

The Gryphon Trust

Audit Findings Report
For the year ended 31 August 2019

Contents

Audit findings for The Gryphon Trust for the year ended 31 August 2019	1
Section 1: Management letter points arising from audit work	2
Section 2: Regularity Assurance Review	4
Section 3: Management Letter Points Arising from Our Work on Regularity	5
Section 4: Unadjusted Journals	6
Section 5: Adjusted Journals	7
Section 6: Review of Internal Control Recommendations Raised in Prior Year	8
Section 7: Review of Regularity Recommendations Raised in Prior Year	9
Section 8: Going Concern	10
Section 9: Assignment Team Contact Details	11

Audit findings for The Gryphon Trust for the year ended 31 August 2019

The Trustees
The Gryphon Trust
Gore Road
New Milton
Hampshire
BH25 6RS

Dear Trustees

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 accounts for the year ended 31 August 2019.

Internal Controls

The control environment at the Academy Trust was good and the key financial controls that we would have expected to see were in place.

Adjusted and unadjusted journals

The unadjusted journals determined during the course of our audit, except for those considered to be clearly trivial are summarised in section 4 of our audit findings report.

A schedule of journals that were agreed should be processed when finalising the accounts are summarised in section 5 of our audit findings report.

Audit opinion

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

Improvements 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 1 of this report contains details of matters identified during the course of our audit and our recommendations for improvements. This may not contain all areas for improvement that are present in your system.

In making our recommendations, we have considered the size of the Academy Trust and the number of staff you employ. Responses from the School Business Manager are included in the final column.

Regularity

We have performed a limited assurance scope regularity review. The work performed is summarised in section 2. Matters arising from our report on regularity are set out in section 3 of this report.

Other relevant matters relating to the audit

We have discussed with you the fact that we provide additional services to the Academy Trust in addition to acting as auditors. 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 Accounting officer and Trustees take any decisions where judgement is required.

Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

We would like to take this opportunity of expressing our thanks to all of your staff for their assistance during the course of our audit, in particular Caroline Johnston and Tracey King.

Please note that this report has been prepared for The Gryphon Trust. It must not be disclosed, quoted or referred to third parties, other than the EFSA, without prior written consent. No responsibility is assumed by us to any other person.

Yours faithfully



HWB

Section 1: Management letter points arising from audit work

	Observation	Risk H/M/L	Reported last year?	Recommendation	Response	Timescale
1)	A prepayment of £28,345 has been provided for the work that may be undertaken on the recladding of the Rosla block. This relates to the work undertaken by a third party preparing an application for a bid for grant condition improvement funding. If the bid is not successful, the expense incurred by the Trust will not be covered by grant funding.	M	No	It is recommended that costs are recognised in the period in which they relate to. Unless there is certainty over the recoverability.	<p>We believe we have a good chance of being successful as we were not many marks off last time.</p> <p>However, we are holding sufficient funds in capital to cover the cost of the Rosla tender, should the bid not be successful.</p>	Early 2020.

	Observation	Risk H/M/L	Reported last year?	Recommendation	Response	Timescale
2)	The financial statements currently include an estimate of the value of the land leased from the Secretary of State during the year. The Academies Accounts Direction 2018 to 2019, (Section 7.7.5) state that the value should be brought in as a donated asset so that it is recognised in the academy trust's accounts.	M	No	A valuation of the leasehold land should be obtained from the ESFA and adjusted in the financial statements if appropriate.	A valuation will be sought from the ESFA.	December 2019.
3)	There is a low level of reserves for a school of this size (£302,698) and a deficit of £263k is forecast for the next two years. If expenditure is not tightly controlled the school will go into deficit within the next two years.	H	No	Seek assistance from a School's Resource Management Adviser. Closely monitor actual against budget each month and take steps where necessary if costs exceed budget.	SRMA visit is planned for 3rd and 4th December 2019. Steps already taken to eliminate in year deficit in future years. Current outturn considerably improved on budget due to economies made in year.	Already being actioned.

Section 2: Regularity Assurance Review

In accordance with The Academies Accounts Direction (AAD), we have performed a limited assurance scope regularity review of the Academy Trust. The following work was undertaken:

- ❑ Planning of assurance procedures including identifying key risks;
- ❑ Substantive testing including analytical review;
- ❑ Concluding on procedures carried out.

Substantive testing included the following procedures:

- ❑ Confirming that activities conform to the Trust's framework of authorities;
- ❑ Considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- ❑ Evaluating the general control environment of the Trust;
- ❑ Testing a sample of transactions to consider whether the transaction is permissible within the Trust's framework of authorities;
- ❑ Confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- ❑ Reviewing documentation for evidence of borrowing and confirming if approval was obtained from ESFA;
- ❑ Confirming whether ESFA approval was obtained for any disposals of assets;
- ❑ Reviewing the internal control procedures relating to charge cards;
- ❑ Reviewing for any indication of purchases for personal use by staff or officers;
- ❑ Reviewing the list of suppliers to consider whether supplies are from related parties;
- ❑ Considering whether income generating activities are permissible within the Trust's charitable objects;
- ❑ Reviewing whether lettings to related parties are made at favourable rates.

Our work was undertaken in accordance with the guidance in the AAD and the ICAEW's technical release TECH08/12AAF

Section 3: Management Letter Points Arising from Our Work on Regularity

	Observation	Risk H/M/L	Reported last year?	Recommendation	Response	Timescale
1)	Mark Byrne resigned on 26 March 2019 as a trustee per Companies House and the Trust website. However this does not appear on Get information about schools (GIAS).	L	No	Ensure that 'Get Information About Schools' is updated for all appointments.	We have had problems getting onto "GIAS". It will be updated.	December 2019.
2)	A data breach took place in the period which was reported to the ICO.	M	Yes	GDPR controls should be tightened to ensure GDPR breaches do not occur again.	Breach was due to human error. We run through the process of how it happened and work on minimising the risk of it happening again.	Already actioned.

Section 4: Unadjusted Journals

Schedule of unadjusted journals above audit triviality of £730

	Description	Nominal	Unadjusted Journals			
			SOFA		Balance Sheet	
			Dr	Cr	Dr	Cr
1)	Being to recognise Rosla Recladding expenditure in the current year financial statements (assumes CIF bid will not be successful).	Capital Refurbishment – 8200-02	28,345	-	-	-
		Prepayments – PP01	-	-	-	28,345
			28,345	-	-	28,345

Section 5: Adjusted Journals

		Unrestricted	Restricted	Restricted pension	Restricted fixed asset	Total
		£	£	£	£	£
Surplus/(deficit) per draft trial balance		38,154	(278,217)	-	(362,419)	(602,482)
Adjustments:						
1	Accrual for invoices received post year-end	-	(2,107)	-	-	(2,107)
2	Bring in trade creditor for invoice received late	-	(132)	-	-	(132)
3	Bring in creditor for furniture delivered pre-year end	-	-	-	(750)	(750)
4	Reallocation of decamp fee from fixed assets	-	-	-	(19,500)	(19,500)
5	Bring in school trips creditor	-	(250)	-	-	(250)
6	Being ESFA reclaim to match expenditure	-	-	-	36,033	36,033
7	Bring in donated Eaglewood land	-	-	-	23,211	23,211
Movement in LGPS deficit		-	-	(757,000)	-	(757,000)
Transfers between funds		(252,924)	252,924	-	-	-
Net movement in funds		(214,770)	(27,782)	(757,000)	(323,425)	(1,322,977)

Section 6: Review of Internal Control Recommendations Raised in Prior Year

No.	Observation	Status	Cleared?
1)	As reported last year, the financial statements do not give the full disclosure by individual staff trustee as required by Accounting and Reporting by Charities: Statement of Recommended Practice ("the SORP") and the Academies Accounts Direction (the "AAD").	There were two staff trustees who resigned part way through the year. The Trust is in agreement with this disclosure being correctly made this year.	Yes

Section 7: Review of Regularity Recommendations Raised in Prior Year

No.	Observation	Status	Cleared?
1)	From a review of Companies House it was confirmed that not all of the business interests for governors and heads of department have been disclosed.	All Governors and Heads of Departments business interests have now been correctly disclosed.	Yes
2)	A data breach took place in the period which was reported to the ICO.	There was an additional breach which was of a different nature to the breach which took place last year.	No - See Section 3 point 2

Section 8: Going Concern

Trustees' assessment

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Trust has sufficient resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Work performed by HWB

- ❑ Review budgets forecast return (BFR) to ascertain whether going concern has been correctly addressed.
- ❑ Enquire into whether there have been any material new commitments, borrowings or guarantees post year end.
- ❑ Enquire into whether there have been disposals or acquisition of material assets or any appropriation or destruction of assets.

Findings

The Trust has £302,698 cumulative restricted and unrestricted reserves at 31 August 2019. The budget forecast return (BFR) for the year ending 31 August 2020 shows deficits for the year of £99,000, £173,000 for the year ending 31 August 2021 and £200,000 for the year ending 31 August 2022 in July 2019. The Trust forecasts to be in cumulative deficit by 31 August 2022.

In November 2019 revised budgets have been prepared which shows a deficit of £125,000 for the year ending 31 August 2020, a deficit of £15,000 for the year ending 31 August 2021 and a surplus of £88,000 for the year ending 31 August 2021. As a result of this, a cumulative surplus is now expected in line with the reserves policy in the accounts. This is as a result of staff leaving in September 2019 and an increase in grant funding per pupil to £5,200.

The Trustees are reviewing the position regularly and are consulting with an SRMA to endeavour to reduce the deficit for year ending 31 August 2020 and beyond.

Section 9: Assignment Team Contact Details



Richard Hurst (FCA)

Audit Director

T: 023 8046 1208

M: 07941 300902

E: richard.hurst@hwb-accountants.com

Address

HWB Chartered Accountants
Highland House, Mayflower Close, Chandlers Ford
Eastleigh, Hampshire, SO53 4AR.



HWB Chartered Accountants



@HWB_Accountants



HWB Chartered Accountants

Stay in touch with your finances by [downloading our free app](#) from the Apple or Google Play app stores.

