

# The Great Schools Trust

Report to the Governors and summary of audit findings

Period ended 31 August 2017

# 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
(H)igh	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>
(M)oderate	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>
(L)ow	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>	<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.	L	To assist with the income analysis for the accounts it would be useful to use for example ESFA as a prefix for pupil premium, LOC for local authority grants and OTH for other sources of grant funding.	The chart of accounts will be reviewed and updated as necessary.
<b>Trust</b>	<b>Depreciation policies</b> Depreciation policies vary across the Trust.	L	As a single company the policies should be aligned. Any new schools joining the Trust could then use the Trust policies.  We recommend the Finance committee review the policies and issue guidance on consistency to all of the schools in the Trust.	Policies are to be aligned across the Trust.
<b>Trust</b>	<b>Old and negative balances on the sales and purchase ledgers</b> There were a number of old and negative balances on the ledgers.	L	This leads to understatement of revenue or costs and can lead to a loss of revenue if old sales ledger balances aren't actively chased on a regular basis.	The balances will be reviewed and adjusted on a regular basis.
<b>Liverpool</b>	<b>Capital items are being expensed</b> We noted a total of £25K of capital expenditure which had been posted to expense codes.	M	We recommend that capital expenditure is posted to the LIV8000 codes on PS Financials as used in Warrington.	All schools will be reminded of the capitalisation policy.
<b>Warrington &amp; Liverpool</b>	<b>Quotes for expenditure in excess of £10,000</b> Evidence that 3 quotes had been obtained for non contract expenditure in excess of £10,000 could not be obtained.	M	The system should be reviewed to ensure that procedures are in place to ensure compliance with the requirements of the Academies Financial Handbook.	Noted and agreed.
<b>KLA Liverpool &amp; The Hawthorne's</b>	<b>Depreciation</b> Depreciation was not calculated or posted to PS Financials.	M	We recommend that the fixed asset registers are kept up to date and depreciation is calculated and posted on a monthly basis.	Noted and agreed
<b>Liverpool &amp; Hawthorne's</b>	<b>Inter School balances</b> The balances were not reconciled causing an understatement of costs in Liverpool	M	Before the final trial balances are prepared a check should be made that any balances with other schools in the Trust are agreed.	This procedure will be introduced.

	Observation	Risk	Recommendation	Management response
<b>Trust</b>	<p><b>Opening balances</b> The PS Financials year end procedure is not set up correctly causing major issues with the opening balances.</p>	M	<p>Before the year end procedure is run, we recommend that advice is sought from either PS Financials or from another school in the area, which we can recommend, to look at the settings.</p>	<p>Noted and agreed.</p>
<b>Trust</b>	<p><b>Trustees &amp; Members</b> There is some confusion over who the Trustees and members are.  Trustees recorded as appointed Companies House do not include Mr A Harper, Mr K McGing and D Stephenson, all being listed on the accounts as Trustees.  E Goldsmith and G Green were appointed on incorporation and have not filed resignation forms.  The original members were Sir I Hall, M Greave, E Goldsmith, R Hall and G Green. None of which are listed on the accounts as members.</p>	H	<p>We recommend that the Trustees appointments are reviewed and updated prior to the accounts being signed.</p>	<p>This has now been addressed.</p>