

 Forrester Boyd
CHARTERED ACCOUNTANTS

Audit Report

Encompassing the Management Letter, System Findings and other Audit Matters



John Spendluffe Technology College



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1. Audit Introduction and General Comments

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit. We are pleased to report that the audit was completed successfully and without any problems. The timescale for completing the audit and accounts is very tight, and we appreciate the effort that the finance team in particular have gone to in order to assist us.

We found your team helpful and not evasive in any way, which allowed us to obtain information freely and easily. We were presented with a detailed online audit file as requested which enclosed copies of all the necessary information required to carry out the audit.

It is also worth noting that our audit work is only conducted on a sample basis, so is unable to guarantee that all errors are found. As a result of this, you may feel that certain areas, such as reviews of specific controls, especially in connection with wages, tax and VAT would benefit from more detailed investigation.

The finance team need to be aware that the Accounts Return needs to be completed by the deadline of 28th January 2025.



2. Key Audit Areas

<i>Key Audit Areas</i>	Our Approach
<i>Income recognition</i>	<p>We have reconciled any General Annual Grant (GAG) funding to the funding document provided by ESFA. All other material grant funding has also been agreed to funding documentation.</p> <p>The systems and controls of other material income streams have been tested.</p>
<i>Completeness and accuracy of payroll</i>	<p>As payroll is the largest cost in the accounts a proof in total has been completed, reconciling the wages per payroll records to the accounts. We have also tested controls surrounding authorisation of payroll and ensured deductions surrounding PAYE and NI have been made correctly.</p>
<i>Compliance with the ESFA requirements to ensure there are no regularity issues.</i>	<p>We have ensured the Trust is complying with the 'musts' in the Academies Trust Handbook and that purchases made are deemed to be appropriate academic expenditure.</p>
<i>Statement of Financial Activities and fund allocations</i>	<p>We have reviewed the major classification of income and expenditure to confirm they are consistent with expectations and considered whether explanations for significant variances are reasonable.</p> <p>We have reviewed the allocation of funds in the statement of financial activities and ensured that this appears appropriate and in line with our expectations.</p>
<i>LGPS valuation</i>	<p>We have reviewed the assumptions used by the actuary and compared them to other actuary pension fund assumptions to assess for reasonableness.</p>
<i>Going Concern Assessment</i>	<p>We will also perform a review of journal adjustments that do not appear in line with monthly adjustments made to gain assurance that there is no evidence of management override of systems and controls.</p>



3. Overview of the year

Income

The income is made up of the following:

	2024 £	% of income	2023 £	% of income
<i>Donations and capital grants (Note 2)</i>	266,729	4.30%	289,637	4.94%
<i>Funding for the Academy's educational operations (Note 3)</i>	5,614,534	90.41%	5,211,069	88.93%
<i>Other trading activities (Note 4)</i>	318,418	5.13%	359,198	6.13%
<i>Investments (Note 5)</i>	10,102	0.16%	0	0%
Total	6,209,783		5,859,904	

90.41% (2023: 88.93%) of the total income is made up of grants and other income for the Academy Trust's educational operations. This percentage can vary dependent on the types of income and grants received by an Academy during the year.

The funding for the Academy's educational operations has increased by £403,465 to £5,614,534 in 2024. The General Annual Grant (GAG) income has increased to £4,416,604 from £4,194,126, this is consistent with the rise in MFG whilst pupil number numbers have decreased slightly from 630 in 2023, to 626 in 2024.



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

Income can be detailed as follows:

	2024	2023
	£	£
<i>Donations and capital grants (Note 2)</i>		
<i>Capital grants</i>	266,729	289,637
	266,729	289,637
<i>£158.5k relates to LCC funding for an extension and improvements to various parts of the school site to facilitate catering for additional students. £94k was in respect of the 'Connect the Classroom' project to improve the Wi-Fi and technological capabilities of the Trust and the remaining £14k is DFC.</i>		
<i>Funding for the educational operations (Note 3)</i>		
<i>General annual grant (GAG)</i>	4,416,604	4,194,126
<i>Pupil premium</i>	332,346	314,299
<i>Other DfE/ESFA revenue grants</i>	327,603	274,481
<i>SEN 1-1 funding</i>	312,740	229,804
<i>Other local authority revenue grants</i>	99,080	72,621
<i>ESFA catch-up premium</i>	80,489	79,661
<i>Other income from educational operations</i>	975	0
<i>School Fund Income</i>	44,697	46,077
	5,614,534	5,211,069



<i>Other trading activities (Note 4)</i>	2024 £	2023 £
<i>School shop sales</i>	29,260	37,807
<i>Catering income</i>	234,466	267,430
<i>Other sales</i>	39,759	39,340
<i>Hire of facilities</i>	14,933	14,621
	318,418	359,198

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



Expenditure

The main costs relating to the Trust are staff costs (excluding LGPS) totalling £4,697,070 (2023: £4,236,894) which is 77.09% (2023: 75.67%) of your total costs and 75.64% (2023: 72.30%) of income.

Salaries as a percentage of the total costs and total income are below the maximum guidance from ESFA of 80%. Staffing costs over 80% of total your total costs and income would be considered high by the ESFA. Staff costs have increased as a percentage of income in the period, by 3.34%. This should be closely monitored moving forwards.

The total staff costs can be broken down as follows:

	2024	2023
	£	£
<i>Wages & salaries</i>	3,533,942	3,250,028
<i>Employers National Insurance</i>	339,266	305,523
<i>Employer pension costs</i>	804,488	669,022
<i>LGPS FRS102 adjustments</i>	(81,000)	20,000
<i>Agency staff costs</i>	10,069	18,961
<i>Staff restructuring costs</i>	9,305	0
	4,616,070	4,256,894



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

The average wage per full time equivalent (FTE) employee in the trust is £40,194 compared to £37,302 in 2023. The average wage per FTE teacher in the trust is £51,266 compared to £44,003. The average salary per teacher and other employees are in line with similar academy trusts we act for.

<i>Other sizeable costs relating to the educational operations are as follows:</i>	2024	% of	2023	% of
	£	income	£	income
<i>Depreciation</i>	220,436	3.55%	234,273	4.00%
<i>Other direct costs</i>	14,957	0.24%	11,596	0.20%
<i>Technology costs</i>	76,081	1.23%	63,138	1.08%
<i>Maintenance of premises and equipment</i>	201,318	1.73%	137,955	2.35%
<i>Rent, rates & utilities</i>	189,126	3.05%	125,905	2.15%
<i>Insurance</i>	14,398	0.23%	13,230	0.23%
<i>Professional fees</i>	49,598	0.80%	37,671	0.64%
<i>Other support costs</i>	42,277	2.19%	58,843	1.00%
<i>LGPS Service cost adjustment</i>	(90,000)	(1.45)%	20,000	0.34%
<i>LGPS admin cost</i>	0	0%	4,000	0.07%
<i>Interest on defined benefit pension scheme</i>	(37,000)	(0.60)%	(8,000)	(0.14)%

The figures for the above two items are provided by the Academy's actuary, Barnett Waddingham



The remaining expenditure relates to the general running of the school and does appear reasonable. Our audit work has not found any material errors or cut off issues. If you feel that any of these costs could be reduced, please do not hesitate to contact us as we may be able to help with alternative suppliers.

Balance sheet

The net balance sheet position including the pension scheme liability is £8,294,129 (2023: £8,302,660). There is no change after removing the pension asset as this has been restricted to £nil in the current and preceding year.

The balance sheet is broken down as follows:

	2024	2023
	£	£
<i>Tangible Fixed Assets - £7,561,245 (2023 - £7,319,400)</i>		
<i>Freehold land and buildings</i>	7,501,225	7,214,114
<i>Motor vehicles</i>	825	1,101
<i>Furniture and equipment</i>	5,792	19,555
<i>IT equipment</i>	53,403	84,630
Tangible fixed asset additions in the year amounted to £462,281 (2023: £120,645). The depreciation charge for the year is £220,436 (2023: £234,273)		
<i>Debtors - £254,595 (2023 - £321,505)</i>		
<i>Trade debtors</i>	2,022	5,789
<i>VAT recoverable</i>	88,069	50,653
<i>Prepayments</i>	55,973	57,343
<i>Accrued income</i>	108,531	207,720



Accrued income in 2024 is made up of pupil premium of £58,568 (2023: £53,417), August Top-Up funding of £28,551, August Referral Funding of £2,775 and Connecting Classrooms capital income of £19,338.

	2024	2023
	£	£
<i>Cash at bank and in hand - £750,626 (2023 - £1,021,783)</i>		
<i>Current account</i>	750,377	1,021,689
<i>Petty cash</i>	249	94
<i>Creditors due under 1 year - £272,337 (2023 - £360,028)</i>		
<i>Trade creditors</i>	29,944	61,886
<i>Taxation and social security</i>	73,982	68,280
<i>Other creditors</i>	93,331	76,295
<i>Accruals</i>	75,080	153,567

Included within accruals is costs relating to the support staff pay award of £38,288 (2023: £51,049). The significant decrease when compared with the previous year is due to the fact that £77k of CIF works were yet to be invoiced at 31st August, 2023 and were accrued.

Pension Scheme Asset - £nil (2023 - £nil)

The liability incorporates an asset ceiling restriction of £230k (2023: £546k)

Please note that the movement in the deficit is as calculated by Barnett Waddingham, the academy's actuary, and depends on a number of actuarial assumptions. Please also note that, as stated in the pensions note in the accounts, Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an academy closure, outstanding LGPS liabilities would be



met by the Department for Education. The guarantee came into force on 18 July 2013. However, it is possible that your annual contribution could increase. The Trustees do not believe the asset value of the LGPS provided by the actuary can be recovered, either through reduced contributions or through refunds in the scheme, and the asset reported by the Actuary has therefore been restricted to £nil.

Overall

We consider that the funds of the academy have been used appropriately and for the benefit of the school's pupils. The total amount of free reserves available for the Trust as at 31st August 2024 are £719,143 compared to £839,133 in the previous year. The total restricted and unrestricted funds can be broken down as follows:

	2024	2023
	£	£
<i>Restricted general funds</i>	451,023	616,539
<i>Restricted fixed asset funds</i>	7,574,985	7,463,527
<i>Restricted pension fund</i>	-	-
<i>Unrestricted funds</i>	268,121	222,594
Total	8,294,129	8,302,660

This level of free reserves represents approximately 7-8 weeks running costs. The Trustees have determined that the appropriate level of free reserves should be equivalent to 2 month's expenditure of the payroll, which is approximately £700,000.



4. Independence and Ethical Matters

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

We will mitigate the self-review threat in relation to the production of the Financial Statements by having another suitably qualified member of staff, not involved in the audit, review the accounts and complete the required accounts production checklist. We must also ensure the Academy Trust has informed management. By informed management, we mean the Trust has individuals and groups within its management that can make decisions and understand the finances of the Trust, including the Financial Statements. This group of people can actively approve any adjustments that we make to the accounts.

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

- Jon Treasure
- Simon Curtis

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



5. Formal matters to be reported

In accordance with our normal practice we are writing to draw your attention to various matters which arose during the course of our audit of the academy accounts for the year ended 31st August 2024.

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

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

b) **Unadjusted misstatements**

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

You have confirmed in the Letter of Representation that any amounts below £6,000 are trivial and do not need reporting to you. During the year-end audit, we have adjusted for items below this amount as requested to by the finance team.

c) **Material weaknesses in the accounting and internal control systems**

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts.

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

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

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

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



e) **Identification of Fraud**

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

f) **Compliance with key laws and regulations**

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

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

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

g) **Other information connected with the financial statements**

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

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

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

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

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

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

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



6. Specific audit and control points

Inherent audit risks for the sector

All Academy Trusts are potentially exposed to the following inherent audit risks:

- those in key positions having the ability to override internal controls and conceal this fact;
- errors remaining undetected as there is no independent scrutiny or checking of their work at the detailed level; and
- in extreme cases, persons acting in collusion to perpetrate fraud or conceal fundamental errors (e.g. collusion with customers over rates or payments).

Common areas in which problems may arise in the sector include:

- Petty cash and charge card transactions are made without correct authorisation giving rise to a greater risk of fraud or inappropriate expenditure.
- Fictitious staff / payments on the payroll.

Specific audit and control points

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

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

The recommendation made is not intended as, nor should they be construed as, criticism of management or individual persons. It is intended to be of assistance in establishing an appropriate system of internal control, essential to an Academy Trust.

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

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



We have also reviewed the recommendations brought forward from 1st September 2023 and assessed whether any control changes have been made by management.

Accounting and internal control environment

In schools, the accounting controls are operated by a small number of individuals, and this leaves the organisation exposed to risks associated with an environment in which a small number of people have control over many aspects of the control environment.

Such an environment is common in small organisations, and we must stress there are no indications of irregularity.

However, it is normal for us to caution that in this situation the academy is potentially exposed to:

- Those in key positions having the ability to override internal controls and conceal this fact;
- Errors remaining undetected as there is no independent scrutiny or checking of their work at the detailed level; and
- In extreme cases, persons acting in collusion to perpetrate fraud or conceal fundamental errors (e.g. collusion with customers over rates or payments).

Common areas in which problems may arise include:

- the purchase ledger (persons with sole control over the ledger have the power to create false suppliers, invoices and payments, or act in collusion with suppliers).
- Petty cash and card payments are made without correct authorisation giving rise to a greater risk of fraud or inappropriate expenditure.
- Fictitious staff on the payroll (ghost employees)

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

We accept that some recommendations made would involve changes or additional resources that the Academy Trust may not consider to be cost effective. However, it is important for senior management to remain alert of the need to maintain an increasingly formal control environment to manage any risk, errors or irregularities in the financial reporting and internal control systems.



Specific audit and control points (continued)

Key



Key concern. Breach of regularity.



Moderate concern. Action believed to be required.



Minor concern. Action believed to be required, but not considered a significant issue.



No concern. Action not required, but any suggested improvement should be considered.



Recommendations for the year ended 31st August 2024:

No new recommendations have been identified during our testing for the period ended 31st August, 2024. We have thoroughly reviewed progress towards previous recommendations as shown in the next page.



Recommendations followed up from the year ended 31st August 2023:

We have assessed the issues and recommendations we made for the year ended 31st August 2023 and have reviewed whether or not action has been taken on our recommendations. A record of our findings can be found below.

Total number of recommendations brought forward from 1st September 2023	Number of recommendations implemented	Number of recommendations carried forward from the previous year
8	5	3

	Points Brought Forward – including recommendation made	Actions in 2023/24	Issue and recommendation carried forward to the year ended 31 st August 2024?	Resolved?
1	<p>Monthly management accounts have not been completed for all of the months tested and, when completed, they do not include all of the required reports listed in the Academies Trust Handbook 2021. In addition, the Trust do not have a system in place to ensure that the monthly management accounts have been reviewed and approved by the Chair. In the Academies Trust Handbook, the ESFA confirmed that monthly management accounts must be shared with the Chair each month and the other Trustees at least six times per year. The monthly management accounts must include the following reports:</p> <ul style="list-style-type: none"> - Income and expenditure - Variation to budget - Balance sheet - Cash flow forecast <p>The reports should be reviewed at the Full Trustee Meetings. If the Academy does not hold six Full Trustee Meetings in the year, then we recommend that the monthly management accounts are emailed to the other Trustees at least six times in the year. Where Trustees are unable to attend the meetings, the monthly management accounts should be emailed to those not in attendance.</p>	<p>Management accounts have been tested during the interim audit, and were found to be missing a balance sheet. This is a key component as prescribed by the Academies Handbook 2023. The reports prepared meet the other requirements and moving forwards, a balance sheet must be prepared in addition to the existing reports on a monthly basis.</p>	Yes	×



	Points Brought Forward – including recommendation made	Actions in 2023/24	Issue and recommendation carried forward to the year ended 31st August 2024?	Resolved?
2	During the review of the staff expense claims it was noted that the School Business Manager did not obtain approval from the Head for a mileage claim they submitted.	Expense claims were tested at the interim audit. Two mileage claims made by the School Business Manager were tested and found to be authorised by the Head of School. Showing that the recommendation has been taken into account and the controls have benefitted from this.	No	✓
3	A sample of purchase orders were reviewed and it was identified that an order exceeding the £10,000 delegation limit, did not follow the formal tendering procedures of requiring 3 written quotations. Discussions with the School Business Manager highlighted there were time pressures to order the equipment to obtain some funding.	Purchase Orders were tested at the interim audit, with part of the sample tested exceeding the £10,000 delegation limit. These orders were found to have gone through formal tendering process and therefore it can be concluded that the Academy has taken on board the recommendation from the previous year.	No	✓
4	Cash catering income is received by the catering team on a daily basis. The team prepare a cash banking spreadsheet from the till receipts and from the sample selected, there were a number of discrepancies <£50 from the till sheet to the cash banked. The Finance team are responsible for banking the cash income. The Academy are looking to engage with a cashless catering system for the future. Cash is an inherently risky area in an audit as it is more susceptible to fraud and theft. Where possible, we recommend that the Academy implement a cashless catering	Cash income was reviewed during the interim audit and a strengthening in controls was seen, as the client has introduced a cashless system as of September 2023, which left only nine cash deposits to review. These deposits produced no differences and therefore it can be concluded that the controls	No	✓



	<p>system as soon as possible and reduce the levels of cash income received in school.</p> <p>Although there is evidence of segregation of duties involved with the collecting and banking of cash income, there is still an increased risk of fraud due to the volumes of cash income at the Academy.</p>	<p>around cash income have improved.</p>		
5	<p>The Academy Trust uses the current account debit card to make online payments. A purchase order form for debit card purchases is produced by the admin team and signed as authorised by the Department Budget Holder and School Business Manager.</p> <p>The Academy should consider using a charge card instead of the debit card for online purchases.</p>	<p>The academy are still using a charge card rather than a debit card to make purchases. They should consider moving towards a charge card as an extra layer of protection against fraudulent purchases.</p>	Yes	×
6	<p>The current salary of two employees could not be reconciled back to information held on their personnel file or to information held by the School Business Manager. The employees received an increment during the year but no formal documentation could be seen agreeing this.</p> <p>We recommend that the Academy Trust issues annual salary statements for all employees' confirming their level of pay and agreed hours worked. This letter should then be held within the employees' personnel file. Where any employee is due to receive an increment, a change in salary form should also be documented on the personnel file.</p>	<p>Testing was performed at interim on a sample of employees and their personnel files, which found no issues in regards to the gross pay detailed in their personnel file compared with their payslip.</p> <p>Salary statements are now issued, however are not held in their own section of the personnel file. The academy should endeavour to maintain a record of these salary statements alongside the personnel file.</p>	Yes	×



7	At the time of the visit, the Person of Significant Control (PSC) register was not correctly updated on Companies House.	This problem has been rectified since the prior year, as there are no Persons of Significant Control to be viewed on Companies House.	No	✓
8	The Trust had no internal scrutiny work performed in 2022/23.	The Trust have had internal scrutiny work performed in the year and have therefore taken on-board the recommendation from the prior year.	No	✓



7. Surplus reconciliation and adjustments made –

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

	£
Deficit per internal records	(308,116)
Adjustments	
<i>Top-up funding adjustments to debtors</i>	62,602
<i>Accrued income – Connect the Classroom</i>	19,338
<i>22/23 accrued pupil premium not reversed correctly</i>	(5,343)
<i>22-23 accrued income adjustment</i>	6,361
<i>Reverse holiday pay accrual</i>	4,973
<i>Wages advance error</i>	1,242
<i>Additional prepayments posted</i>	18,621
<i>Closing accruals 23/24</i>	(11,765)
<i>Fixed asset additions in year</i>	462,281
<i>Depreciation charges</i>	(220,436)
<i>Support staff pay accrual</i>	(38,288)
Deficit per Statement of Financial Activities for the year ended 31st August 2024	(8,530)



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

8. Unadjusted misstatements

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

	Impact on surplus £	Impact on balance sheet £
2024		

There are no unadjusted misstatements above the trivial amount to report on.

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

- a) £6,000 is deemed to be trivial and any adjustment under this amount does not need to be reported on



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Date: 5th December, 2024