

# **The Gryphon Trust**

**External auditor's supplementary programme of work**

**Testing of controls, transactions and systems for the  
period 1 September 2017 to 28 February 2018**



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**Report to:** The Trustees of The Gryphon Trust

**Report by:** Hopper Williams & Bell Limited

**Subject:** Report arising from the external auditor's supplementary programme of work

**Date of visit:** 22 March 2018

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## 1. Introduction

- 1.1 Every academy trust must have in place a process for independent checking of financial controls, systems, transactions and risks. This process should be driven by an audit committee or finance / audit committee appointed by the board of trustees.
- 1.2 The committee must review the risks to internal financial controls at the trust and must agree a programme of work that will address these risks, to inform the governance statement that accompanies the trust's annual accounts and, so far as is possible, provide assurance to the external auditors.
- 1.3 Academy trusts should manage this programme of risk review and checking of financial controls in the way that they deem most appropriate to their circumstances. Options include:
- the appointment of an internal audit service;
  - the performance of a supplementary programme of work by the trust's external auditor;
  - the appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the trust's internal controls, who neither charges, nor is paid by the trust for their work;
  - a peer review.

The academy trust has chosen to appoint the external auditor to perform a supplementary programme of work.

## 2. Scope of work

- 2.1 The termly reviews look to test the internal controls of the Trust and the procedures performed are set out in the attached schedules to this report.
- 2.2 The procedures performed as part of this visit do not constitute either an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, thus no opinion will be provided on any assurance given on the management accounts or operation of the Trust's financial management arrangements.
- 2.3 We have covered the following areas during this visit:
- Employee salary details and personnel records
  - Authorisation of salary amendments
  - Authorisation of payroll
  - Authorisation and settlement of purchases
  - Review of income received by Education and Skills Funding Agency (ESFA)
  - Review of bank reconciliations
  - Review of control accounts
  - Compliance with the Academies Financial Handbook:

Financial Oversight (Handbook reference 2.1)

Gifts (Handbook reference 3.5)

Write-offs and entering into liabilities (Handbook reference 3.6)

Acquisition and disposal of fixed assets (Handbook reference 3.8)

Statutory audit (Handbook reference 4.1)

Provision of information (Handbook reference 4.7)

### 3. Sources of information

3.1 The work undertaken covers sample data reviewed and is designed to test areas of compliance and where appropriate suggest improvements to strengthen any areas of weakness. It has been based on a compliance based sample test and therefore inevitably cannot identify all occurrences of non-compliance whether any exist at the time of undertaking or if they should occur at any point in the future.

### 4. Conclusion

4.1 The overall conclusion is based on the sample checks and areas reviewed and therefore this report cannot provide an audit opinion. The suggested improvements are summarised below:

#### 4.2 Authorisation of payroll

The final payroll print for one month did not agree to the amount paid, and an overpayment of £812 was subsequently discovered. The overpayment was repaid by the employee but there is a risk that any further overpayments may not be recoverable. We recommend that the final monthly payroll report is reviewed and authorised by a member of the Senior Leadership Team prior to payment.

#### 4.3 Accounting adjustments

Adjustments for fixed assets, prepayments, accruals and deferred income are only made at year-end. Differences will arise between the monthly management accounts and the final statutory accounts. Consider making significant adjustments in the monthly management accounts, in order to minimise the number of adjustments required at year-end.

#### 4.4 Statutory information recorded at "Get Information About Schools" (GIAS)

Dominic Coburn and Alan Maugham are not listed as trustees on GIAS. There are only two members listed on GIAS, whereas there are four listed on the Trust's website. Statutory records are not up to date and we recommend that these records are updated as soon as possible.

#### 4.5 Members

The DfE encourages academy trusts to have at least five members. The Trust currently has four members and should consider appointing an additional member.

We will follow these up on our next visit.

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1) Tests completed at each visit

**Payroll**

- 1 Select five employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct.
- 2 Check five amendments to the payroll to ensure that appropriately authorised source documentation exists.
- 3 Review the final payroll print for three months to ensure it has been appropriately authorised.

Spring Term	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
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✓	Y	A sample of employee salaries was agreed to personnel records.	N/A	N/A
✓	Y	For the sample tested, amendments were reasonable and had been authorised.	N/A	N/A
✓	N	The final payroll prints for three months chosen had been authorised. For one month the total amount per the payroll report did not agree to the bank. An overpayment of £812 was discovered after the BACS payment had been made.	The overpayment was subsequently repaid by the employee. However, there is a risk that any further overpayments may not be recoverable.	Ensure that the final monthly payroll report is reviewed and authorised by a member of the Senior Leadership Team prior to payment.

**Purchases**

- 4 Select five payments made within the period and ensure:
  - the payment is correctly authorised;
  - the payment is correctly recorded in the accounting system;
  - the invoice is correctly authorised;
  - the invoice agrees to the order;
  - that goods or services have been certified as received;
  - the order is correctly authorised;
  - that the order has been placed with an appropriate supplier.
- 5 Obtain details of any new contracts in the period and review documentation to ensure correct quotation/tender procedures have been followed.
- 6 Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory.

✓	Y	The items of expenditure sampled had been correctly treated.	N/A	N/A
✓	Y	Procedures had been correctly followed for the sample tested.	N/A	N/A
✓	Y	Cladding work was reviewed and it was ensured that payments are being made appropriately.	N/A	N/A

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### Income

7 Review receipts from the ESFA and check that the amounts received agree to source documentation.

8 Select one of the following income categories and ensure:

- primary records of amounts due reconcile to records of monies collected;
- monies recorded as collected have been banked promptly and in full;
- ensure monies collected are correctly recorded in the accounting system;
- appropriate action has been taken on any overdue amounts.

### Accounting system

9 Review bank reconciliations to ensure that they have been correctly prepared and authorised.

10 Review control account reconciliations to ensure that they have been correctly prepared and authorised:

- Trade debtors;
- Trade creditors;
- VAT
- PAYE/NI
- Pension
- Other debtors & prepayments
- Other creditors & accruals

11 Review the trial balance to ensure that opening reserves agree to the prior year's financial statements.

12 Review the returns to the ESFA to ensure the information supplied is consistent with the underlying accounting records and internal management reports.

13 Carry out spot checks of petty cash balances and supporting vouchers.

Spring Term	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
✓	Y	A sample of ESFA funding received was agreed to source documents.	N/A	N/A
✓	Y	Other income categories were selected and sampled. The transactions sampled were correctly treated.	N/A	N/A
✓	Y	A sample of bank reconciliations were reviewed with no issues arising.	N/A	N/A
✓	Y  (Recommendation only)	Control accounts were reviewed. It was noted that control accounts were reconciled, and aged debtors and creditors were agreed to the trial balance. Reconciliations were reviewed as at February 2018.  Adjustments for fixed assets, prepayments, accruals and deferred income are only made at year-end	Differences will arise between the monthly management accounts and the final statutory accounts.	Consider making significant adjustments in the monthly management accounts, in order to minimise the number of adjustments required at year-end.
✓	Y	Reserves per the nominal ledger were in agreement with the prior year's financial statements.	N/A	N/A
✓	Y	The financial statements and Accounts Return were submitted to ESFA by the due date.	N/A	N/A
✓	Y	Petty cash held on the date of visit agreed to balance on the system at the same date.	N/A	N/A

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14 Review the expenditure of a budget holder for the period and ensure that they have not exceeded their allocated budget. Establish what procedures are in place to ensure that allocated budgets are not exceeded.

15 Review capital sensitive nominal codes to identify whether assets have been correctly recognised in accordance with the academy's capitalisation policy. Review fixed asset register to ensure correct depreciation policies have been implemented.

Spring Term	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
✓	Y	The budget for the History department was reviewed, reasonable expenditure was being made. There are still sufficient funds within the budget. The budget cannot be exceeded, unless approved by the Finance Manager.	N/A	N/A
✓	Y	Capital sensitive nominal codes were reviewed and no potential reallocations were noted.	N/A	N/A

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2) Tests completed on a rolling basis over a financial year

**Financial Oversight (Handbook reference 2.1)**

1 Ensure the board has met at least three times in the year, and conducts business only when quorate (2.1.3)

2 Ensure the academy has a written scheme of delegation of financial powers and has been approved by the board (2.1.4)

3 The academy trust must have a chief financial officer (CFO), appointed by the trust's board, who is the trust's finance director, business manager or equivalent, to lead on financial matters (2.1.10).

4 The trust's finance staff must be appropriately qualified and/or experienced. Trusts should assess whether the CFO, and others in the trust holding key financial posts, should have a business or accountancy qualification dependent on the risk, scale and complexity of financial operations (2.1.11).

**Gifts (Handbook reference 3.5)**

1 The academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity; and should ensure that all members of staff are made aware of this (3.5.1).

**Write-offs and entering into liabilities (Handbook reference 3.6)**

1 The academy trust must obtain ESFA's prior approval before writing-off debts and losses or entering into guarantees, letters of comfort or indemnities which go beyond the trust's delegated limits. (3.6.1)

2 The academy trust should always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. Also, writing-off of bad debts should only be made after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the RPA, and should be satisfied that there is no feasible alternative. (3.6.3)

**Acquisition and disposal of fixed assets (Handbook reference 3.8)**

1 Academy trusts must seek and obtain written approval from ESFA before acquiring or disposing of a freehold of land or buildings, or disposing of heritage assets beyond any limits set out in the trust's funding agreement. (3.8.1)

Spring Term	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
✓	Y	The dates for meetings were reviewed and agreed. It was confirmed that the board is meeting at least three times a year.	N/A	N/A
✓	Y	A written scheme of delegation is in place at the academy and is published on the academy website.	N/A	N/A
✓	Y	The Finance Manager is the equivalent of the CFO for the academy.	N/A	N/A
✓	Y	The Finance Manager is appropriately qualified.	N/A	N/A
✓	Y	A policy is in place and this is updated and published in the academy staff handbook. The Handbook issued for September 2017 was reviewed.	N/A	N/A
✓	Y	No debts have been written off.	N/A	N/A
✓	Y	No amounts have been unrecoverable.	N/A	N/A
✓	Y	No disposal of freehold of land and buildings has been made.	N/A	N/A

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**Statutory audit (Handbook reference 4.1)**

- 1 Where there is a change of auditors or re-appointment, ensure that the members hold a meeting to make appointment / re-appointment and that a minute is prepared. (4.1.1).

**Provision of information (Handbook reference 4.7)**

- 1 The academy trust must notify DfE of the appointment or vacating of the positions of:
  - member, trustee and local governor
  - chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer, including direct contact details
 within fourteen days of that change through the DfE's "Get Information About Schools" ("GIAS"). (4.7.4)

**Additional testing**

- 1 Check BACS payments bank account details for payments made to suppliers to BACS details per their invoices to ensure payments are being made to the correct bank account.
- 2 Check physical existence of assets to asset inventory record to ensure no items have been lost, scrapped, or stolen.
- 3 Depending on its circumstances, purposes and risk profile, staff may be permitted to make payments by various electronic means, including credit or charge cards. (Guidance on the use of charge cards is contained in HM Treasury's "Managing Public Money"). Review charge card usage.
- 4 Discuss with management the school policy for unauthorised pupil absence in term time. Review cash book to determine if income is being correctly recorded (*if applicable*).

Spring Term	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
✓	Y	There has been no change of auditors.	N/A	N/A
✓	N	Dominic Coburn and Alan Maugham are not listed as trustees on GIAS.	Statutory records are not up to date.	GIAS should be updated as soon as possible.
		There are only two members listed on GIAS, whereas there are four listed on the Trust's website.	The DfE encourages academy trusts to have at least five members.	The Trust should consider appointing additional members.
✓	Y	A sample of BACS details per invoices were agreed to BACS runs.	N/A	N/A
✓	Y	A sample of assets was selected from the fixed asset register and physically verified.	N/A	N/A
✓	Y	No charge cards are held by the academy (only debit cards are held).	N/A	N/A
✓	Y	Fines are not raised for unauthorised absences.	N/A	N/A