



The Liverpool Blue Coat School

Audit Findings Report for the year ended 31st August 2019

Presented on 9th December 2019



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1. Introduction

Langtons have been appointed to undertake both the audit of the financial statements and the regularity assurance engagement of The Liverpool Blue Coat School for the year ended 31 August 2019.

The audit approach set out to deliver an independent and critical examination of the financial statements as well as to give assurances on regularity.

The purpose of this report is to present our audit findings to the trustees of the Academy which can be found on page 3.

A summary of adjusted and unadjusted errors identified during these two engagements has been prepared and is included on page 5, as well as a schedule of adjustments.

During our audit work we have also interrogated and assessed the Academy's systems and internal control environment: any actual or perceived weaknesses we encountered have been summarised on page 4.

Finally, we have included, as drafts, the letters of representation which will require signature by the governing body.

Reconciliation to Final Accounts

Reconciliation between Trial Balance and Final Accounts:

	<u>£ '000</u>
Funds brought forward:	778
Deficit per original accounts sent to Langtons:	(596)
Capitalise fixed assets	887
Depreciation charge	(91)
FRS17 pension adjustments:	(238)
Actuarial loss on pension scheme:	(1,036)
Accrual for statutory audit fees:	(9)
Rounding	(1)
Funds carried forward	<u>(305)</u>

The above table provides a reconciliation between the initial trial balance (TB) provided by the Academy and the final funds carried forward figure shown on the financial statements.

2. Audit Findings

Going Concern

Issue Highlighted:

The Governors have a duty to assess the Academy's ability to continue to operate as a Going Concern for a minimum of 12 months from the likely date that the financial statements will be signed.

Response

The cash flow forecast for the main school account for the period to 31st December 2019 has been reviewed (this excludes the bank accounts which pay for the ongoing capital works). Throughout that period the Academy is forecast to hold cash balances in excess of £150k and the assumptions of the income and expenditure appear reasonable. Thereafter, for the three years ending 31st August 2021, the School anticipates being cash-generative and net assets should increase.

As such, we are of the opinion that the Governors' assessment that the financial statements are prepared under the Going Concern basis is appropriate.

Regularity Engagement

Issue Highlighted

Under the all-encompassing title of regularity, the Academy has a responsibility to manage public funds in accordance with its funding agreement with the Secretary of State as well as with the Academies Financial Handbook 2018.

Response

On a sample basis, we have analysed items of income and expenditure in order to verify that they adhere to the Academy's funding agreement, other surrounding information/legislation as well as the Academy's internal policies. We have not found any regularity issues, propriety issues or incidences which suggest the Academy has not sought value for money. A further explanation of some of the ways in which value for money has been achieved can be seen on page 4.

FRS 17 – Retirement Benefits

Issue Highlighted

The Academy's share of the liability to the Local Government Pension Scheme (Merseyside Pension Fund) is the single largest figure in the financial statements: its value is arrived at via an actuarial analysis provided by Mercer.

Response

The disclosures in the accounts have been agreed to the actuarial report: the assumptions used appear to be consistent with those of previous years' financial statements as well as those of other academies.

3. Review of Internal Controls

During our audit and regularity work, we have reviewed the accounting systems and internal controls implemented and operated by the Academy.

Whilst this review should not be considered comprehensive it serves to highlight any matters which have arisen during the course of the testing which we carried out. Our review of the accounting systems and procedures revealed no exceptions or areas of concern.

4. Value for Money

During our regularity work, we identified a number of ways in which the Academy has sought and achieved value for money. Below are some of the examples in the year in question:

- Donations have increased considerably during the year due to engagement with alumni and the successful marketing of causes that people will support (e.g. Blue Coat For All, Pipe Up, etc);
- 20% has been saved on photocopying / printing costs by reducing the amount of departmental printers and assigning print jobs to individual users; and,
- A thorough curriculum-, staffing- and resource-planning review has been undertaken allowing the School to present a surplus budget for the year ending 31 August 2020.

The School is acutely aware of cost pressures and seeks to reduce them where possible. We have seen evidence of further cost-saving initiatives which, though ultimately unsuccessful, should be noted.

5. Summary of Adjustments

We present below a summary of the adjustments made to the accounts.

These should not be considered as errors: they are merely updates of information not available to the Academy when the initial financial information was conveyed to Langtons.

Adjustment	Change to SOFA (£'000)	Change to Balance Sheet (£'000)
DR depreciation (SOFA) CR depreciation	91	(91)
Being the depreciation charge for the year		
DR fixed asset additions CR repairs and maintenance costs	(887)	887
Being reallocation from repairs' costs of capital additions (Foundation building improvements)		
DR interest liability (SOFA) DR current and past service costs (SOFA) DR admin cost (SOFA) CR expected return on assets (SOFA) CR pension liability	117 178 4 (61)	(238)
Being the pension scheme adjustments		
DR actuarial loss on pension scheme CR pension liability	1,036	(1,036)
Being the actuarial gain on the pension scheme		
DR governance costs (audit) CR accruals	9	(9)
Being the accrual for the fees for the statutory audit		
TOTALS	487	(487)

Summary of Unadjusted Errors

There were no unadjusted errors in the period.

Error Type	Adjusted errors (£)		Unadjusted errors Factual (£)		Unadjusted errors Judgemental (£)	
Statement	SOFA	Balance Sheet	SOFA	Balance Sheet	SOFA	Balance Sheet
TOTALS				-		

6. Appendix - draft letters of representation

Draft letter of representation for Financial Statements

Langtons Professional Services Limited
The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

Dear Sirs,

We provide this letter in connection with your audit of the financial statements of The Liverpool Blue Coat School for the year ended 31st August 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Academy at 31st August 2019 and of the results of its operations for the year then ended in accordance with Academies Accounts Direction 2018 to 2019 issued by the Education Skills & Funding Agency ('EFA'), applicable law and UK Generally Accepted Accounting Practice ('UK GAAP').

We confirm that the following representations are made on the basis of sufficient enquiries of governors and officials of the Academy Trust and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you.

1. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework,
2. We acknowledge as trustees our responsibility for making accurate representations to you and for the financial statements of the Academy,
3. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
4. All accounting records and relevant information have been made available to you for the purpose of your audit.

5. All the transactions undertaken by the Academy have been properly reflected and recorded in the accounting records or other information provided to you.
6. No claims in connection with litigation have been or are expected to be received.
7. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
8. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly.
9. We confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We are not aware of any fraud or suspected fraud affecting the Academy involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.
11. We are not aware of any allegations by employees, former employees, analysts, regulators or others of fraud, or suspected fraud, affecting the Academy's financial statements.
12. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the Academy conducts its business.
13. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties.



6. Appendix - draft letters of representation (continued)

14. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with Financial Reporting Standard 8 and with the recommendations of the Statement of Recommended Practice, 'Accounting and Reporting by Charities 2015'.
15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with the terms of the funding agreement with the DfE and the Academies Financial Handbook 2018 and those laws and regulations whose effects should be considered when approving the financial statements, including but not limited to the Education Act 1996 as amended by the Learning and Skills Act 2000 and the Education Act 2002. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the Academy Trust's ability to conduct its activities.
16. We have reviewed and approved budgets and cash flow forecasts for the period to 31st December 2020 and consider it appropriate to prepare the financial statements on a going concern basis.
17. In respect of accounting estimates and judgements, we confirm our belief that the significant assumptions used are reasonable.

Yours faithfully,

Signed on behalf of the Board of The Liverpool Blue Coat School

Governor

Date



6. Appendix - draft letters of representation

Draft letter of representation for Regularity

Langtons Professional Services Limited
The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

Dear Sirs,

We provide this letter in connection with your regularity assurance engagement of The Liverpool Blue Coat School for the year ended 31st August 2019. We confirm that the following representations are made on the basis of sufficient enquiries of governors and officials of the Academy Trust and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you:

We confirm that the following representations are made on the basis of sufficient enquiries of governors and officials of the Academy Trust and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you.

1. As agreed in our engagement letter, at all times we have provided you with full access to the financial records, correspondence and other records of the Academy, and such information and explanation as are necessary for the performance of your duties.
2. All transactions undertaken by the Academy have been properly reflected and recorded in the accounting records.
3. We acknowledge and have fulfilled our responsibility for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them.

4. Similarly, trustees and Academy officials have avoided entering into any transactions or pursuing any courses of action which would cast doubt on the Academy's adherence to the requirement of regularity.
5. We have disclosed all events of which we are aware which involve suspected non-compliance with the framework of authorities including the funding agreement with the Secretary of State for Education; Company law and Charity law, the Academies Financial Handbook 2018; and any specific terms and conditions of income received.

Yours faithfully,

Signed on behalf of the Board of The Liverpool Blue Coat School

Chairman

Accounting Officer

Date

