

The Gryphon Trust

External auditor's supplementary programme of work

**Testing of controls, transactions and systems for the
period 1 September 2018 to 31 January 2019**



Chartered Accountants
Business & Tax Advisers

Report to: The Gryphons Trust

Report by: Hopper Williams & Bell Limited

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

Date of visit: 15 February 2019

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, with the work being performed by the CFO, or another suitably qualified member of the finance team, from another academy trust.

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

We confirm that separate teams have been used to perform the supplementary programme of work and external audit in accordance with ethical standards.

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:
 - Roles and Responsibilities (Handbook reference 1.2-1.6)
 - Financial Oversight (Handbook reference 2.1)
 - Financial planning and monitoring (Handbook reference 2.3)
 - Spending (Handbook reference 2.4)
 - Risk management (Handbook reference 2.6)
 - Whistleblowing (Handbook reference 2.7)
 - Annual accounts (Handbook reference 2.8)

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. Follow up from the previous report

- 4.1 We have reviewed the points raised in both the last internal audit review and external audit review and confirm that these points have not yet been actioned and so are listed below and will be followed up on our next review.

5. Conclusion

- 5.1 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:

From previous visit / Audit Findings Report

5.2 Fixed asset register - additions & depreciation

Any capital purchases are posted to expenditure nominals and the fixed asset register is only updated twice a year. No depreciation is provided throughout the year. It is recommended that fixed assets are recorded in the correct nominal accounts, and depreciation provided throughout the year, to minimise the adjustments required at the year end.

5.3 Accruals, prepayments, accrued income and deferred income

Accruals, prepayments, accrued income and deferred income are not accounted for during the year, and therefore adjustments will be required at the year end. It is recommended that consideration is given as to whether it would be beneficial to account for these on a monthly basis.

5.4 Pecuniary interests

The trust's website does not include details of pecuniary interests for all trustees, members, local governors and senior members of staff.

New points this visit

5.5 Staff expenses

An expense claim for the head teacher at Eaglewood School had been self-authorised. It is recommended that expense claims are authorised by the chair of trustees.

5.6 Number of members

The trust has three members. It is the DfE's strong preference for trusts to have at least five members. We recommend that additional members are recruited.

5.7 Scheme of Delegation

The Scheme of Delegation published on the trust's website does not appear to be up to date, as it shows that a review was due in April 2018. It is recommended that the document is reviewed and updated where necessary and that the date of review is noted.

5.8 Monthly management accounts

The management accounts were not shared with the chair of trustees every month during the period under review. We understand that this commenced in January 2019 and that there is now a procedure in place to ensure that this continues.

5.9 Governance details on website

Some of the required information is missing from both the trust's website and the websites for Arnewood and Eaglewood individually. Details of these are included in our report.

5.10 Inconsistencies between website, Companies House and "Get Information About Schools"

There are a number of inconsistencies between the three websites. Details of these are included in our report.

5.11 GDPR

The breaches register was not available to review during the visit. This will therefore be reviewed during the next visit.

We will follow up these areas on our next visit.

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

General Points

- Obtain a copy of the Risk Register and Financial Procedures Manual (FPM) and:
 - Check that both documents have been reviewed by the board of trustees during the previous year and updated as required.
 - When checking authorisation in the tests below, ensure that the authorisation has been carried out by the person/job title set out in the FPM
- Obtain a copy of the most recent Audit Findings Report and confirm that actions scheduled to be completed by the time of this Internal Audit visit have been completed.

1) Tests completed at each visit

Payroll

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

Purchases

- Select three payments (minimum amount £500) 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.
- Select 2 petty cash payments, two charge card payments and two staff expense claims (including the Head Teacher) and confirm that they have been correctly authorised in accordance with the Financial Procedures Manual.

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
Y	The finance manual was reviewed and updated in November 2018. The risk register was due to be reviewed and updated around the time of the visit, therefore this will be checked during the next visit.	N/A	N/A
N	One of the points raised in the Audit Findings Report relates to the year end accounts only. The other point raised regarding the business interests has not yet been resolved.	N/A	Ensure that the pecuniary interests details are updated for all trustees, local governors and senior members of staff.
Y	A sample of employee salaries were agreed to personnel records.	N/A	N/A
Y	For the sample tested, amendments were reasonable and had been authorised.	N/A	N/A
Y	The final payroll print for one month chosen had been appropriately authorised.	N/A	N/A
Y	The items of expenditure sampled had been correctly treated.	N/A	N/A
N	An expense claim for the head teacher at Eaglewood School had been self-authorised.	There is no independent review of expenses, and it is possible that personal expenses could be paid.	Expense claims for the head teacher should be authorised by the chair of trustees.

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

6 Select one payment during the period above the amount required for more than one quote to be obtained, and confirm that the correct procurement procedures have been followed.

7 If there are any CIF projects, ensure that the academy trust are appropriately monitoring the expenditure and that the trustees have been kept informed of progress and are satisfied that funds are only being used for the intended project.

Income

8 Obtain details of pupil numbers per the October 2017 census and compare to the pupil numbers per the 2018/19 GAG statement. Enquire into any differences.

9 Ascertain details of any Capital or one-off Grants (for example Strategic Schools Improvement Fund) in 2018/19 to date (other than Devolved Formula Capital Grants) and obtain documentation from the ESFA or other government body showing the amount and purpose of the grant.

Accounting system

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

11 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

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
N/A	There were no purchases requiring quotes during the period under review.	N/A	N/A
Y	The CFO maintains a spread sheet which is updated regularly for all income and expenditure relating to the CIF project.	N/A	N/A
Y	The number of pupils being funded did not agree to the census data for Eaglewood School, however this is due to the funding being based on proposed place numbers.	N/A	N/A
Y	Details were ascertained for a grant of £12,000 received from the Institute of Physics for the secondment of an Arnewood teacher for 1 day a week to fund their salary.	N/A	N/A
Y	Bank reconciliations were reviewed with no issues arising.	N/A	N/A
In Part	<p>All control account reconciliations were prepared and reviewed. The following points were noted:</p> <ul style="list-style-type: none"> • Any capital purchases are posted to expenditure nominals and the fixed asset register is only updated twice a year. • Prepayments, accrued income, accruals and deferred income are not been accounted for during the year. 	<p>Adjustments will be required at the year end.</p> <p>Adjustments will be required at the year end and monthly management accounts are prepared on a cash basis.</p>	<p>Fixed asset additions and depreciation should be accounted for during the year to minimise the adjustments required at the year end.</p> <p>Prepayments, accrued income, accruals and deferred income should be accounted for on a monthly basis.</p>

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

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

13 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.

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
Y	Reserves per the nominal ledger are in agreement with the prior year's financial statements.	N/A	N/A
Y	The budget for Geography was reviewed and it was confirmed that the allocated budget has not been exceeded.	N/A	N/A

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

Roles and Responsibilities (Handbook reference 1.2 to 1.6)

1 Enquire with management and review governors' meetings minutes to ensure Accounting Officer's have shared the annual 'Dear Accounting Officer' letter with their members, trustees, chief financial officer and other members of the senior leadership team, and have arranged for it to be discussed by the board of trustees (1.2.2).

2 Determine whether the board of trustees have identified the skills they need and addressed any gaps in their skills through recruitment or training (1.3.10).

3 Check the academy trust has at least five members, as encouraged by the DfE (1.4.2).

4 Check that the majority of members are independent of the board of trustees, and that no employees other than a senior executive leader serve as a trustee. Note that this is a strong preference of the DfE/ESFA (1.3.6 & 1.4.4).

5 Check that no employees of the trust are members unless permitted by the articles of association (1.4.3).

6 Enquire with management regarding the trust's finance staff qualifications and/or experience. 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 (1.6.2).

Y	The 'Dear Accounting Officer' letter was circulated to the relevant individuals; this was noted in the board minutes for December 2018.	N/A	N/A
Y	The board reviewed their skills in December 2018 and two new trustees were appointed to address some knowledge gaps.	N/A	N/A
N	The trust currently has three members.	The Academies Financial Handbook section 1.2.1 states that it is the DfE's strong preference for trusts to have five members.	Recruitment of two additional members.
Y	Only one member (B Maugham) is also a trustee, therefore the majority of members are independent of the board.	N/A	N/A
Y	No employees of the trust are members.	N/A	N/A
Y	The trust's finance staff are appropriately qualified and/or experienced.	N/A	N/A

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

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 (2.1.2).
- 2 Ensure the academy has a written scheme of delegation of financial powers and that this has been approved by the board (2.1.3).

Financial planning and monitoring (Handbook reference 2.3)

- 1 Ensure the board of trustees of the academy trust have approved a balanced budget for the financial year, which may draw on unspent funds brought forward from previous years. Ensure that the approval is evidenced in the minutes of the governing body (2.3.1).
- 2 Ensure that monthly management accounts with KPIs are prepared, including budget variance reports and cash flow forecasts. These accounts must be shared with the chair of trustees every month and other trustees at least six times a year (2.3.3).
- 3 The board of trustees must notify ESFA within fourteen days if it is formally proposing to set a deficit revenue budget for the current financial year, which it is unable to address after funds from previous years are taken into account (2.3.4).
- 4 Ensure that the academy trust's bank accounts have not been overdrawn at any point during the year (2.3.5).

Spending (Handbook reference 2.4)

- 1 Ensure that the academy trust has followed a robust evidence-based process with regards to decisions over executive pay and are reflective of the individual's role and responsibilities (2.4.3).

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
Y	The board have so far met once this year, in December 2018. Further meetings have been scheduled to ensure that they meet at least three times.	N/A	N/A
N	The trust have a written scheme of delegation which is published on the website, however the document shows that the next review is due in April 2018. It is not clear whether this review took place.	The details within the document may be out of date.	The document should be reviewed and updated and the date of when this takes place should be noted.
Y	The board minutes were reviewed for July 2018 and it was noted that the budget for 2018/19 was discussed and approved.	N/A	N/A
N	Monthly management accounts are being prepared, however these have only been shared with the chair of trustees since January 2019. A procedure is now in place to ensure this continues.	N/A	N/A
N/A	The academy have set a balanced revenue budget for the current financial year.	N/A	N/A
Y	The bank statements were reviewed and it was confirmed that the trust's bank accounts have not been overdrawn at any time during the period under review.	N/A	N/A
Y	Executive pay decisions are made by the board of trustees.	N/A	N/A

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

	Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
2 Confirm that the CEO (MAT), Head Teacher and all other members of the Senior Leadership Team are paid through the payroll. (2.4.6).	Y	The payroll reports were reviewed and it was confirmed that the CEO, Head Teacher and members of the Senior Leadership team are paid through the payroll.	N/A	N/A
3 Enquire with the senior member of the finance team if there are any members of staff who are not paid through the payroll (eg through a personal service company).	Y	The CFO confirmed that all staff are paid through the payroll.	N/A	N/A
Risk management (Handbook reference 2.6)				
1 Ensure the academy trust maintains a register of risks arising from its operations (e.g. financial loss) which assesses the likelihood and materiality of each risk. The academy trust should review how each risk is being managed or mitigated and review the register regularly. The trust's management of risk should include contingency and business continuity planning (2.6.1).	Y	A risk register is maintained by the trust; it has recently been reviewed and updated.	N/A	N/A
2 Where the academy trust insures through a commercial insurer rather than RPA, ensure that adequate insurance cover is in place (2.6.2).	Y	The trust's current insurance policy is held with Zurich, which provides adequate cover.	N/A	N/A
3 Has the academy trust considered opting into the RPA? The RPA is the preferred provider unless commercial insurance provides better value for money (2.6.3).	Y	The trust will be joining the RPA scheme in September 2019.	N/A	N/A
Whistleblowing (Handbook reference 2.7)				
1 Ensure that there are appropriate procedures in place for whistleblowing, including making sure that all staff are aware to whom they can report their concerns and the way in which such concerns will be managed (2.7.1).	Y	A whistleblowing procedure is in place and all staff have been made aware of where they can find it.	N/A	N/A
Annual accounts (Handbook reference 2.8)				
1 Ensure that the audited accounts are published on the trust's website by 31 January 2019 (2.8.4).	Y	The audited accounts for the financial year ending 31 August 2018 have been published on the trust's website.	N/A	N/A
Internal scrutiny (Handbook reference 2.9)				
1 Review minutes of the Finance Committee (this committee might have another name) and confirm that no members of staff are members of this committee (2.9.3). Confirm also Audit Findings Reports and Internal Audit Reports have been reviewed and actions agreed. Members of staff may be in attendance at these meetings but cannot be involved in decisions.	N/A	There is currently no Finance Committee or equivalent; the trust are working towards forming a committee. The Audit Findings Report was reviewed by the Board of Trustees.	N/A	N/A

Transparency (Handbook reference 2.10)

- 1 The trust must publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:
- the structure and remit of the members, board of trustees, its committees and local governing bodies (the trust's scheme of delegation for governance functions), and the full names of the chair of each
 - for each member who has served at any point over the past 12 months, their full names, date of appointment, date they stepped down (where applicable), and relevant business and pecuniary interests including governance roles in other educational institutions
 - for each trustee and local governor who has served at any point over the past 12 months, their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them, and relevant business and pecuniary interests including governance roles in other educational institutions
 - for each trustee and local governor their attendance records at meetings (2.10.1)

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
In part	<p>The trust's website contains details of the members and trustees and the fact that there are no business interests. It also contains the scheme of delegation however it appears that this is not up to date (as noted above).</p> <p>Details of any members or trustees who have stepped down during the last 12 months are not shown. There are also no meeting attendance records.</p> <p>The individual academies' websites contain details of the local governors, and Arnewood's website contains meeting attendance records, but Eaglewood's website does not. Eaglewood's website also does not show any pecuniary interests.</p>	The requirements of the Academies Financial Handbook (section 2.10.1) have not been fully met.	<p>Ensure that details regarding all trustees and members are included on the website for a full 12 months after their resignation.</p> <p>Ensure that Eaglewood's website is updated for the required information.</p>

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

- 2 Compare Companies House, website and the "Information About Schools" website and ensure that records for trustees and members are consistent. List any exceptions.

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
N	<p>There are several inconsistencies between the trust's website, Companies House and "Information About Schools" including:</p> <ul style="list-style-type: none"> • E Cook, K Craze & M Walker are all shown as trustees on Companies House and the trust's website but are not shown on "Information About Schools" (E Cook is shown as resigned). • A O'Sullivan & N Pressnell are shown as current trustees on "Information About Schools", but are shown as resigned on Companies House. • A Maugham, J Evans & M Hall are shown as members on both Companies House and the trust's website, however "Information About Schools" shows the members are A Maugham, M Walker, K Craze & J Evans. • The chair of trustees is not shown on "Information About Schools". • Details of the local governors for Eaglewood are not shown on "Information About Schools". 	Statutory information is inconsistent between different public records.	Ensure that the correct details are reflected on each website, and a procedure in place to ensure all are updated whenever appointments or resignations take place.
Y	A sample of payments were checked; payments were made to the correct bank accounts.	N/A	N/A

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.

External auditor's supplementary programme of work - Autumn / Spring Term Testing (Date of visit 15/02/2019)

- 2 Review compliance with GDPR Regulations and review the breaches register to ensure any breaches have been recorded.

Results satisfactory Y/N	Results of testing	Possible consequences	Suggested improvement
N/A	The breaches register was not available to review at the time of the visit.	Breaches could have taken place which have not been reported to the ICO.	Ensure that all breaches are recorded on the register and that the register is available for review during the next visit.