been reviewed for reasonableness;
- Specific testing has been performed on areas carrying a higher regularity risk including credit card expenditure, expense claims, restructuring payments, transactions with connected parties, procurement etc; and
- Review of management responses in the 'School resource management self-assessment tool'.

Conclusion

No material issues were noted in relation to regularity and so no exceptions will be included in our report.

Please see our point on the biomass boiler though.

Local Government Pension Scheme ('LGPS') liability (LOW)

Description of risk

The projected net liability for the LGPS is included on the balance sheet of the Trust and represents a significant balance that is calculated by the actuary, based on a number of assumptions. There is a risk that the actuarial assumptions are inaccurate which could lead to a material misstatement of the liability.

How we addressed the risk

Our procedures have focused on:

- Checking the accurate recording of the pension liability in the financial statements;
- Review of the reasonableness and consistency (with other Trusts) of the actuarial assumptions and
- Understanding the high level movement in the liability.

Conclusion

The assumptions used by the actuary have been compared and agreed as consistent with other Academy Trusts in the area. Further, we have confirmed that the expected compensation payments following the McCloud judgement ruling have been recognised by the actuary, (£4k impact), and we have checked that Guaranteed Minimum Pension ('GMP') liabilities have also been considered by the actuary.

The movement in the pension liability is a £697k increase in the liability which is mainly explained by the discount rate decreasing from 2.8% to 1.8%.

2 KEY AUDIT & ACCOUNTING MATTERS

Use of Data Analytics ('DA') (LOW)

Description of risk

DA is a new, innovative approach to audit testing which focuses on testing whole sets of data through use of computer software rather than limited sample tests. DA seeks to identify anomalies in the data sets upon which further testing can be performed. DA is particularly strong at helping to identify any potential fraud.

We have used DA in the following areas of testing at the Trust:

- Journal testing – checking for round number journals, journals posted by unauthorised/ irregular personnel, journals posted at unusual times
- Checking payroll masterfile data – to check for potential fictitious employees and duplicates.

Conclusion

No issues were identified.

Private School Fund (MEDIUM)

Description of risk

During the prior year audit we identified a 'Private School Fund' (PSF) which was effectively school income and expenditure which was not accounted for on the academy's accounting software, FMS. The PSF was linked to an electronic payment system called Tucasi. The main income and expenditure that went through the PSF was for extra curricular school trips. As part of the audit we have therefore accounted for this income and expenditure and the year end closing balance.

It was also noted in the current year that the year end balance per the bank did not agree to the balance per Tucasi, (£4k difference), and this difference was not reconciled and is included as an unadjusted misstatement in section 4.

In the prior year, we recommended the PSF should be integrated into the Trust accounts to ensure everything is accounted for appropriately and that all control procedures are followed. Per the client as the Orlando trip that is taking place in 2020 was set up with the PSF bank to receive the income they were not able to close the PSF until this trip had taken place.

Conclusion

We continue to recommend that the PSF should be integrated info the Trust accounts. We also recommend ensuring the balance per Tucasi is reconciled to the bank on a regular basis.

Biomass Boiler (MEDIUM)

Description of risk

During the prior year audit it was noted that the Academy had a biomass boiler that was not in use. As part of our audit work we considered the need to impair this asset.

During testing it was found that this asset was not included in the fixed asset register. This was queried with the previous auditors who stated that they believed that this asset had been treated as an operating lease and not capitalised, but could not confirm this or give the reason why.

As the school is no longer paying for this asset but it is still held by the school, it does not appear to be a leased asset. We are therefore led to believe that the boiler should have been capitalised.

Another point to note is the academy paid £165.5k for the boiler and as it is not in current use, it is questionable whether good Value for Money has been achieved.

Conclusion

Given that the biomass boiler is not in operational use - we would have ordinarily looked to impair this asset. The fact that it is not recorded in the books and hence has nil value is therefore not a material issue at this point.

We understand that management have the intention of bringing this asset back into operation in the near future, however it can be seen that the longer the biomass boiler remains non-functional the more difficult it becomes for the Academy Trust to justify the Value for Money in the original purchase transaction. We would therefore advise that the Academy Trust urgently takes action to bring the biomass boiler into operation unless a strong justification exists why this would no longer represent Value for Money at this point in time.

Further, if the boiler is made operational again in the future, the accounting treatment of recognising the asset will need to be revisited.

SECTION 3

ADJUSTMENTS POSTED TO THE FINANCIAL STATEMENTS

3 ADJUSTMENTS POSTED TO THE FINANCIAL STATEMENTS

Below is a summary of the adjustments posted during the audit that impact the Statement of Financial Activity ('SOFA') and have been reflected in the draft financial statements.

	Effect on profit after tax £'000
Surplus / deficit per trial balance presented for audit	(372)
Reclassify fixed assets from repairs	225
Reflect depreciation charge	(419)
Accounting for accrued and deferred income	(23)
Accounting for Private School Fund	55
Accounting for prepayments and accruals	57
Accounting for additional debtors	23
Accounting for Salix loan	(8)
FRS 102 Pension movements – contributions	156
FRS 102 Pension movements – service cost	(232)
FRS 102 Pension movements – net finance charge	(45)
Surplus / deficit per final accounts	(584)

SECTION 4

UNADJUSTED AUDIT DIFFERENCES

4 UNADJUSTED AUDIT DIFFERENCES

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These may be specific errors (a single error on a financial statement balance), extrapolated (a statistical projection of known errors in a sample), or judgmental differences relating to accounting estimates (e.g. provisions) and facts or circumstances that are uncertain or open to interpretation.

Our audit identified the following differences which have not been made on the basis that the Trustees do not consider them to be material to the financial statements, whether considered individually or in aggregate.

We have included all known amounts greater than triviality in our summary of audit differences.

	Effect on profit after tax £'000
Deficit per draft accounts	(584)
Being the unreconciled difference on the private school fund bank account	(4)
Being the recognition of accrued rental income	4
Deficit taking into account unadjusted errors	**(584)**

SECTION 5

INTERNAL CONTROL FINDINGS

5 INTERNAL CONTROL FINDINGS

Scope of work

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

We are required to communicate to you in writing significant deficiencies in the design or operation of accounting and internal control systems which were identified during the course of our audit and which we consider are of sufficient importance to merit reporting to you.

Significant deficiencies in internal control

We did not become aware of any significant deficiencies in internal control during the audit which we would consider to be material weaknesses.

Other control findings

In performing our audit procedures we identified other observations which we hope you find useful. These matters are summarised in the following pages.

Priority Key

- High: Issues that should be addressed immediately due to a risk of significant financial impact or where they refer to key or contentious regularity matters.
- Medium: Issues that should be addressed as a matter of urgency due to a risk of moderate financial impact or where they refer to important regularity matters.
- Low: Issues that relate to minor control deficiencies or enhancements in control efficiency. These should be addressed within an agreed timescale.

5 INTERNAL CONTROL FINDINGS

Other internal control findings

Deficiency / observation	Priority	Suggested improvement and benefit	Management response
A Trustee's Register of Interests was found to have been completed but was found to be missing a related party which was identified from Companies House searches. Despite the omission on the form, no related party transactions were identified.		We recommend that Governors ensure all related parties are included on the Register of Interests and that management periodically check for completeness by running Directorship searches on Companies House. Failure to accurately and completely record all potential related partied could lead to the Trust unwittingly entering into related party transactions.	Management will ensure an annual review or pecuniary interests and related party declarations is carried out along with a termly Companies House Directorship search.
In a recent case the Court of Appeal determined that the correct way for holiday to be calculated for part year workers is as an average of the prior twelve weeks of work. Historically this has been calculated based on a multiplier of 12.07%. This will apply to some staff employed by the Trust e.g. invigilators.		As any liability that may arise from differences in historic treatment is expected to be immaterial and difficult to estimate, no adjustments have been proposed. Going forward, we recommend that holiday pay for part year workers is calculated in line with the new guidance.	Management will ensure that permanent part year workers holiday pay will be calculated in line with the new guidance.

5 INTERNAL CONTROL FINDINGS

Other internal control findings

Deficiency / observation	Priority	Suggested improvement and benefit	Management response
Details of Trustees and their pecuniary interests published on the Trust website were last updated in 2017. Per the AFH for each Trustee who has served at any point over the last 12 months, relevant business and pecuniary interest must be published on the website.		To ensure the Trust remains compliant with the AFH, Trustees pecuniary interests posted on the website must be kept up to date.	Management will ensure an updated schedule of pecuniary interest be published on the school website.
Per the AFH, the Board and its committees must meet regularly enough to discharge their responsibilities and ensure robust governance. If there are less than 6 meetings in the year, additional disclosure is needed in the Governance Statement to describe how the Board has maintained effective oversight of funds.		The Board did meet less than 6 times this year and so additional disclosure has been added to the Governance Statement. Going forward, we recommend that the Board and its committees should plan to meet at least 6 times per year in order to appropriately discharge their responsibilities.	The Business and Enterprise Committee meet 6 times a year and have oversight of financial monitoring and reporting.
Included within the PSF closing balance was £8k of income collected for charities but not disbursed. This has not changed from the prior year.		We recommend that these funds should be reconciled and disbursed to the related charities as soon as possible.	The charitable income has been distributed since the year end.

5 INTERNAL CONTROL FINDINGS

Other internal control findings

Deficiency / observation	Priority	Suggested improvement and benefit	Management response
Management accounts were not shared with the Chair of trustees monthly in the current year.		To ensure the Trust remains compliant with the AFH and that there is an appropriate level of financial scrutiny we recommend that management accounts are shared with the Chair of trustees monthly and with other trustees six times a year. We understand that this has already been implemented since the year end.	Management will ensure that the chair of trustee receives management accounts on a monthly basis and with other trustees six times a year.
No cash flow information was prepared during the year.		We recommend preparing cash flow statements as part of the monthly management accounts to help monitor the financial performance of the Trust. This will also ensure compliance with the Academies Financial Handbook which lists this requirement as a 'must.' We understand that this has already been implemented post year end.	A cash flow forecast is now produced on a monthly basis as part of the management accounts and distributed to the chair of trustees on a monthly basis.

5 INTERNAL CONTROL FINDINGS

Other internal control findings

Deficiency / observation	Priority	Suggested improvement and benefit	Management response
During testing of staff expenses it was noted that staff members often make purchases and then seek authorisation instead of seeking approval before the expenditure is incurred.		To mitigate the risk of fraudulent and/or error purchases, we recommend that all staff must seek authorisation before making orders/purchases.	Management will ensure that a revised operating procedure be put in place for staff to seek prior consent before making business purchases.

5 INTERNAL CONTROL FINDINGS

Update on prior year matters

Deficiency / observation	Priority	Suggested improvement and benefit	Current year update
During testing we found that there was no signed declaration of interests held for three Trustees. We note further that we did not find any undisclosed related parties as a result of this omission.		Although there is an opportunity to declare interests at every meeting, to ensure that related party transactions are not unwittingly entered into, we recommend holding a signed declaration of interests for each Trustee.	Signed declaration of interests were held for all Trustees in the current year.
When reviewing VAT a few compliance issues were noted as follows: • Late submittal of August VAT return • Annual partial exemption adjustment had not been completed as at the audit date, this should be included in either the final return of the VAT year or the first return of the following year, for this Academy 31 May or 31 August return.		VAT for academies can be complex. We recommend that a full VAT review of your income streams is undertaken to confirm whether your procedures are correct and to ensure there are no further compliance issues. HMRC have increased their focus on VAT registered academies of late and a review could help to mitigate any risk. We would further recommend that a tax investigation insurance (such as 'Taxwise') is considered to provide further cover.	There continued to be issues with VAT in the current year, including further late submittal of VAT returns. As at the audit date the client has deregistered for VAT and returns are now being completed promptly.

5 INTERNAL CONTROL FINDINGS

Update on prior year matters

Deficiency / observation	Priority	Suggested improvement and benefit	Current year update
It was identified that during the year there was a duplicate BACs payment made. As at the audit date there was still £5k of this payment that had not been repaid. The duplicate payment occurred as a result of a system error where the BACs run was not appearing on the system after it had been uploaded, leading the staff member to believe the upload had not worked and therefore uploading again. Additionally two separate staff members approved the payments, therefore they would not have noticed it was the same payment duplicated.		To avoid the risk of unrecovered overpayments, we recommend implementing further checks after the BACs run has been uploaded to ensure that the same run is not uploaded again.	There have been no reoccurrences in the current year.

5 INTERNAL CONTROL FINDINGS

Update on prior year matters

Deficiency / observation	Priority	Suggested improvement and benefit	Current year update
During testing it was noted that in September 2017 8 employees were paid via a manual BACS payment rather than being paid through the payroll.		All employees should be paid through the payroll system to ensure that the payments are subject to internal scrutiny and control and also to ensure that the correct deductions are calculated and made.	All staff were paid via payroll in the current year.
During the year there was a debt write off of £1,653 as well as a provision for bad debts of £6,481 in the accounts at year end.		Procedures should be tightened to ensure that credit is only given to credit worthy customers. Further, where credit is given, controls are needed to ensure that debts are actively chased and recovered.	There were no write offs of bad debts in the current year. Some old debts were identified during audit testing however the value of these were minimal.
During the year there was an instance of credit card fraud where unauthorised purchases were made online using the Trust's card details. The card was stopped and all expenditure was recovered. The purchases were made by an external party and the academy was not at fault.		Ensure that the Trust continues to implement and use controls for all credit card purchases to ensure such instances are prevented where possible.	There have been no reoccurrences in the current year.

5 INTERNAL CONTROL FINDINGS

Update on prior year matters

Deficiency / observation	Priority	Suggested improvement and benefit	Current year update
It was noted that the financial procedures manual (FPM) was last updated in June 2016. Given the annual changes to the AFH, there is a risk that controls may be outdated and/or lacking.		To ensure all procedures remain up to date and that the academy remains compliant with the AFH the FPM should be updated annually.	The FPM was updated in March 2019 and therefore no issues were noted.
During the audit it was noted that the required disclosures of trade union facility time are not disclosed on the schools website.		The requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017 should be complied with.	At the date of our work, trade union facility time information was not published on the Trust's website despite being a requirement of The Trade Union (Facility Time Publication Requirements) Regulations 2017.

SECTION 6

APPENDICES

6 APPENDIX A: INDEPENDENCE REPORT

We are required to comply with both ISA (UK) 260 "Communication of audit matters to those charged with governance", as well as the revised Ethical Standard 2016 (June 2016) as issued by the FRC. In addition we communicate any matters or relationships which we believe may have an bearing on our independence or the objectivity of our audit team.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- On an annual basis all partners and staff are required to complete an annual independence declaration;
- Our trainee staff undertake an ethics training programme as part of their ACA qualification;
- Non audit services provided to audit clients are subject to approval before being undertaken. Such requests are made through an online portal which is sent directly to the engagement partner.

We have listed below what are considered to be the principal threats to the firm's objectivity and independence in carrying out the audit, along with the safeguards that are going to be implemented to mitigate any such threats. We have also included reasons as to why these safeguards are considered to be effective.

Principal threats

Provision of non-audit services to the Trust during the year as follows:

- Preparation of statutory accounts
- Preparation of corporation tax computations
- Assistance in preparing the BFR/BFRO
- General accounting assistance
- Audit of the End of Year Certificate ('EOYC') for the Teachers' Pension Scheme
- Audit of the Annual Academies Return ('AAR')

Safeguards

- Gill Hakin is deemed to be informed management
- Internal and external quality control procedures
- Evaluation of materiality
- Audits of the EOYC and AAR are separate pieces of work with no bearing on our year end audit work.
- Profit reconciliation provided – with all decisions undertaken by management
- Separate team used for corporation tax purposes

Conclusion

We are not aware of any relationships between PKF Francis Clark and the Trust that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We are satisfied that we have adequately mitigated the principal threats on our independence arising from non-audit services.

We confirm that we have complied with the FRC Ethical Standard, and in our professional judgment, the firm is independent and the objectivity of the audit engagement principal and audit staff has not been compromised.

6 APPENDIX B: FINANCIAL HIGHLIGHTS

Financial overview - year ended 31 August 2019

	Opening balance £000	Income £000	Expenditure £000	Gains and losses £000	Transfers £000	Closing balance £000
Restricted general funds						
GAG	0	4,255	(4,393)	0	138	0
Pupil Premium	0	211	(211)	0	0	0
SEN	0	11	(11)	0	0	0
UIFSM	0	50	(50)	0	0	0
Other LA funding	0	55	(55)	0	0	0
Educational visits	0	107	(107)	0	0	0
Other	8	16	(21)	0	0	3
	8	4,705	(4,849)	0	138	3
Unrestricted funds						
Opening balance unrestricted	313	0	0	0	0	
Catering income		107	(107)	0	0	
Lettings income		37	(3)	0	0	
Interest receivable		1	0	0	0	
Other unrestricted income		70	(69)	0	0	
Closing balance unrestricted		0	0	0	(146)	203
	313	215	(179)	0	(146)	203
Restricted fixed asset funds						
Assets transferred from LA	10,357	0	(206)	0	0	10,151
Fixed assets	3,287	0	(213)	0	310	3,385
Devolved capital	19	64	0	0	(40)	43
CIF	263	0	0	0	(263)	0
	13,926	64	(419)	0	8	13,579
Total funds excluding pension liability	**14,247**	**4,985**	**(5,467)**	**0**	**0**	**13,785**

Brief commentary on movement in funds

There was a GAG overspend in the year of £138k. This was funded by a transfer from unrestricted reserves.

The £3k carry forward of other restricted general funds includes Primary Sports Partnership and Cadet Force funds.

Unrestricted funding streams made a surplus of £36k but were depleted in the year to fund the GAG overspend and capital purchases.

At year end the trust retains £43k of unspent DfC in the fixed asset fund.

6 APPENDIX B: FINANCIAL HIGHLIGHTS

Statement of Financial Activity	Aug 19 £'000	Aug 18 £'000	Movement £'000
Income			
Donations and capital grants	64	1,276	(1,212)
Funding for educational operations	4,809	4,693	116
Trading	111	136	(25)
Other	1	0	1
	4,985	**6,105**	**(1,120)**
Expenses			
Raising funds	3	3	0
Educational operations	5,565	5,599	(34)
	5,568	**5,602**	(14)
Net income/ (expenditure)	**(584)**	**502**	**(1,105)**

Commentary

Capital grants decreased by £1.2m as in the prior year the trust received CIF income relating to 4 projects. In the current year no CIF bids were awarded.

There has been an increase in funding for educational operations due to a new teachers pay grant in the current year as well as an increase in pupil numbers.

In attempts to balance the budget, general expenditure cuts have been seen in various areas, particularly in staff costs which have decreased by £84k from prior year.

6 APPENDIX B: FINANCIAL HIGHLIGHTS

Balance Sheet	Aug 19 £'000	Aug 18 £'000	Movement £'000
Fixed assets	**13,536**	**13,645**	**(108)**
Current assets			
Stocks	0	1	(1)
Debtors	332	455	(123)
Cash	409	1,008	(599)
	741	**1464**	**(723)**
Current liabilities			
Trade creditors	59	67	(8)
Social security and other taxes	72	77	(5)
Accruals and deferred income	276	642	(366)
Other creditors	78	75	3
	485	**861**	**(376)**
Non current liabilities	**7**	**0**	**7**
Defined benefit pension liability	**(2,240)**	**(1,543)**	**697**
Net assets	**11,545**	**12,704**	**(1,179)**

Commentary

Accrued income has decreased by £134k. In the prior year the balance was largely made up of accrued CIF income relating to the 4 projects on going at the prior year end, in the current year the majority of this income had been received therefore this balance has significantly reduced.

Cash has decreased by £599k. This is largely due to CIF income received in advance in the prior year which has been spent in the current year and the general deficit result for the year.

Accruals has decreased by £460k. This again relates to large balances in the prior year relating to the CIF projects. In the current year these were mostly finished by the year end.

Deferred income increased by £95k, this is mainly due to trip income received in advance for a trip taking place in 2020 to Orlando.

The non current liability is a Salix Loan that part funded the CIF project to replace a boiler.

6 APPENDIX C: BENCHMARKING

Below we compare the Trust against average balances from our academy client base across a range of metrics. This is an interesting comparison as the data is geographically focussed on the South West and hence more relevant. We note however, that there are inherent limitations with these comparisons where our average data includes both primary and secondary schools and the Trust's 2019 data is being compared against average data from 2018. We note further that the metrics calculated are isolated pieces of financial information that do not take other factors into account. Notwithstanding these limitations, the analysis is presented for your information.

Metric	2019 Trust data	2018 benchmark data	2017 benchmark data
Average surplus/ (deficit) per school [1]	**£(228,761)**	£(149,216)	£(151,596)
Average payroll cost as a % of total expense	**79%**	76%	76%
Average payroll cost per member of staff [2] Secondary Schools	**£46,024**	£45,392 – Secondary	
Pupil: Teacher ratio [3]	**17:1**	17.1:1 – Secondary	
Average cash balance per school	**£408,763**	£590,025	£644,441
Average unrestricted reserves per school	**£202,665**	£355,739	£353,661

The most salient indicators from the above analysis are that the Trust has a lower cash balance, lower unrestricted reserves and a larger deficit than the average school that we act for in the area. This should be read in conjunction with our audit comment on going concern in section 2 of this report and reflects the difficult year that the Trust has experienced with increasing pupil numbers that are lag funded.

In all other areas, the Trust is broadly in line with other primary schools in the area that we act for.

1. Calculated after exclusion of all capital income and expenditure and exceptional transactions such as transfers in / conversions.
2. Calculated on FTE head count and after exclusion of any exceptional costs such as restructuring.
3. Pupil numbers for 2018 have been sourced from pupil census information from government website https://www.compare-school-performance.service.gov.uk/school and for 2019 have been sourced from X.

6 APPENDIX D: TOPICAL REGULATORY CHANGES

Academies Financial Handbook 2019

From 1 September 2019, the new Academies Financial Handbook 2019 came into effect. Full detail of the changes can be found at: https://assets.publishing.service.gov.uk/media/5d035c0eed915d0a80fe0665/Academies_Financial_Handbook_2019.pdf but a summary of the changes is as follows:

- Clarification on the role of the audit committee (or equivalent committee) in relation to internal scrutiny including a directive that the annual programme of work must be informed from review of the risk register as well as focus on key financial controls.
- Mandating a risk register.
- A new requirement to send an annual internal scrutiny report to the ESFA (with the accounts and auditor's management letter) by 31/12.
- Updated guidance on the role of Trustees and the value of the clerk to the Board.
- Stipulated further information to be included on GIAS ('Get Information About Schools').
- Stipulated that monthly management accounts must be produced which must include: an income and expenditure account, variation to budget report, cashflows and a balance sheet.
- Clarified requirements in relation to relation party transaction reporting and also clarified that any 'novel, contentious or repercussive' RP transactions must be reported to the ESFA through a different medium and advance approval sought regardless of the value.
- Expanded requirements in relation to whistleblowing – with more responsibility to be taken by Trustees.
- Clarified that the Board are responsible for setting executive pay *and benefits* and should consider the wider commercial interests of executives and pay thereto.
- Confirmation that the ESFA's expectation is that all senior employees should be exclusively paid through payroll with PAYE and NI deductions made thereon.
- Emphasised that audited accounts must be provided to all members.
- A reminder of the delegated authority limits, (AFH19 5.1), beyond which prior ESFA approval is required.
- A requirement for Trusts under a Financial Notice to Improve ('FNtI') to publish this fact on their website and a reminder of the delegated authorities that are revoked when a Trust is in this position.
- Highlighting that the Secretary of State can intervene when there are concerns over an individual managing a Trust – which includes the right to elevate concerns to the Insolvency Service.
- Various links to further information.

6 APPENDIX D: TOPICAL REGULATORY CHANGES

Section 172 statements in strategic reports

The Companies (Miscellaneous Reporting) Regulations 2018 have come into force for accounting periods commencing on or after 1 January 2019. These regulations bring in a number of changes, with one of the main reforms being made in relation to the strategic report of large organisations. This is expected to affect (large) academy accounts for the year ending **31 August 2020**.

While the AAD for 2020 will likely clarify the additional disclosure required, we anticipate that a statement explaining how the directors have complied with their duties under section 172(1) to act in the way they consider, in good faith, to be most likely to promote the success of the Trust for the benefit of its members as a whole (a "section 172 statement"). The statement must explain how the directors reflected this duty, and the factors listed in paragraphs a-f of s172, in making strategic decisions during the year.

Large Trusts are also required to explain in their directors' reports how they have engaged with suppliers, customers and other business relationship and the impact this engagement has had on the principal business decisions taken during the year.

Organisations with more than 250 employees are required to include a statement as part of their directors' report summarising how the directors have engaged with employees, how they have had regard to employee interests and the effect of that regard, and the principal decisions taken by the organisation in the financial year.

The new requirements do not apply to medium sized or small companies. The large company thresholds two out of three of the following:

- income exceeding £36m;
- total assets exceeding £18m; and
- more than 250 employees.

Carbon Energy Reporting requirements

Entirely new narrative reporting requirements have come into force for periods beginning on or after 1 April 2019. These require large companies and large LLPs (thresholds as shown above) to include in their annual accounts a report on their greenhouse gas emissions, energy consumption and actions to improve energy efficiency.

For large organisations the additional information will be presented in the directors' report. For large LLPs a separate report will be required.

The report is required to include the following details:

- UK energy use, to include as a minimum purchased electricity, gas and transport
- Associated carbon emissions in CO_2
- At least one "intensity ratio" comparing energy usage with a business metric such as turnover or staff numbers
- Information about energy efficiency measures undertaken during the year

Comparative information is not required in the first year of application.

Exeter 01392 667000	**Plymouth** 01752 301010	**Poole** 01202 663600	**Salisbury** 01722 337661
Taunton 01823 275925	**Torquay** 01803 320100	**Truro** 01872 276477	**Bristol** 01174 039800

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