SIR ROBERT GEFFERY'S SCHOOL

Audit completion report for the year ended 31 August 2014

FRANCISCLARK

CHARTERED ACCOUNTANTS

Contents

The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 2 October 2013.

This report is made solely to the Governors of SIR ROBERT GEFFERY'S SCHOOL as a board in accordance with our engagement letter. Our work has been undertaken so that we might state to the Governors of SIR ROBERT GEFFERY'S SCHOOL those matters we are required to state to them in accordance with International Standards on Auditing (UK and Ireland) 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 SIR ROBERT GEFFERY'S 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.

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Our ref:
7529PL CDE/LRB

Your ref

6 November 2014

Dear Board of Governors

Audit Completion Report

We are pleased to attach our audit completion report. This report summarises the key matters 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 Trust'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.

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

FRANCIS CLARK LLP
E-mail: mail@francisclark.co.uk

1. Status report

1.1 Scope of the audit and other work

The scope of our work, as set out in our engagement letter is to provide an opinion as Auditors in accordance with the Companies Act 2006 on the financial statements of the Academy Trust and as Reporting Accountants in accordance with the Regularity requirements of the EFA.

The financial statements have been prepared by Francis Clark staff, based on the Academy Trust's management accounts and the model 'Coketown Academy' pro-forma provided by the EFA.

The work required by us in the preparation of the financial statements was as expected.

We will assist in the preparation of the Annual Accounts Return (AAR) and approve its submission. We have reported on the Teachers' Pension Agency (TPA) annual return.

1.2 Status of audit fieldwork and expected auditors' report

Our audit fieldwork is completed, and we expect to issue unqualified opinions as Auditors and Reporting Accountants.

1.3 Unadjusted audit differences

There were no unadjusted audit differences identified during the course of our audit.

1.4 Significant outstanding matters

- 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.

- 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. In all aspects the letter is routine.

2. Significant auditing and accounting issues

The following significant auditing issues and qualitative aspects of the Academy Trust's accounting practices and financial reporting were noted during the course of our audit.

2.1 Reserves

With a GAG carry forward of £273k and unrestricted funds of £227k, it is important that the academy has clearly documented plans for the future use of these funds. We have reviewed the budget plan for the next financial year and discussed the need for holding such levels.

Conclusion

We understand that the unrestricted funds are earmarked for future spending on additional teaching space as well as maintaining staffing levels in the future. The academy also has plans to commit unspent GAG to specific projects. On this basis, we expect the level of reserves to deplete over time and therefore have concluded that the school is properly considering these matters and suitably explaining the position in the Trustees' Report.

2.2 Allocation of costs against funds

We have reviewed non-GAG income and the allocation of costs against it. For a sample of these income streams, we have considered the restrictions placed on the funding and assessed whether the funds have been spent in accordance with these restrictions.

Conclusion

Nothing has come to our attention which would suggest that the cost allocations are inappropriate, or that the funds have not been spent in accordance with restrictions.

2.3 FRS 17 pension deficit

The pension scheme liability has increased from £65k to £134k. This is in line with the report provided by the actuary and is a significant increase in the deficit. We have considered the reasonableness of the actuary's assumptions and compared the results with those in other academies.

Conclusion

The significant increase in the attributable deficit is consistent with other schools we act for in Cornwall. This is the first year that the full triennial actuarial valuation at 31 March 2013 has been used as the basis for the actuary's calculations. This, together with a significant reduction in the discount rate used to value future liabilities, are the key reasons for the substantial increase in liabilities.

2.4 Accrued and deferred income

Income has either been accrued or deferred in order to recognise it over the period to which it relates.

Accrued income of £8k relates to income yet to be received and matched against past expenditure and mainly comprises:

- £6.5k Pupil Premium funding

Deferred income of £21k relates to income received in advance for the next academic year and mainly comprises:

2. Significant accounting and auditing issues
(continued)

- £19k for Universal Infant Free School Meals funding
- £2k for trips

2.5 Regularity matters

No instances of non-compliance have come to our attention during the course of our work on Regularity.

During the course of the audit it was noted that the school's Financial Regulations and Scheme of Delegation do not fully comply with the Academies Financial Handbook. Although the document is minuted as being reviewed annually it is still dated November 2011. In addition, the school does not currently use a Key Financial Controls Checklist which would provide evidence that the Accounting Officer can sign off the Statement on Regularity in the comfort that all the necessary controls are in place. During the audit we did discuss with management how the Accounting Officer can be confident that all the controls are being adhered to and we have no concerns that they are not. However we have also provided the school with a copy of our proforma Financial Procedures Manual and Key Controls Checklist with the recommendation that this is updated and implemented for the new academic year.

Although the Governors and key staff are required to complete a pecuniary interests form on an annual basis, there is no register held of the information. This means it is quite difficult to identify potential connected party transactions and the correct procedures for these may not be followed. We have recommended that a central register is maintained and reviewed on a regular basis.

During the year the academy entered into a transaction with the son of Jill Jarvis, a Governor. It should have been entered into in accordance with the Academies Financial Handbook under the no profit principle. The transaction value amounted to £570 (gross) and the academy has been provided with confirmation that the services were provided on a 'no profit' basis.

3. Adjustments posted to the draft financial statements

Below is a summary of the adjustments that arose during the audit and that the Academy Trust has chosen to reflect in the draft financial statements.

Adjustments

£'000	Aug-14	Aug-13
Surplus/(deficit) per TB presented for audit	64	102
Reclassify fixed assets additions	56	28
Depreciation charge	(61)	(63)
Process FRS17 adustments re pension	-	1
Accruals recognition	-	(3)
Accrued income adjustment	-	(4)
Net movement in school fund bank account	1	-
Reverse last year's accruals / prepayments	-	1
Bring in Diocese capital funds	-	44
Mathletics prepayment recognised	3	-
Insurance claim adjustment	(1)	-
Surplus/(deficit) per final accounts	62	106

4. Internal control findings

4.1 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.

4.2 Significant deficiencies in internal control

We did not become aware of significant deficiencies in internal controls during the audit which we would consider to be material weaknesses. Section 4.3 sets out other observations and recommendations which are not considered to be material weaknesses.

4.3 Other observations/recommendations on internal control

We have noted the following observations on internal controls:

These matters are all considered to be low risk (categorisation required by the Accounts Direction).

Current procedure/observation	Suggested improvement and benefit	Management response
Mileage claims We noted that some Governor mileage claims were paid during the year without a signed claim form having being received. The school's policy states that the claim form should be signed before payment is made.	Signed claim forms must be obtained from the Governor and retained before payment is made.	Claim forms will be signed and checked before payments are made.

Appendix A – Independence report

APB Ethical Standard 1 "Integrity, Objectivity and Independence" and ISA (UK and Ireland) 260 "Communication of audit matters to those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity.

a) **Potential issues**

We have discussed with you the fact that we provide accounting services (the preparation of annual statutory accounts), we prepare of the annual accounts return (AAR) and we have reported on the Teachers' Pension Agency (TPA) annual return to the Academy Trust in addition to acting as auditors.

b) **Role of informed management**

In the context of APB Ethical Standard 1, we consider Julie Curtis, as Accounting Officer, to be "informed management" and it is her role to assess the non-audit services provided.

c) **Safeguards**

We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services provided are of a routine compliance nature and the Board takes any decisions where judgement is required.

Conclusions

We are not aware of any relationships between Francis Clark LLP and the Academy 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 APB Ethical Standards, and in our professional judgment, the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised.

Appendix B – Financial highlights

Financial overview - year ended 31 August 2014

£'000	Opening balance	Income	Revenue expenditure	Capital expenditure	Transfers	Closing balance
Restricted General Fund						
GAG	194	823	(742)		(2)	273
Pupil Premium	3	30	(24)			9
DfE and other grants	-	26	(25)			1
LA High Need	-	7	(7)			-
School trips	1	26	(23)			4
Other	17	30	(26)			21
	215	942	(847)	-	(2)	308
Unrestricted General Fund						
Opening balance	209					
Lettings and rental income		5				
Sale of goods and materials		1				
FIT energy		4				
Course and tuition fees		9				
Bank interest		1				
Other unrestricted income		12				
Expenditure using other unrestricted funds			(14)			
Closing balance						227
	209	32	(14)	-	-	227
Capital Fund						
Fixed assets	2,200			(61)	12	2,151
Devolved Formula Capital		6			(6)	-
Other capital grants		4			(4)	-
	2,200	10	-	(61)	2	2,151
Total excluding pension liability	**2,624**	**984**	**(861)**	**(61)**	**-**	**2,686**

Brief commentary on fluctuations in accounts

Income

- Overall income is down by £15k on the previous year. One factor is that the school received £44k as a one off capital donation from the Diocese last year. Devolved formula capital funding is also lower this year as the school's need is seen as less than others.
- There are fewer children with SEN statements this year as they have progressed through the school and left. This has resulted in a reduction in this income stream of £30k.
- The one-off special educational projects for which the school received funding of £19k last year have not been replicated this year.
- Some funding streams have increased this year including GAG and Pupil Premium. The overall increase in GAG and DfE grants this year is £44k.

Expenditure

- Expenditure has increased this year by £25k. Staff costs have increased by £19k as a result of more teaching assistant hours being used this year and pay rises for staff who have not yet reached the top of their pay scales.
- Music tuition costs have increased by £6k as a result of greater uptake and also the way in which the income and expenditure is now administered through the school. Music income has also increased. There has also been more expenditure this year on trips and visits.

Balance sheet and notes

- Fixed asset additions of £57k relate mainly to the window refurbishment that took place in the year. The invoicing of these capital works in August '14 also accounts for a large proportion of the trade creditor increase in the year as they were still outstanding at the year end.
- Debtors have decreased this year as the £44k due from the Diocese at the end of last year has now been received.
- Deferred income has increased by £20k as a result of the Universal Infant Free School Meals funding which is new this year.

Appendix C – Accounting/legal developments

Accounting/legal developments

We consider that the Governors and the Trust's management team should be aware of the following accounting and legal developments, where work will be required by the Trust to ensure compliance:

- Changes to the Academies Financial Handbook for 2014/15:
    - Further clarification on what a FNtI implies
    - Importance of trustees providing details of governance arrangements in their governance statement (in annual report)
    - Requirement to publish the business interests of trustees on the website
    - Principal doesn't have to be a trustee
    - More focus on Connected Party transactions
    - "No profit" de-minimis for transactions with connected parties of £2,500
    - Clarified when a fraud needs reporting to EFA
    - VFM statement on website by 31 January
    - Trustees must approve a written scheme of delegation
    - PFO renamed CFO
    - Requirement to report deficit budget (if in doubt read the detail)
    - The term Responsible Officer gone
- Contents of the EFA letter to Accounting Officers re 2014/15, focusing on the importance of reviewing governance arrangements, managing relationships with connected parties and promoting transparency (more on the website)
- New Charity SORP:
    - Will apply for year ended 31 August 2016 and so 1 September 2014 is transition date
    - EFA will have to revise Accounts Direction (inc. Coketown) to comply
    - Academy trusts might need to change certain accounting policies
    - Await guidance
- Auto enrolment – whilst most of your employees will be members of the TPA or LGPS schemes, you need to ensure that your internal payroll systems, and your payroll provider, are in a position to deal with the new legislative requirements. There are onerous penalties for non-compliance
- Teachers' Pension Scheme employer contribution rate goes up by 2.3% in September 2015 – impact on budgeting (although hopefully most realised this when doing 2014/15 budgets)
- Advance warning of likely increase in the National Insurance Employers rate by 3.4% when the contracted out rate is abolished in April 2016. Potential significant impact on costs.