

Chancery Multi Academy Trust

Year Ended 31 August 2021

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
Low	<p>Nursery Manager System 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>	Invoices may be written off on the Nursery Manager software without sufficient authorisation	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.	From 1/11/2021 the trust are trialling the use of an imported journal to add the Nursery Manager invoices for all schools to PSF on a monthly basis. This will mean that the invoices from Nursery Manager go onto individual sales ledger accounts on the sales ledger and the sales ledger receipts can then be posted when received to the Sales Ledger Account. This will create a full debtor listing at the month end and can be used for debt collection.
Low	<p>Opening balance reserves did not reconcile Management brought to our attention that the opening reserves did not reconcile. This was due to prior year audit adjustments were posted incorrectly.</p>	Risk that opening reserves are not correct.	Ensure all audit adjustments are posted correctly at year-end.	The CFO is to be provided with the opening balance adjustments straight after the audit is signed off this year so that the reconciliation can take place and be agreed by the auditors by January 2022.

Risk Rating	Weakness	Risk	Recommendation	Management Response
Low	<p>Fixed asset register (Berkeley) The fixed asset at Berkeley had not been updated to show a £5k addition posted to fixed assets nominals.</p>	Accounting records are not complete.	Fixed asset ledgers should be regularly reviewed against the amounts included on the register to ensure that additions are recognised correctly.	The asset will be added to the Fixed Asset Register and depreciated next year. The CFO will reconcile the Fixed Asset Register balance to the trial balance in the future.
Low	<p>Declarations of Interest It was noted that other directorships for several trustees have not been disclosed on the register of interest.</p>	The trust may unknowingly enter related party transactions which may result in a regularity breach.	Trustees, governors, and key management should ensure that they declare any other business interests on the register of interest.	Directors complete pecuniary interest forms in the Autumn term and are reminded of the requirement to disclose every interest, be it financial or non-financial. They are also reminded, by a standing item on every agenda, to update their pecuniary interests as and when throughout the year.

Previous Year Points

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
Medium	<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>Tested no issues noted.</p>	<p>Cleared.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
Low	<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>No issues noted.</p>	<p>Cleared.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
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>Issue not resolved.</p>	<p>Carried forward.</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>No issues noted.</p>	<p>Cleared.</p>

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>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>No issues noted.</p>	<p>Cleared.</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>Issues noted.</p>	<p>Carried forward.</p>

Risk Rating	Weakness	Risk	Recommendation	Current Year Update	Cleared?
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>No issues noted.</p>	<p>Cleared.</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>No issues noted.</p>	<p>Cleared.</p>