

Chancery Multi Academy Trust

Year Ended 31 August 2019

Management Letter

Prepared by

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Internal controls issues

The academy trust 's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the academy trust.

In consequence, our work cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Board.

Our testing to date has identified the following significant control weaknesses which we consider should be brought to the Board's attention.

We have a system of grading our control weaknesses. Each weakness is graded based on the potential risk level to the academy trust: -

High	The academy trust is subject to levels of fundamental risk or inefficiency where immediate action should be taken to implement an agreed action plan;
Medium	Attention should be given to resolving the position as the academy trust may be subject to significant risks or inefficiency;
Low	Desirable improvements could be made to improve the control framework or strengthen the ability to mitigate against risks and improve efficiency;
Best Practice	Point brought to the attention of management as best practice only and the issue raised does not impact on the overall control environment.

Current Year Points

Risk Rating	Weakness	Risk	Recommendation	Management Response
Medium	<p>Cash control</p> <p>One person at Excalibur and one person at Pikemere are responsible for receiving and counting money for Parent Mail. Money is received and counted by the same person with no separation of duties.</p>	<p>Risk that cash may be misappropriated.</p>	<p>Cash should be counted immediately on receipt by two members of the finance office and checked to supporting documentation. The money should then be placed immediately into the safe.</p> <p>If it is not feasible to count immediately, then the money should be immediately placed in the safe and counted at a more suitable time.</p>	<p>Excalibur</p> <p>All cash collected at Friends of Excalibur events, around £7,500 per annum, is placed in the safe at the end of the event and counted by the chair of FOE and the admin assistant the next working day.</p> <p>Snack money from the kitchen, around £65 per week, is counted in the kitchen and passed to the admin assistant who counts it in front of the CCTV.</p> <p>All other cash from parents and lettings, £4,000 per annum, is collected and counted on the front desk by the admin assistant in front of the CCTV and entered onto parentmail to give receipts.</p> <p>All unbanked cash is kept in the safe.</p> <p>Pikemere</p> <p>All cash collected at Friends of Pikemere events, around £7,000 per annum, is placed in the safe at the end of the event and counted by the admin assistant with another member of staff in the office on the next working day.</p> <p>Snack money from the kitchen, around £65 per week, is counted in the kitchen and passed to the admin assistant who counts it with another member of staff in the office.</p> <p>All other cash from parents, around £1,000 per annum, is collected and counted by the admin assistant with another member of staff in the office.</p> <p>All unbanked cash is kept in the safe.</p>

Risk Rating	Weakness	Risk	Recommendation	Management Response
Medium	<p>Journals Authorisation</p> <p>During testing it was noted that there was no evidence of the authorisation process in place for some journals.</p>	<p>There is the risk that incorrect journals may be processed by management.</p>	<p>Journals should be authorised by someone other than the preparer.</p>	<p>All Journals are signed by the headteacher or deputy in her absence and copies have been scanned over.</p>
Medium	<p>Quotations</p> <p>It was noted during testing that the correct procedures were not followed for the purchase of capital items. In this instance only 1 quotation had been obtaining prior to purchase.</p>	<p>There is the risk that value for money may not be sought as it is possible that other companies may have provided the same products at a more competitive price.</p>	<p>Purchases of capital items should adhere to the procedures noted in The Financial Handbook by obtaining the correct number of quotes.</p>	<p>Pikemere school has been informed that it must adhere to the Financial Procedures when purchasing goods.</p>

Risk Rating	Weakness	Risk	Recommendation	Management Response
Low	<p>Personnel Files</p> <p>A review of the personnel file identified for one employee that no signed employment contract was on file.</p> <p>During testing it was noted that up to date salary letters were not kept in personnel files for support staff.</p>	<p>Risk that employment terms cannot be established in the event of a dispute.</p> <p>Risk that contract details cannot be established in the event of a dispute.</p>	<p>All employees should have signed employment contracts on file.</p> <p>Salary letters should be issued to employees when a change in contractual hours or salary occurs.</p>	<p>All schools have been reminded that all staff should have signed contracts on file.</p> <p>Salary letters for support staff are to be issued by schools in the summer term each year once the annual pay rise has been agreed.</p>
Low	<p>Pupil Premium</p> <p>It was noted during testing that pupil premium is not being correctly accrued/deferred and is instead being posted on a cash basis.</p>	<p>Management information may be incorrect leading to the academy having incorrect information regarding budgets.</p>	<p>Income should be recognised in the period to which it relates.</p>	<p>From 2020/21 the income received for Pupil Premium in July 2020 for all schools will be deferred to 2021/22.</p>

Risk Rating	Weakness	Risk	Recommendation	Management Response
Low	<p>Rates Relief</p> <p>It was noted during testing that accrued income relating to rates relief for the year had not been accrued and the prepayment for 19/20 rates had not been processed.</p>	<p>Management information may be incorrect leading to the academy having incorrect information regarding budgets.</p>	<p>Where there is future income to which the academy is entitled but has not yet received, the income should be accrued. Expenses that have been posted and relate to the following year should be prepaid.</p>	<p>From 2020/21 the rates relief income will be accrued in all schools and the prepayment of the expense will be prepaid.</p>

Previous Year Points

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
Medium	<p>Recording of Income</p> <p>Various unrestricted and restricted income streams were all being posted into the same nominal codes.</p>	<p>Risk that income may be incorrectly classified and funds may be used for expenses for which they were not intended.</p>	<p>More income stream nominal accounts should be established for each different grant income stream. For other items of income nominal accounts should be created for income that is recurring year on year and only true one off income amounts should be included within other income.</p>	<p>Additional nominal codes had been established as recommended in the prior year and income was posted appropriately.</p>	<p>Recommendation cleared.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
Medium	<p>Cash control</p> <p>One person at Excalibur and one person at Pikemere are responsible for receiving and counting money for Parent Mail. Money is received and counted by the same person with no separation of duties.</p>	Risk that cash may be misappropriated.	<p>Cash should be counted immediately on receipt by two members of the finance office and checked to supporting documentation. The money should then be placed immediately into the safe.</p> <p>If it is not feasible to count immediately, then the money should be immediately placed in the safe and counted at a more suitable time.</p>	It was noted that not all income received is double counted.	Recommendation carried forward.
Medium	<p>Deferred income</p> <p>It was noted during testing that invoices raised in advance were not being deferred.</p>	Risk that income could be recorded in the wrong year.	Income raised in advance should be deferred accordingly.	No instances found during testing whereby invoices raised in advance were not deferred.	Recommendation cleared.

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
Low	<p>Personnel Files</p> <p>A review of the personnel file identified for one employee that no signed employment contract was on file.</p>	<p>Risk that employment terms cannot be established in the event of a dispute.</p>	<p>All employees should have signed employment contracts on file.</p>	<p>During the audit it was noted that the employee selected during wages testing did not have a signed contract on file.</p>	<p>Recommendation carried forward</p>
Low	<p>Credit Card Control</p> <p>Credit card purchases were made without any formal order or details of the expected expenditure.</p>	<p>Risk that funds could be misappropriated and that academy funds are not being used effectively and efficiently as required by the financial handbook.</p>	<p>A formal order or quote should be obtained and authorised by an appropriate individual. Receipts should then be matched to the order with any variances explained.</p>	<p>Receipts were held for all transactions selected and appropriate authorisation was in place. If purchases were not made by the business manager these were authorised.</p>	<p>Recommendation cleared.</p>