



**PKF FRANCISCLARK**

Chartered accountants & business advisers

# Audit Completion Report

YEAR ENDED 31 AUGUST 2018



**PENAIR  
SCHOOL**



# Audit completion report

**PRIVATE AND CONFIDENTIAL**

The Trustees  
Penair School  
St Clement  
Truro  
Cornwall  
TR1 1TN

5 December 2018

Dear Board of Trustees

**Audit Completion Report**

We are pleased to attach our audit completion report for the year ended 31 August 2018. This report summarises the key matters that arose during the audit and the conclusions reached.

The 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.

The audit completion report meets the requirements of ISA 260 – Communication with those charged in 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 2017 to 2018.

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

Yours faithfully

Katie Skea

**Director**

Signed for and on behalf of Francis Clark LLP  
E-mail: [Katie.Skea@pkf-francisclark.co.uk](mailto:Katie.Skea@pkf-francisclark.co.uk)

**Katie Skea**

Director

☎ Extn. 2628

✉ [Katie.Skea@pkf-francisclark.co.uk](mailto:Katie.Skea@pkf-francisclark.co.uk)

**Gemma Waite**

Manager

☎ Extn. 2659

✉ [Gemma.Waite@pkf-francisclark.co.uk](mailto:Gemma.Waite@pkf-francisclark.co.uk)

**Jenna Richardson**

Assistant

☎ Extn. 3173

✉ [Jenna.Richardson@pkf-francisclark.co.uk](mailto:Jenna.Richardson@pkf-francisclark.co.uk)

**PKF Francis Clark**

📍 Lowin House, Tregolls Rd,  
Truro, Cornwall

TR1 2NA

☎ +44 (0) 1872 276 477

📠 +44 (0) 1872 222 783

# Contents

1. Status report	Page 4
2. Audit Approach and materiality	Page 6
3. Significant audit and accounting matters	Page 8
4. Adjustments to the financial statements	Page 14
5. Internal control findings	Page 16
Appendices	Page 24
• A - Independence report	Page 25
• B - Financial Highlights	Page 26
• C - Benchmarking	Page 28
• D - Impact of accounting/legal developments	Page 29

Proudly part of the **PKF** global family

PASSION TEAMWORK CLARITY QUALITY INTEGRITY



The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter.

This report is made solely to the Board of and management of Penair School in accordance with our engagement letter. Our work has been undertaken so that we might state to the Board and management of Penair School those matters we are required to state to them in this report and for no other purpose.

To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Board of and management of Penair School for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

## Section 1

### Status report



# 1 Status report

## Scope of the audit

The scope of our audit work, our approach and the materiality levels we have applied are summarised in section 2.

## 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 as the Auditor and Reporting Accountant:

### 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 will also seek to review the most up to date management accounts/ budget returns for the Trust.

### LETTER OF REPRESENTATION

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

## Significant audit and accounting matters

We draw your attention to the significant audit and accounting issues which are explained more fully in section 3 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 4 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, but some recommendations to improve the system of internal control are included in this section.

## Section 2

# Audit approach and materiality



# 2 Audit approach and materiality

## Audit scope 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 2017 to 2018. 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:

- Pension fund accounting
- Fraud in revenue recognition
- Management override of controls
- Misstatement of carried forward funds
- 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 £75,500 for the year ended 31/08/2018.

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.

## Section 3

# Significant audit and accounting issues



# 3 Significant audit and accounting issues

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:

<b>HIGH</b>	Issues identified that are deemed to have a material impact on the financial statements.
<b>MEDIUM</b>	Issues identified that are deemed to have a significant (but not material) impact on the financial statements
<b>LOW</b>	Issues identified that, if addressed, would more accurately reflect the financial information of the academy but are unlikely to have a material or significant impact on the financial statements.

# 3 Significant audit and accounting issues

(SIGNIFICANT  
AUDIT RISK)

Approach to fraud: **LOW**

## DESCRIPTION OF ISSUE

ISA 240 requires the auditor to consider the risk of fraud in relation to revenue recognition and through management override of control.

## AUDIT CONCLUSIONS

Revenue recognition – this is addressed in our testing of the treatment of income around the year end, including accrued and deferred income, and the deferral of costs on the balance sheet. All material grant income streams were also reconciled to funding remittances. We did not encounter any material issues over the treatment of income around the year end.

Management override of controls – this is addressed through testing of financial controls, nominal ledger journal testing and consideration of management bias in accounting estimates. We did not encounter any issues of management override in our controls and journals testing. The main accounting estimates are depreciation and the pension deficit.

(SIGNIFICANT  
AUDIT RISK)

Going concern: **MEDIUM**

## DETAILED COMMENTARY – DESCRIPTION OF ISSUE

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.

## CONCLUSIONS

We reviewed the three year forecast and note that the school is budgeting a surplus in each of the next three years due to cost control and increased funding going forward due to the increasing pupil numbers. Based on the forecasts provided to us we concur that the going concern basis is appropriate but we note, however, that reserve levels are currently close to the threshold of one month's salary. We therefore recommend that the board should continue to closely monitor the Trust's financial viability and look for opportunities to achieve recurrent savings in the future to ensure the going concern basis remains appropriate. The directors should minute their consideration of the going concern basis when approving the accounts.

# 3 Significant audit and accounting issues

(SIGNIFICANT  
AUDIT RISK)

Regularity: **MEDIUM**

Local Government Pension Scheme  
(‘LGPS’) liability: **MEDIUM**

## DETAILED COMMENTARY – DESCRIPTION OF ISSUE

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.

## CONCLUSIONS

We found no significant issues of non-compliance that came to our attention during the course of our work on regularity, however there were several less significant items that are detailed in section 5 of this report.

## DETAILED COMMENTARY – DESCRIPTION OF ISSUE

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.

## CONCLUSIONS

The assumptions used by the actuary have been compared and agreed as consistent with other Academy Trusts in the area. Further, we have reviewed the assumptions and deem them to be reasonable. The net LGPS liability has decreased by £252k from last year and this is due to changes in the assumptions for the discount factor which has increased from 2.5% to 2.8%. Holistically, these movements reflect better longer term interest rates and a slow down in the rate of increase of life expectancy. It is likely that this liability will remain volatile in the near future though with BREXIT and general economic uncertainties.

# 3 Significant audit and accounting issues

## Private School Fund: **MEDIUM**

### DETAILED COMMENTARY – DESCRIPTION OF ISSUE

During the 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 and the only transfers to FMS were for Curriculum Enrichment Week. The main income and expenditure that went through the PSF was for extra curricular school trips. As part of the audit we therefore accounted for this income and expenditure and the year end closing balance. The closing balance included an amount of £8k which relates to charity collections not disbursed to the respective charities and a £6k balance, (debtor), for VAT was identified.

### CONCLUSIONS

We strongly recommend that the charity collections are disbursed to the respective charities. Further, we recommend that the PSF should be integrated into the Trust accounts to ensure everything is accounted for appropriately and that all control procedures are followed. Bringing this account in to the Trust will also help to ensure that it is regularly monitored by management and the Board.

## Making Tax Digital for VAT: **MEDIUM**

### DETAILED COMMENTARY – DESCRIPTION OF ISSUE

The way in which VAT compliance is undertaken is fundamentally changing from April 2019. The new legislation is called Making Tax Digital and is applicable to all VAT registered traders whose taxable turnover exceeds £85k. This could affect the academy if the total value of your taxable supplies on a 12 month rolling basis from April 2019 is above £85k. Where your turnover is below this value then you can continue submitting VAT returns through the government gateway. You would still need to monitor taxable turnover and would be required to comply with MTD from the date at which your taxable turnover exceeds £85k.

### CONCLUSIONS

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.

# 3 Significant audit and accounting issues

## Biomass Boiler: **MEDIUM**

### DETAILED COMMENTARY – DESCRIPTION OF ISSUE

During planning it was noted that the Academy had a biomass boiler that was not in use in the current year. 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 not been achieved.

### CONCLUSIONS

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 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 4

# Adjustments to the financial statements



# 4 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 SOFA £'000
Surplus per trial balance presented for audit	222
Reclassify fixed assets additions from repairs	1,132
Reflect depreciation charge	(354)
LGPS adjustments	(155)
Private School Fund recognition	(5)
Prepayments recognition	9
Recognising opening fund balances	(130)
Correction of CIF treatment	(217)
<b>Surplus per final accounts</b>	<b>502</b>

## 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 are not considered to be material weaknesses. These matters are summarised in the following pages.

In line with the Academies Accounts Direction these matters have been categorised by importance/risk level, as summarised below:

<b>HIGH</b>	Matters that are so fundamental to the system of internal control that management should take immediate action to minimise the risk of a material misstatement within the financial statements.
<b>MEDIUM</b>	Matters that have an important impact on the system of internal control, and, if left unaddressed, they could lead to a material misstatement within the financial statements.
<b>LOW</b>	Matters that if addressed would improve the system of internal control and represent good practice, but are unlikely to have a material impact on the financial statements.

# 5 Internal control findings

Title/ Category assessment	Current procedure/ observation	Suggested improvement and benefit	Trustee and management response (including timescale)
<p><b>Trustee interests</b></p> <p><b>MEDIUM</b></p>	<p>During testing we found that there was no signed declaration of interests held for three Trustees.</p> <p>We note further that we did not find any undisclosed related parties as a result of this omission.</p>	<p>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.</p>	<p>This is to be addressed and resolved imminently.</p>
<p><b>VAT</b></p> <p><b>MEDIUM</b></p>	<p>When reviewing VAT a few compliance issues were noted as follows:</p> <ul style="list-style-type: none"> <li>• Late submittal of August VAT return</li> <li>• 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.</li> </ul>	<p>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.</p>	<p>It has been agreed that the academy will de-register for VAT.</p>

# 5 Internal control findings

Title/ Category assessment	Current procedure/ observation	Suggested improvement and benefit	Trustee and management response (including timescale)
<p><b>Duplicate BACs Payment</b></p> <p><b>MEDIUM</b></p>	<p>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.</p>	<p>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.</p>	<p>A new scheme of delegation will be drafted which will ensure there are increased controls in this area.</p>
<p><b>Payroll</b></p> <p><b>MEDIUM</b></p>	<p>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.</p>	<p>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.</p>	<p>This issue occurred in September 2017. The business manager has since rectified and no further occurrences were noted.</p>

# 5 Internal control findings

Title/ Category assessment	Current procedure/ observation	Suggested improvement and benefit	Trustee and management response (including timescale)
<p><b>Bad Debts</b></p> <p><b>LOW</b></p>	<p>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.</p>	<p>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.</p>	<p>Going forward all lettings will be invoiced in advance to reduce the risk of bad debts.</p>
<p><b>Credit Card Fraud</b></p> <p><b>LOW</b></p>	<p>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.</p>	<p>Ensure that the Trust continues to implement and use controls for all credit card purchases to ensure such instances are prevented where possible.</p>	<p>No action required.</p>

# 5 Internal control findings

Title/ Category assessment	Current procedure/ observation	Suggested improvement and benefit	Trustee and management response (including timescale)
<p><b>Financial Procedures Manual</b></p> <p><b>LOW</b></p>	<p>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.</p>	<p>To ensure all procedures remain up to date and that the academy remains compliant with the AFH the FPM should be updated annually.</p>	<p>A new scheme of delegation will be drafted, this will then be updated annually to ensure it remains compliant with the AFH.</p>
<p><b>Trade Union Facility Time</b></p> <p><b>LOW</b></p>	<p>During the audit it was noted that the required disclosures of trade union facility time are not disclosed on the schools website.</p>	<p>The requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017 should be complied with.</p>	<p>This will be rectified and the website updated.</p>

# 5 Internal control findings

## Update on prior year matters (from predecessor auditor)

Title/ Category assessment	Procedure/observation	Suggested improvement and benefit	Status
<b>Procurement</b>  <b>MEDIUM</b>	Some suppliers informally chosen without following procurement procedures documented in the scheme of delegation. This has occurred where a preferred supplier is thought to offer better value for money so prices are not checked. Risk that value for money is not being obtained.	Where a preferred supplier is used to provide certain goods, it would be good practice on an annual basis to compare the costs of regularly ordered goods to alternative suppliers and maintain a record of this review.	During current year testing of purchases and contracts no instances of non compliance with the scheme of delegation were found.
<b>Awarding of Contracts</b>  <b>MEDIUM</b>	It is unclear that authorisation in line with the Scheme of Delegation (contracts > £40k) was obtained in the awarding of contracts for the cleaning contract in the year to Devon Norse, and the CIF projects to 3MS and Lawry Building & Maintenance which required authorisation from the Headteacher (who signed the cleaning contract) and the Chair of Governors.	The minutes should explicitly state if the Chair and Headteacher have authorised the awarding of contracts, or other evidence should be maintained to document the authorisation, i.e. signed statement by both parties/signed contract by both parties.	As above, no instances of non compliance with the scheme of delegation were found.
<b>Incorrect payment</b>  <b>MEDIUM</b>	It was noted during the audit that the invoicing of staff salary costs to a connected party had been miscalculated, and that an honorarium paid at the request of the connected party had not been invoiced at the year end (adjusted for in the accounts). There is a risk that income is not being recovered.	As the arrangement regarding the recharge of staff costs has since ceased, our recommendation is to invoice for the amount undercharged. If a similar arrangement is ever entered into again we would recommend that payroll costs are recovered monthly following the payroll for that month being run	No such instances were noted in the current year audit.

# 5 Internal control findings

## Update on prior year matters (from predecessor auditor)

Title/ Category assessment	Procedure/observation	Suggested improvement and benefit	Status
<b>Authorisation</b>  <b>LOW</b>	VAT returns are currently prepared and submitted by the Business Development Co-Ordinator and are not subject to any review.	The Business Manager should review the VAT returns.	The business manager now signs as evidence of her review of the VAT returns.
<b>Bad Debts</b>  <b>LOW</b>	Good progress has been made in recovering balances due to the School. At the year end £24,790.71 was outstanding to one customer, of this balance the majority was over 91 days overdue. We are aware that the Finance Office are actively seeking to recover these monies.	None, continue to monitor sales ledger and chase outstanding monies. Please advise if payment has since been received.	In the current year there is a £6k bad debt provision, the academy should continue to ensure they are actively chasing all old debts and all options are considered before these are written off.
<b>Credit Card Log Forms</b>  <b>LOW</b>	It was noted that Credit Card Log Forms were not always being authorised during the year. We noted at least 3 months where this review had not taken place (February, March & June).	Log forms should be reviewed on a timely basis.	During our testing of credit card expenses there were no months found where the Credit Card log forms were not authorised.

Appendices



## 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 a 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 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 Academy Accounts Return (to be completed in January 2019).

### Safeguards

- Elizabeth Blues deemed to be informed management.
- Internal and external quality control procedures.
- Evaluation of materiality.
- Profit reconciliation provided – with all decisions undertaken by management.

### 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 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.

## Appendix B: Financial highlights

### Financial overview - year ended 31 August 2018

	Opening balance £000	Income £000	Expenditure £000	Transfers £000	Closing balance £000
<b>Restricted general funds</b>					
GAG	-	4,177	(4,472)	295	-
Pupil Premium	-	202	(202)	-	-
SEN	-	10	(10)	-	-
PE grants	-	-	-	-	-
UIFSM	-	-	-	-	-
Staff insurance claims	-	-	-	-	-
Educational visits	8	152	(152)	-	8
Other	-	38	(38)	-	-
	<b>8</b>	<b>4,579</b>	<b>(4,874)</b>	<b>295</b>	<b>8</b>
<b>Unrestricted funds</b>					
Opening balance unrestricted	585	-	-	-	-
Catering income	-	120	(120)	-	-
Lettings income	-	42	(3)	-	-
Uniform income	-	-	-	-	-
Interest receivable	-	-	-	-	-
Other unrestricted income	-	90	(98)	-	-
Closing balance unrestricted	-	-	-	(303)	313
	<b>585</b>	<b>252</b>	<b>(221)</b>	<b>(303)</b>	<b>313</b>
<b>Restricted fixed asset funds</b>					
Assets transferred from LA	10,562	-	(205)	-	10,357
Fixed assets	2,305	-	(147)	1,130	3,288
Devolved capital	130	1,273	-	(1,122)	281
CIF	-	-	-	-	-
Belling Trust	-	-	-	-	-
Big Lottery Fund	-	-	-	-	-
	<b>12,997</b>	<b>1,273</b>	<b>(352)</b>	<b>8</b>	<b>13,926</b>
<b>Total funds excluding pension liability</b>	<b>13,590</b>	<b>6,104</b>	<b>(5,447)</b>	<b>-</b>	<b>14,247</b>

### Brief commentary on fluctuations in financial results:

- GAG fund showed an overall overspend in year of £295k. This overspend was funded by unrestricted reserves.
- The £8k carry forward of other restricted general funds includes educational visits income.
- Unrestricted funding streams made a surplus of £31k in the financial year. Unrestricted funds were depleted in the year to fund the GAG overspend and capital purchases.
- At year end the trust retains unspent CIF funding totally £281k for works to the roof and boilers. There is no risk of clawback and the funds are planned to be fully spent.

## Appendix B: Financial highlights

### **Brief commentary on fluctuations in financial results :**

#### **SOFA**

#### **Income (Increase of £197k on last year)**

Capital grant income has increased £804k due to the four capital projects that have taken place in the current year, funded by CIF.

GAG income has decreased £402k primarily due to the decreased pupil numbers in the school in the prior year – GAG being lag funded. Pupil numbers have recovered in the current year which will impact next years funding.

LA grant funding has decreased by £36k due to a decrease in high needs funding.

Funding for the academies educational operations other income has decreased by £108k on last year due to £43k recharge for G Chappell's salary, £4k lottery funding, £15k additional rates relief and £7k Erasmus funding all received in the prior year only.

Within other trading activities, other income has decreased by £20k mainly due to equipment resales in the prior year and no equivalent income this year.

#### **Expenditure (Decrease of £310k on last year)**

Staff costs have decreased £133k due to a decrease in headcount of 5 and lower restructuring costs this year. The cost saving has been seen in support staff costs.

Other costs have also decreased due to better controls in place and a greater focus on savings as a result of a large deficit budgeted. This includes a reduction in cleaning contract cost of £10k and SLAs of £25k.

Premises costs and other support costs have both reduced in the current year. This is due to a decrease in SLA's of £25k, a reduction in the cleaning contract cost and general other reductions as a result of tighter controls in place.

Other costs are broadly in line with the prior financial year.

#### **Balance Sheet**

##### **Fixed assets**

Total additions in the year were £1,132k, the most significant of which were the four CIF projects for fire upgrades, fencing, works to boilers and roof works.

##### **Debtors**

Debtors increased by £186k overall. This is largely due to accrued income relating to the CIF projects.

##### **Cash at bank**

Cash has increased by £39k - due primarily to cash received for the CIF projects which was not spent at year end.

##### **Creditors**

Overall the balance has increased £344k due to increased accruals relating to the capital projects which took place over the summer.

##### **Pension creditor**

The pension creditor has fallen £252k. This is discussed further in section 3 of this report.

## Appendix C: Benchmarking against other PKF Francis Clark Academy Trust Clients

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 2018 data is being compared against average data from 2017. Notwithstanding these limitations, the analysis provides an interesting insight and is presented for your information.

	2018 Trust data	2017 Average data	Difference	2017 Trust data	2017 Average data	Difference 2017 data	2016 Trust data	2016 Average data	Difference 2016 data
Average surplus/(deficit) per school (restricted fixed asset balances and exceptional items removed)	(417,196)	(151,596)	(265,600)	(261,620)	(151,596)	(110,024)	(246,547)	(42,003)	(204,544)
Payroll cost as a % of total expense	74%	76%	-2%	66%	76%	-9%	72%	75%	-3%
Average payroll cost per member of staff	34,446	28,234	6,213	34,137	28,234	5,903	37,212	26,391	10,821
Average cash balance per school	1,007,837	644,661	363,176	968,713	644,661	324,052	1,034,454	708,696	325,758
Cash balance as a % of income	16%	24%	-8%	16%	24%	-8%	17%	25%	-8%

### Analysis

The school's deficits appear to be larger than the average school. The average payroll cost per member of staff is higher than average, however payroll as a % of total expense is lower than average suggesting that the academy has fewer better paid staff than average. The academy has a high cash balance, however as a percentage income this is low compared to others.

## Appendix D: Impact of accounting and legal developments

### Academies Financial Handbook

The new Academies Financial Handbook, ('AFH'), effective for periods beginning 1 September 2018, was published in June 2018. The key changes are summarised in our 'Governors' Financial Update' report, distributed to the school in electronic format in July 2018.

Under the new AFH any Board's of Trustees that meet less than six times a year will need to justify and document how they achieved effective oversight of finances within the statement of accounts next year. We flag this point for your attention as we note that the board met less than 6 times in the 2017/18 year.

### Charities SORP update bulletin

Following the triennial review of accounting standard FRS 102, a bulletin was issued in February 2018 amending and clarifying the related areas of the Charities SORP – this being the accounting framework that Academy Trust financial statements follow. The amendments set out in the update bulletin apply for reporting periods beginning on or after 1 January 2019 but can be early adopted provided that all amendments are applied at the same time. In short, these amendments and clarifications are expected to have limited impact on Academy Trusts.

**Exeter** 01392 667000**New Forest** 01425 610166**Plymouth** 01752 301010**Poole** 01202 663600**Salisbury** 01722 337661**Taunton** 01823 275925**Torquay** 01803 320100**Truro** 01872 276477 [pkf-francisclark.co.uk](http://pkf-francisclark.co.uk)