

Chancery Multi Academy Trust

Year Ended 31 August 2020

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
<p>Medium</p>	<p>Quotations</p> <p>Sufficient authorisation was not sought for the purchase of capital items (ipads) as the total cost of the items exceeded the costs documented as authorised in the Board minutes.</p>	<p>Money is spent on items that are not deemed to be appropriate use of funding.</p>	<p>Purchases should be authorised in line with the financial procedures policy,</p>	<p>The trust will amend the financial procedures to state that where the cost of purchase exceeds the approval level agreed by the board that they return to the board to gain further approval.</p>
<p>Low</p>	<p>Depreciation Policy</p> <p>The fixed assets transferred into Chancery from The Berkeley Primary School at 30 November 2019 included furniture and equipment, however the accounting policies were not updated to reflect the new class of asset until September 2020.</p> <p>Depreciation Charge</p> <p>The total depreciation charge for Pikemere land and buildings was calculated incorrectly which resulted in the NBV of land and buildings being misstated.</p>	<p>The depreciation rate for furniture and equipment may not have been properly assessed and the accounting policies are not up to date.</p> <p>The total NBV per the fixed asset register is incorrect.</p>	<p>Accounting policies should be updated regularly to reflect any changes in assets held.</p> <p>The fixed asset register should be reviewed to ensure the total NBV is correctly stated</p>	<p>In the future when a school joins the trust the Accounting Policies will be aligned at the time that they join.</p> <p>The fixed asset register has been amended and the correct depreciation has been charged in the accounts.</p>

Risk Rating	Weakness	Risk	Recommendation	Management Response
Low	<p>Nursery Manager System</p> <p>It was noted that invoices raised on the nursery manager system at Berkeley are only inputted onto the accounting system when paid ie on a cash basis, with an adjustment posted each month to recognise the debtor balance.</p>	<p>Invoices may be written off on the Nursery Manager software without sufficient authorisation</p>	<p>Where the Nursery Manager system is used, all invoices should be immediately posted onto the accounting software so that there is a sufficient audit trail.</p>	<p>The Financial Procedures will be updated to state that all sales invoices raised by individual academies need to be raised in the Accounting system to ensure completeness of sales, to ensure that there is a complete audit trail and therefore prevent fraud and to ensure that all debt write offs can be identified.</p>
Low	<p>Change of Address</p> <p>It was noted during testing that a remittance was addressed to Birchwood Academy Trust as opposed to The Berkeley Academy or Chancery Multi Academy Trust.</p>	<p>Risk that the academy is not adhering to statutory requirements to keep addresses up to date, this could lead to problems claiming income the Trust is entitled to.</p>	<p>The Trust should ensure that supplier/customer records are updated to be The Berkeley Academy or Chancery Multi Academy Trust.</p>	<p>The Financial Procedures will be amended to state that all supplier and customer records should be in the name of the academy school or Chancery Multi Academy Trust. If they arrive with a different name then they should be amended by the supplier or customer before processing on the accounting system.</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>Academy schools will be reminded that all employee should have a signed contract of employment on file.</p> <p>Salary letters have been completed by all academies in the trust for all employees from 1st September 2020</p>
Low	<p>Declarations of Interest</p> <p>It was noted that other directorships for several trustees have not been disclosed on the register of interest.</p>	<p>The trust may unknowingly enter into related party transactions which may result in a regularity breach.</p>	<p>Trustees, governors and key management should ensure that they declare any other business interests on the register of interest.</p>	<p>Directors will be reminded at the start of every meeting that they need to declare all other business interest on the register of interest.</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 deferred.</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>The journals have been completed in all academy schools to defer the rates income received in the year so that it covers the period after the year end.</p>
Low	<p>Pupil Premium</p> <p>It was noted during testing that pupil premium is not being correctly accrued.</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>Journals have now been completed in all academy schools to correctly recognise Pupil Premium income in the period to which it relates.</p>

Previous Year Points

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
<p style="text-align: center;">Medium</p>	<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>No issues identified during testing</p>	<p>Cleared.</p>
<p style="text-align: center;">Medium</p>	<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>No issues identified during testing</p>	<p>Cleared.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
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 obtained 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>Quotes had been obtained for the capital purchase tested this year, although appropriate authorisation had not been sought.</p>	<p>Updated and carried forward.</p>
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>During testing we were unable to agree salaries to salary letters for several individuals and it was noted that one employee did not have a contract on file.</p>	<p>Carried forward.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
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>Pupil premium was not treated correctly in the current year</p>	<p>Point carried forward.</p>
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>The expenditure had been prepaid however a proportion of the income had not been deferred</p>	<p>Updated and carried forward.</p>