

Allotts Business Services Limited

**Management Report**  
to  
St Giles Church of England Academy Trust

Year Ended 31 August 2018



**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

**Contents**

|       |   |    |
|-------|---|----|
| 1     | Introduction  | 1  |
| 1.1   | <i>Acknowledgements</i>                                   | 1  |
| 2     | Overall objective   | 2  |
| 2.1   | <i>Audit approach</i>                                     | 2  |
| 2.2   | <i>Approach to regularity assurance</i>                   | 2  |
| 2.3   | <i>Materiality</i>  | 2  |
| 3     | Strategy and areas covered                                | 4  |
| 3.1   | <i>Overall audit strategy</i>                             | 4  |
| 3.2   | <i>Regularity work</i>                                    | 4  |
| 3.3   | <i>Higher risk areas identified at the planning stage</i> | 4  |
| 4     | Key findings  | 5  |
| 4.1   | <i>Matters identified at the planning stage</i>           | 5  |
| 4.2   | <i>Matters identified during the fieldwork</i>            | 7  |
| 4.2.1 | <i>Grading structure</i>                                  | 7  |
| 4.2.2 | <i>Issues and recommendations</i>                         | 8  |
| 4.2.3 | <i>Status of previous recommendations</i>                 | 13 |

# **St Giles Church of England Academy Trust**

## **Management Report Year Ended 31 August 2018**

### **1. Introduction**

The purpose of this report is to set out certain matters which came to our attention during the course of our work in connection with the audit of the financial statements and the independent reporting accountant's assurance report on regularity for the year ended 31 August 2018.

A further supplemental objective is to use our knowledge of the Academy gained during our routine audit work to make useful suggestions concerning your financial systems for you to consider when looking at potential improvements in this area.

Our report relates only to those matters which came to our attention as part of our normal audit and assurance report procedures which are principally designed to enable us to form an audit opinion on the financial statements and an assurance opinion on regularity. Our work is not designed to test all internal controls or identify all areas of control weakness and should not be relied upon to disclose errors or irregularities which are not material in relation to the financial statements or regularity report.

#### **1.1. Acknowledgements**

We would like to take this opportunity to thank all staff we met during our audit for their co-operation and assistance.

# St Giles Church of England Academy Trust

## Management Report Year Ended 31 August 2018

### 2. Overall objective

Our work is designed to consider whether:

- the financial statements of the Academy give a true and fair view of the state of the academy's affairs at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the ESFA Accounts Direction, the Companies Act 2006 and UK Generally Accepted Accounting Practice;
- the information given in the Report of Trustees is consistent with the financial statements; and
- anything has come to our attention which suggests in all material respects the expenditure disbursed and the income received has not been applied to the purposes intended by Parliament and the financial transactions do not confirm to the authorities which govern them.

A further objective of our work is to bring to your attention our findings, including:

- key audit issues;
- material weaknesses in internal control;
- adjusted and unadjusted audit errors;
- significant financial statements figures and variances

#### 2.1. Audit approach

Our overall audit approach is risk based and our detailed approach to individual components of the financial statements is derived from the results of our risk assessment on each area.

Our objective is to obtain sufficient appropriate evidence in order to form an audit opinion on the financial statements. Our audit plan is tailored to ensure that we carry out the minimum amount of audit work required to achieve our objective. The level of detail of our testing depends on the risks identified and the relative complexity of individual audit areas. This ensures that we concentrate our audit work on the areas identified as being of the highest risk of material misstatement and our work in lower risk areas is proportionately lower.

#### 2.2 Approach to regularity assurance

Our work is a limited assurance engagement as defined in our engagement letter. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure

#### 2.3 Materiality

Materiality on the financial statements as a whole relates to the level at which misstatements or omissions individually or in aggregate would affect the decisions of users of the financial statements, and the financial statements would no longer show a true and fair view.

The assessment of what is material is a matter of professional judgement and includes consideration of both the amount (quantity) and the nature (quality) of misstatements.

## **St Giles Church of England Academy Trust**

### **Management Report Year Ended 31 August 2018**

#### **2.3 Materiality (continued)**

In carrying out an audit, we are concerned that accounts as presented show a true and fair view. Truth and fairness does not imply absolute accuracy but rather that the accounts reasonably state the affairs of the entity and do not contain any significant inaccuracies.

Certain items within a set of accounts, such as trustees' emoluments or loans, must be legally disclosed and therefore in this context materiality would not be relevant. Similarly, certain transactions or balances including issues of irregularity or propriety, may reasonably be expected to influence the decisions of users at a lower level and we determine this level accordingly.

Material adjustments have been agreed and adjusted in the financial statements.

Lower value, unadjusted misstatements have been reviewed and it has been agreed that they should not be adjusted in the financial statements.

# St Giles Church of England Academy Trust

## Management Report Year Ended 31 August 2018

### 3. Strategy and areas covered

#### 3.1. Overall audit strategy

Our overall audit strategy included:

- discussions with management and reviewing interim figures, the budget return and Responsible Officer reports to update our understanding of the academy, to identify any changes and identify areas of higher risk;
- reviewing the design and implementation of internal control systems affecting the areas of the financial statements identified as higher risk;
- carrying out risk assessment procedures to assess the overall audit risk and risk on individual audit areas
- using the risk assessment to plan and develop an appropriate audit plan and procedures
- substantive testing, along with observation, enquiry and walk through tests of systems to confirm that the systems and controls as advised to us are operating effectively and as stated
- verifying any material balance sheet figures
- performing analytical review of income and expenditure
- confirming that the financial statements had been prepared in accordance with the Academies Accounts Direction 2017 to 2018 in all material respects

#### 3.2. Regularity work

Our work on regularity included:

- enquiry of officers of the academy
- review and testing of income and expenditure for compliance with the funding and other agreements, the Academies Financial Handbook and the academy's system of controls
- examination of relevant documents
- review of the activities carried out by the academy
- review of the delegated authorities set out in the Academies Financial Handbook

#### 3.3. Higher risk areas identified at the planning stage

The following areas were identified as high risk at the audit planning stage and our audit approach concentrated on these areas accordingly:

- Income recognition – under ISA 240 there is a presumed risk that income may be misstated due to incorrect revenue recognition
- Management override – under ISA 240 there is a presumed risk of the management override of controls in all entities
- Expenditure recognised in the correct period
- Misallocation of income and expenditure between funds
- Employee remuneration

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

## 4. Key findings

### 4.1. Matters identified at the planning stage

|   | Issue identified                                      | Notes   |
|---|---|---|
| 1 | Income recognition                                    | <ul style="list-style-type: none"> <li>• General Annual Grant (GAG) and other ESFA income included in the financial statements were successfully agreed to final funding confirmation from the ESFA.</li> <li>• Management confirmed that there is no ESFA clawback in respect of pupil numbers. We confirmed that pupil numbers are within the range where no clawback would be expected.</li> <li>• Accrued / deferred income had been correctly provided where income is for a period other than the year ended 31 August.</li> <li>• Non-recurrent grant income and other material sources of income were agreed to offer letters and contracts to ensure correctly recognised in the period.</li> <li>• A sample of prepayments, accrued and deferred income have been tested to contracts or other relevant documentation.</li> </ul> <p>A £68,000 deduction to the GAG was identified as a repayment of an advance from 2016/17. This should have been disclosed as a creditor in the 2016/17 accounts and the GAG income stated as per the full amount awarded.</p> |
| 2 | Management override                                   | <ul style="list-style-type: none"> <li>• We have carried out tests of observation and enquiry and walkthrough tests of systems and controls, as well as checking the adherence to control procedures when carrying out substantive testing.</li> <li>• We reviewed the nominal ledger for large and unusual items including journal entries.</li> <li>• Accounting estimates, judgements and assumptions were reviewed.</li> </ul> <p>No indication of management override of controls or manipulation of items in the financial statements was noted, however a lack of controls were identified.</p>  |
| 3 | Expenditure recognised in the correct period          | <ul style="list-style-type: none"> <li>• A sample of trade creditors balances was agreed to supplier statements, or where statements were not available to the purchase and payment activity around the year end.</li> <li>• A sample of accruals has been tested to invoices or other relevant documentation.</li> <li>• Invoices and post year-end payments were reviewed for unrecorded liabilities.</li> </ul> <p>No material unrecorded liabilities have been noted and expenses appear to have been recognised in the correct period.</p>   |
| 4 | Misallocation of income and expenditure between funds | <ul style="list-style-type: none"> <li>• Substantive testing of income and expenditure included checking that items had been allocated to the correct fund.</li> <li>• Management confirmed allocation of overheads to funds. We confirmed such allocations were materially correct.</li> </ul> <p>No material misallocation of income and expenditure between funds was noted.</p>   |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|   | Issue identified      | Notes  |
|---|-----------------------|--|
| 5 | Employee remuneration | <ul style="list-style-type: none"> <li>• Employee remuneration is a major expense of the academy and hence a higher risk area to our audit.</li> <li>• We have carried out tests of observation and enquiry and walkthrough tests of systems and controls, as well as checking the adherence to control procedures when carrying out substantive testing.</li> <li>• A sample of employees was selected and salary successfully agreed to contracts, deductions tested and agreed and existence agreed to third party evidence.</li> <li>• The charge in the financial statements was reconciled to the payroll.</li> <li>• Disclosures relating to higher paid staff and trustees were agreed.</li> </ul> <p>No material errors re employee remuneration were noted however a lack of signed contracts of employment were identified.</p> |

# St Giles Church of England Academy Trust

## Management Report Year Ended 31 August 2018

### 4.2. Matters identified during the fieldwork

Our work is not designed to test all internal controls or identify all areas of control weakness and should not be relied upon to disclose errors or irregularities which are not material in relation to the financial statements or regularity report. Our report relates only to those matters which came to our attention as part of our normal audit and assurance report procedures which are principally designed to enable us to form an audit opinion on the financial statements and an assurance opinion on regularity.

#### 4.2.1. Grading structure

For each recommendation we have assigned a grading of High, Medium or Low priority depending on the importance or risk of the issue as explained below:

| Priority      | Classification   |
|---------------|--|
| <b>High</b>   | There is a significant risk of loss to the academy through ineffective or absent controls or a highly inefficient use of the academy's resources. Urgent action is required to rectify the matter. |
| <b>Medium</b> | There is a weakness or inefficiency which should be addressed promptly.  |
| <b>Low</b>    | A possible improvement in application, efficiency or recording of control procedures has been identified for management to consider.   |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

**4.2.2 Issues and recommendations**

|  |  |                                    |
|--|--|------------------------------------|
| <b>1</b>   | <b>Governors' interests</b>  |                                    |
| <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>During our audit it was noted that not all governors' interest forms were being completed and retained however they were disclosed on the academy's website and discussed at the board meetings.</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The academy is not fully complying with the Academies Financial handbook which could result in a qualified Regularity report.</li> </ul>                           | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Ensure that all trustees complete a business interest form annually including, at a minimum, details of their employer, any other business interests, and similar details for their spouse.</li> </ul> <p><b>Priority : MEDIUM</b></p> |                                    |
| <b>Management Response</b>   |  | <b>Timescale: Completed Nov 18</b> |
| Governors' business interest forms have been completed.  |  |                                    |
| <b>2</b>   | <b>Authorisation of expenditure</b>  |                                    |
| <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>There is a lack of evidence that purchase invoices are being properly authorised by the business manager and/or accounting officer before payments are being made.</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The Schools allocation income may be misappropriated and purchases may be unnecessary or do not represent value for money. This is not in line with the Academies Financial Handbook.</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Purchase invoices should clearly be marked by the Accounting officer and the business manager as being reviewed and approved before a payment is made to a supplier.</li> </ul> <p><b>Priority : HIGH</b></p>                          |                                    |
| <b>Management Response</b>   |  | <b>Timescale: January 2019</b>     |
| The new financial accounting system will allow invoices to be scanned onto the system. These then will be checked by the AO or SBM, training is required for the senior Admin assistant so this new process can begin.   |  |                                    |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|                            |   |  |
|----------------------------|---|--|
| <b>3</b>                   | <b>Late payment of lease fees</b>   |  |
|                            | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>A number of lease payments were made late in the year which led to penalty charges being applied to invoices</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>School funds are being misused, charges for late fees or overdrafts are not in line with the Academies Financial Handbook and could result in a qualified Regularity report.</li> </ul>         | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Cash flow analysis should be completed to identify periods where headroom is low and the available funds should be managed so that creditors are paid within credit terms to avoid penalties and interest charges</li> </ul> <p><b>Priority : HIGH</b></p> |
| <b>Management Response</b> |   | <b>Timescale: Completed</b>  |
|                            | Cash flow analysis has been completed in line with recommendations from the ESFA. This has allowed the trust to plan for future spending.   |  |
| <b>4</b>                   | <b>Overdrawn bank account</b>   |  |
|                            | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>On two separate occasions within the year the bank account went overdrawn incurring penalty charges and interest fees</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>School funds are being misused, charges for late fees or overdrafts are not in line with the Academies Financial Handbook and could result in a qualified Regularity report</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Cash flow analysis should be completed to identify periods where headroom is low and available funds should be managed so that creditors are paid within credit terms to avoid penalties and interest charges</li> </ul> <p><b>Priority : HIGH</b></p>     |
| <b>Management Response</b> |   | <b>Timescale: Completed</b>  |
|                            | See above. The increase in funding due to an increase in the number on roll has mean that the trust has not been over drawn since March 2018.   |  |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|          |   |  |
|----------|---|--|
| <b>5</b> | <b>Bank reconciliations</b>   |  |
|          | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>Bank reconciliations completed in the year were not evidenced as being authorised by the head teacher/accounting officer.</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>Accounting officer may become distanced from the financial operations of the school and may make financial decisions which are not in line with the actual financial position of the school</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The Accounting officer should review and agree the monthly bank reconciliations in a timely manner.</li> </ul> <p><b>Priority : HIGH</b></p> |
|          | <b>Management Response</b>  | <b>Timescale: Ongoing</b>  |
|          | <p>Bank reconciliations were inaccurate as the financial management system was incorrect from set up. Enhance MAT is providing support to the trust and training to the SBM. Reconciliations will be incorrect as of September 2018 as we are still waiting for the opening balances. (They will be checked by the AO and Enhance Academy Trust)</p>  |  |

|          |   |   |
|----------|---|---|
| <b>6</b> | <b>Contracts of employment</b>  |   |
|          | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>A number of staff members either did not have contracts of employment or the contract was not signed</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>Employment disputes could end up at a Tribunal in order for staff to determine the terms and conditions of their contract, this can be costly and lead to further penalties if the school is found to be non-compliant</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Detailed contracts of employment should be held for all employees covering the terms and conditions of their employment. The contracts should be signed by both parties.</li> </ul> <p><b>Priority : HIGH</b></p> |
|          | <b>Management Response</b>  | <b>Timescale: Complete</b>  |
|          | <p>The trust has asked Wakefield to advise when contracts are produced and then we are able to chase the employee for a signed copy.</p>  |   |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|          |   |   |
|----------|---|---|
| <b>7</b> | <b>Payroll authorised</b>   |   |
|          | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>Review of payroll reports from WMDC showed that the payroll amounts have not being authorised by accounting officer / head teacher</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>Erroneous or additional payments may be made to staff outside of their contracted salaries</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Payroll reports should be reviewed by the accounting officer / head teacher prior to payments being made so that they can be verified for accuracy</li> </ul> <p><b>Priority : HIGH</b></p> |
|          | <b>Management Response</b>  | <b>Timescale: Complete</b>  |
|          | This is complete. Payroll is reviewed by the AO and SBM. The trust also follows Enhances payroll check routine.   |   |
| <b>8</b> | <b>Accruals accounts</b>  |   |
|          | <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>It was noted that the HCSS system was being used as a cashbook rather than on an invoice basis</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The system does not reflect the true financial position of the academy and it's liabilities/commitments are not known</li> </ul>          | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Invoices should be entered on HCSS as creditors when they are received not when they are paid.</li> </ul> <p><b>Priority : HIGH</b></p>   |
|          | <b>Management Response</b>  | <b>Timescale: Ongoing</b>   |
|          | Please see point 2.   |   |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|  |  |                               |
|--|--|-------------------------------|
| <b>9</b>   | <b>Control weakness</b>  |                               |
| <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>During the year the academy received two internal audit visit both of which identified weakness in the system of controls.</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The strong system of controls is essential to ensuring the academies funds are safeguarded and are spent in line with the Academies Financial Handbook</li> </ul>      | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>A robust system of internal controls, segregation of duties and authorisation policies should be implemented.</li> </ul> <p><b>Priority : HIGH</b></p>                     |                               |
| <b>Management Response</b>   |  | <b>Timescale: Spring 2019</b> |
| <p>The trust is adopting Enhances policies regarding internal control and schemes of delegation.</p>   |  |                               |
| <b>10</b>  | <b>Accounting ammendments</b>  |                               |
| <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>During the audit and accounting work a significant number of ammendments were required to the financial information</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The number of ammendments required casts doubt on the accuracy of the financial information provided to the board of trustees for them to make reliable decisions.</li> </ul> | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The information provided to the board of trustees should be accurate and reflect the true financial situation of the academy.</li> </ul> <p><b>Priority : HIGH</b></p>     |                               |
| <b>Management Response</b>   |  | <b>Timescale: Ongoing</b>     |
| <p>Please see point 2. The new accounting software update will ensure that management accounts can be produced accurately on a monthly basis.</p>  |  |                               |
| <b>11</b>  | <b>Minutes</b>   |                               |
| <p><b>Observation</b></p> <ul style="list-style-type: none"> <li>The approval of the tender for the roof work was not properly documented in the governor's minutes even though this was discussed.</li> </ul> <p><b>Implication</b></p> <ul style="list-style-type: none"> <li>The governor's minutes are not a true representation of the discussions and the approvals that have taken place.</li> </ul>                                    | <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The Clerking service has been informed that the minutes should be a more accurately documented and this has already been actioned.</li> </ul> <p><b>Priority : LOW</b></p> |                               |
| <b>Management Response</b>   |  | <b>Timescale: Complete</b>    |
| <p>This has already been dealt with</p>  |  |                               |

## St Giles Church of England Academy Trust

### Management Report Year Ended 31 August 2018

#### 4.2.3 State of previous recommendations

|          |  |   |
|----------|--|---|
| <b>1</b> | <b>Basis of Accounts Preparation</b>   |   |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The accounts have been produced on a cash basis</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The accounting records at the end of the year did not reflect the correct figures</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• An accruals basis of accounting should be followed</li> </ul>                           |
|          | <b>Management Response</b>   |   |
|          | Accrual system to be implemented in line with update of FMS  |   |
|          | <b>Update</b>  |   |
|          | Accrual system will be put into place once the FMS mirrors that of Enhance.  |   |
| <b>2</b> | <b>Bank Reconciliations</b>  |   |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The bank reconciliations have not been authorised throughout the year</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The Academy Financial Handbook is not being followed</li> </ul>   | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Bank reconciliations should be authorised when reconciled on a monthly basis</li> </ul> |
|          | <b>Management Response</b>   |   |
|          | The new accounting officer is authorising all bank reconciliations in the future   |   |
|          | <b>Update</b>  |   |
|          | As above. Bank reconciliations although the FMS is still not correct.  |   |
| <b>3</b> | <b>Bank balance overdrawn</b>  |   |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The bank has been overdrawn on several occasions throughout the academic year</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• This breaches the conditions in the Accounts Direction. Bank charges have occurred for unauthorised borrowing and interest charges</li> </ul> | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• The bank account should not be overdrawn</li> </ul>                                     |
|          | <b>Management Response</b>   |   |
|          | Every measure will be made to try to ensure the bank account to remain in credit, although another rise in NOR against Awpu. Cash flow remains an issue for the Academy  |   |
|          | <b>Update</b>  |   |
|          | The Academy did go overdrawn by a small amount in the academic year. This will not be the case for the current year as the cash flow is not as 'tight' as in previous years.   |   |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|          |   |  |
|----------|---|--|
| <b>4</b> | <b>Duplicated bank entries</b>  |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The bank had duplicated entries</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The bank account was incorrect</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• A monthly reconciliation should be completed</li> </ul>  |
|          | <b>Management Response</b>  |  |
|          | Monthly reconciliations being carried out   |  |
|          | <b>Update</b>   |  |
|          | FMS has now being corrected. This was an issue in the initial set up.   |  |
| <b>5</b> | <b>SOFA</b>   |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The SOFA had to be looked at line by line to recreate a more accurate picture</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The accounting records at the year-end did not reflect more accurate figures</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Monthly control procedures should be in place to eliminate this</li> </ul>   |
|          | <b>Management Response</b>  |  |
|          | Monthly reconciliations being carried out. Member of GB to oversee on a monthly basis   |  |
|          | <b>Update</b>   |  |
|          | Governor, JW, has had meetings in school to oversee control procedures.   |  |
| <b>6</b> | <b>Purchase invoices unauthorised</b>   |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• During the purchase testing, it was evident that some of the invoices were missing and the others had not been authorised.</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The Academy Financial Handbook is not being followed. Understatement of purchases.</li> </ul> | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• All invoices should be input into the accounting software as received. All invoices should be authorised.</li> </ul> |
|          | <b>Management Response</b>  |  |
|          | Accrual system to implement in line with update of FMS, to ensure they are authorised.  |  |
|          | <b>Update</b>   |  |
|          | As above Once opening balances are provided by Kevin Jones the FMS will be updated and the trust will be able to work towards compliance.   |  |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|          |  |  |
|----------|--|--|
| <b>7</b> | <b>Incorrect balance sheet</b>   |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The balance sheet was incorrect</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The accounting records at the yearend did not reflect the correct figures</li> </ul>                            | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Monthly control procedures should be in place to eliminate this</li> </ul>   |
|          | <b>Management Response</b>   |  |
|          | Monthly reconciliations being carried out, also update and assistance to correct issues with HCSS to be carried out  |  |
|          | <b>Update</b>  |  |
|          | Incorrect figures were produced due to the FSM. Once the FSM has been set up correctly this will eliminate these issues.   |  |
| <b>8</b> | <b>Late payment of lease charges</b>   |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• One of the leasing companies has charged late payment charges</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• Not intended by Parliament of how to manage public money</li> </ul>               | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• All leasing payments should be paid on time to eliminate late charges</li> </ul>   |
|          | <b>Management Response</b>   |  |
|          | Invoices to be paid in a timely manner, to try to avoid late payment charges   |  |
|          | <b>Update</b>  |  |
|          | As Awpu is increasing due to NOR the cash flow situation is improving, enabling the trust to make payments.  |  |
| <b>9</b> | <b>VAT unclaimed</b>   |  |
|          | <b>Observation</b><br><ul style="list-style-type: none"> <li>• VAT that was reclaimable at 31 August 2016 has not been reclaimed</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The refund would have helped with cash flow issues during the year</li> </ul> | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Monthly control procedures should be in place to eliminate this. The VAT should be claimed as soon as possible but at least quarterly</li> </ul> |
|          | <b>Management Response</b>   |  |
|          | Monthly reconciliations being carried out, also update and assistance to correct issues with HCSS to be carried out. To claim in a timely manner   |  |
|          | <b>Update</b>  |  |
|          | VAT is now reclaimed every one to two months.  |  |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|           |  |  |
|-----------|--|--|
| <b>10</b> | <b>Duplicated purchase invoices</b>  |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• Duplicated invoices for purchases from the prior year</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• Under / over statement of the records</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Monthly control procedures should be in place to eliminate this. If invoices were input into the system when received this should not occur (provided they are posted correctly in the first place)</li> </ul> |
|           | <b>Management Response</b>   |  |
|           | Monthly reconciliations being carried out, also update and assistance to correct issues with HCSS to be carried out  |  |
|           | <b>Update</b>  |  |
|           | See management response above. The AO and Chair of Governors are to write letter of complaint to HCSS  |  |
| <b>11</b> | <b>Debtors not followed up</b>   |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• Debtors, albeit small, have not been chased</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• This would have helped with cash flow</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• Monthly control procedures should be in place to eliminate this</li> </ul>   |
|           | <b>Management Response</b>   |  |
|           | Reconciliations being carried out, also update and assistance with HCSS to correct issues on FMS to be carried out   |  |
|           | <b>Update</b>  |  |
|           | As above   |  |
| <b>12</b> | <b>Poor board discussions/minutes</b>  |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• The minutes do not reflect the significance of the financial situation both in Resources or Full Governors meetings</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• Resources only had two meetings the whole year and the financial deficit was mentioned in only one. The Governors minutes had little mention of it and the full extent of the problem does not seem to be addressed adequately</li> </ul> | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• The governors should be able to address any issues that arise as and when they occur</li> </ul>  |
|           | <b>Management Response</b>   |  |
|           | More meetings to be scheduled to allow Governors to address matters as they arise. To ensure more transparency   |  |
|           | <b>Update</b>  |  |
|           | 7 full governors, 6 resources meetings and half termly monitoring visits by the governors planned to take place. Management accounts are to be shared with the chair on a monthly basis and resources committee half termly.   |  |

**St Giles Church of England Academy Trust**  
**Management Report Year Ended 31 August 2018**

|           |   |  |
|-----------|---|--|
| <b>13</b> | <b>Inaccurate Budgets</b>   |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• We are uncertain that the budget reflects the correct figures for future years</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• Following the amendments made the funds are now in deficit by a total of £142,466. The ESFA advance of £68,000 also needs to be reflected in 2017/18</li> </ul> | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• As a consequence of the increase in the deficit carried forward to 2017/18 the budgets would be in deficit for the next 5 years</li> <li>• A revised budget has since been considered but not approved by the governors</li> </ul> |
|           | <b>Management Response</b>  |  |
|           | The budget will be continually updated. A revised budget will be taken to Governors with all future changes made. Due to a change in establishment  |  |
|           | <b>Update</b>   |  |
|           | The budget was approved at the resources committee in July but it was not ratified in the minutes of the FGB – although this was the case. The budget will be ratified in the first FGB meeting in September.   |  |
| <b>14</b> | <b>Lack of Internal Audit</b>   |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• There were no internal audit visits throughout the year</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>•</li> </ul>   | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• A minimum of three visits should be carried out during the year plus an extra visit to review the budget</li> </ul>  |
|           | <b>Management Response</b>  |  |
|           | RO visits to be arranged throughout the year. Although due to cash flow issues this needs to be costed out as affordability stopped these in the previous year  |  |
|           | <b>Update</b>   |  |
|           | Two RO visits have already taken place with more planned in throughout the year.  |  |
| <b>15</b> | <b>School premises used for private tuition</b>   |  |
|           | <b>Observation</b><br><ul style="list-style-type: none"> <li>• A member of staff was allowed to carry out work after school with pupils for private tuition</li> </ul> <b>Implication</b><br><ul style="list-style-type: none"> <li>• The income was not coming into the academy. Safeguarding.</li> </ul>  | <b>Recommendation</b><br><ul style="list-style-type: none"> <li>• All members of staff should be informed that this should not happen and the implications if it did, to ensure that it does not occur in the future</li> </ul>  |
|           | <b>Management Response</b>  |  |
|           | The issue has been addressed stopped immediately and all staff made aware that it is not correct procedure, so will not happen again  |  |
|           | <b>Update</b>   |  |
|           | As above – member of staff in question no longer works for the trust.   |  |