

# The Great Schools Trust

Report to the Governors and summary of audit findings

Period ended 31 August 2016

## 1 REPORT OF SIGNIFICANT WEAKNESSES IN INTERNAL CONTROL

### 1.1 Introduction

We set out below the significant matters we became aware of during our audit, which relate to the effectiveness of the company's accounting and financial control systems. We have used the following grading system to indicate the significance of the issues we have raised and the priority that we believe should be given to our recommendations:

Rating	Description
<b>(H)igh</b>	Should be urgently attended to by the directors and management. <i>These are significant issues that may result in a qualification in the audit report in future periods if not satisfactorily addressed.</i>
<b>(M)oderate</b>	Issues requiring the attention of the directors and management. <i>Issues ranked as moderate require close monitoring by the Board and senior management to ensure timely resolution.</i>
<b>(L)ow</b>	Issues requiring management attention and correction. <i>Issues ranked as low are generally routine in nature and should be resolved by general management. The Board and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.</i>

## 1.2 Issues noted

	Observation	Risk	Recommendation	Management response
<b>Trust</b>	<p><b>Declaration of business interests</b> No details of pecuniary interests are posted on the Trust's website. This is a required by EFA.</p> <p>The details to be disclosed include business interests of trustees and the senior management team and where applicable close family members of the above.</p>	M	<p>We recommend that a procedure is established to update the register of business interests at least annually and to ensure it is published on the academy's website.</p> <p>We note that the website is currently under construction.</p>	<i>These documents will be posted on the website as soon as possible and will be reviewed annually.</i>
<b>Trust</b>	<p><b>Charges made across the Trust</b> The current system of inter school charges makes the identification of recharged expenses and income more difficult to identify and to cancel out on consolidation of the trust's TBs.</p>	M	<p>We recommend that a system of GAG top slicing is introduced and nominal accounts are created for inter-school/trust recharges where we can clearly see that the balances between the schools net out on consolidation of the TBs.</p> <p>This issue led to a difference on wages recharged between Hawthorne's and KLA Liverpool.</p>	Top slicing will be introduced when the MAT grows.
<b>Trust</b>	<p><b>Grant ID prefix</b> We noted that some items of grant income have a GAG prefix but are not GAG items such as pupil premium.</p>	L	To assist with the income analysis for the accounts it would be useful to use for example EFA as a prefix for pupil premium, LOC for local authority grants and OTH for other sources of grant funding.	Prefix will be changed in our accounting software/
<b>Trust</b>	<p><b>Depreciation policies</b> Depreciation policies vary across the Trust.</p>	L	As a single company the policies should be aligned. Any new schools joining the Trust could then use the Trust policies.	A common depreciation policy will be used across the trust.

	Observation	Risk	Recommendation	Management response
<b>KLA Liverpool</b>	<p><b>Changes to supplier details</b> We noted that there is no recorded system for dealing with changes to supplier details. This issue has led to fraud being perpetrated in other academies.</p>	M	We recommend that the procedure is documented and that all staff dealing with supplier accounts administration are made aware.	Business Manager has been instructed to keep any correspondence relating to change of details and to contact the supplier to confirm that the letter is genuine.
<b>KLA Liverpool</b>	<p><b>Capital items are being expensed</b> We noted a total of £28K of capital expenditure which had been posted to expense codes.</p>	M	We recommend that capital expenditure is posted to a balance sheet additions code and that the fixed asset register is updated.	Business Manager has been instructed to code any purchase of equipment/plant over £1000 to capital expenditure.
<b>KLA Liverpool &amp; The Hawthorne's</b>	<p><b>Payroll reconciliation</b> We had difficulty in reconciling the payroll charges on the TB to the payroll.</p>	M	This was also associated with the cross charging mentioned above. We recommend that a reconciliation of the charge is carried out as part of the month end procedures. This would help to identify any issues on a timely basis.	This is now being carried out.
<b>KLA Liverpool &amp; The Hawthorne's</b>	<p><b>Depreciation</b> Depreciation was not calculated or posted to PS Financials.</p>	M	We recommend that the fixed asset registers are kept up to date and depreciation is calculated and posted on a monthly basis.	Business Manager has been instructed to keep a fixed asset register for both schools in order to track assets and also to facilitate the calculation of depreciation.