

St Edward's Church Of England Academy Trust, Leek

Management Letter

Year ended 31 August 2016

Internal controls issues...

The Academy'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.

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: -

High	The Academy 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 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 and the Governing Body as best practice only and the issue raised does not impact on the overall control environment

2016 Management letter points.....				
Risk Rating	Weakness	Risk	Recommendation	Management Response and estimated timescale for action
Medium	<p>PAYE paid on a timely basis</p> <p>During our work on PAYE payments, it was noted that payments were not paid within the deadline. Further investigation identified that SCC process the PAYE payment however their payments take 3 days to process through the Academy bank and therefore SCC need to process these payment 3 working days before the deadline.</p>	<p>The academy may incur additional liabilities due to penalties charged on late payments.</p>	<p>The Academy should discuss these issues with Lloyds Bank to understand why payments not processed before the deadline.</p>	<p>This matter has been discussed with the both Lloyds Bank and SCC to determine which provider is causing the delay. There have been no letters of concern or fines from HMRC regarding late payment, which would suggest that payments have been made within the deadline.</p>
Low	<p>Business Interests</p> <p>Our trustee search has identified some undisclosed potential related party transactions that should be considered for disclosure by the governors.</p>	<p>Related party transactions could be disclosed incorrectly and the Academy could be trading with these companies without knowledge of a related interest.</p>	<p>Re-communicate that all business interests need to be disclosed and included on the register.</p>	<p>Clarification has been sort from the auditors regarding the publication of the disclosures following a nil return. The matter will be discussed at the next full governors meeting.</p>

2016 Management letter points.....				
Risk Rating	Weakness	Risk	Recommendation	Management Response and estimated timescale for action
Low	<p>Delivery Notes Not Retained</p> <p>During our testing we identified instances where delivery notes could not be provided for purchases.</p>	<p>The academy may incur liabilities for goods and services that have not been received. Additional risk that expenditure could be recognised incorrectly and not included within the correct reporting period.</p>	<p>All goods received notes should be retained. Goods received notes should be checked and authorised on receipt to ensure that they are accurate, these should then be matched to the initial purchase order and against the invoice once it has been received.</p>	<p>A number of companies do not issue delivery notes, however the invoice authorisation slip does seek written confirmation that the goods have been received in line with the original order.</p>
Low	<p>Posting of invoices</p> <p>During our testing we identified instances where invoices were not posted on the nominal ledger when they were received.</p>	<p>This could give rise to expenditure being posted in the incorrect period and VAT not being reclaimed promptly.</p>	<p>The invoice should be posted at the invoice date as this is the tax point.</p>	<p>Unless there is an issue with the invoice or the goods/services pertaining to that order. The finance department will endeavour to pay invoices in the correct period.</p>

2015 Management letter points.....					
Risk Rating	Weakness	Risk	Recommendation	Response in 2015	Action taken 2015/2016
Medium	<p>PAYE paid on a timely basis</p> <p>During our work on PAYE payments, it was noted that payments were not paid within the deadline. Further investigation identified that SCC process the PAYE payment however their payments take 3 days to process through the Academy bank and therefore SCC need to process these payment 3 working days before the deadline.</p>	<p>The academy may incur additional liabilities due to penalties charged on late payments.</p>	<p>The Academy should discuss these issues with SCC and ensure that payments of PAYE are made at least 3 working days before the deadline.</p>	<p>The matter has been raised with SCC who insist that PAYE payments are made at least 3 working days before the deadline. As the academy has not received any letters of concern from HMRC, this matter has now been raised with Lloyds Bank to determine if it is a banking delay.</p>	<p>Recommendation updated and carried forward.</p>

2015 Management letter points.....					
Risk Rating	Weakness	Risk	Recommendation	Response in 2015	Action taken 2015/2016
Medium	<p>Business Interests</p> <p>Our trustee search review has identified some undisclosed potential related party transactions that should be considered for disclosure by the governors.</p>	<p>Related party transactions could be disclosed incorrectly and the Academy could be trading with these companies without knowledge of a related interest.</p>	<p>Re-communicate that all business interests need to be disclosed and included on the register.</p>	<p>Actioned at the Full Governing Body meeting on the 17th October 2015.</p>	<p>Carried forward, and downgraded to low risk as some business interests are still not disclosed on pecuniary interest register.</p>
Medium	<p>VAT claims</p> <p>VAT claims have not been submitted on a timely basis. However it is noted that this is due to late provision of information from Entrust.</p>	<p>The Academy cash flow may be impacted by submission of late claims.</p>	<p>VAT claims should be submitted on a timely basis following month end.</p>	<p>The School Business Manager has referred this matter to the School's Accountant at Entrust for action.</p>	<p>Cleared.</p>