



1 Excellence Multi Academy Trust

Internal Assurance 2018/2019

Report for Summer Term 2019

Now, for tomorrow

 **mha**
TAIT WALKER



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Part 1 – Executive Summary

Introduction

MHA Tait Walker has been engaged to prepare and deliver an Internal Assurance Programme for the three years to 31st August 2020 for 1 Excellence Multi Academy Trust.

We have completed the assignment on the Trust in accordance with the Internal Assurance Programme as agreed with the audit committee. We issue termly assurance reports on completion of our work.

Scope of work

The directors of the Academy Trust are responsible for ensuring that the Trust establishes a robust control framework that includes:

- Ensuring delegated financial authorities are complied with;
- Maintaining appropriate segregation of duties;
- Co-ordinating the planning and budgeting process;
- Applying discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations;
- Planning and oversight of any capital projects;
- Management and oversight of assets;
- Regularity, propriety and value for money in the organization's activities;
- Reducing the risk of fraud and theft;
- Independent checking of financial controls, systems, transactions and risk.

MHA Tait Walker is responsible for evaluating the effectiveness of the accounting and internal financial controls systems. Internal controls, no matter how well designed and operated can only provide reasonable and not absolute assurance regarding the achievement of the Trust's objectives and obligations.

Please note that our work is not a comprehensive review or audit of all the Trust's systems of internal controls. We will be pleased to discuss any extension of our work to examine more closely any areas which concern you, should you believe this to be applicable.

Results and follow up

The results of our work undertaken for the Summer Term 2019 are noted in Part 2 – Summary of main findings.

During this term's testing we tested a total of Seven areas and make recommendations to the Trust in respect of one area. Of the recommendations identified, none are considered to be red (high priority), none amber (medium priority) and two yellow (recommendations of best practice).

Table 2.1 details the areas tested and distinguishes between those weaknesses caused by poorly designed and poorly applied controls.



Part 1 – Executive Summary

Conclusions

From the detailed work completed on the areas covered it can be concluded that

The Trust has good controls in place which are generally well designed and implemented. However we identified a few areas where the processes could be improved.

Way forward

The directors of the Trust may wish to consider which areas of risk they would like assurance over in forth coming reviews.

Part 2 – Summary of Main Findings

Claire Metcalfe and Rebecca Patterson of MHA Tait Walker attended 1 Excellence Multi Academy Trust on the 9 and 10 September 2019.

As noted in the Programme of Internal Assurance it is not possible to test every area during each visit. For this reason we have designed a test programme that reflects the risk profile of the Trust.

We confirm that the results of Internal Assurance visit are as outlined below.

The overall assurance rating attributed to the Academy is considered to be substantial, and therefore the Academy Trust can take comfort that the systems in place are generally in place and operating in line with expectations. However, there are some areas where improvement is required by the Academy in order to receive a full assurance rating.

Overall Assurance Rating

97%



Part 2 – Summary of Main Findings

We confirm that the following areas were tested as detailed in the agreed Programme of Internal Assurance during our visit:

Table 2.1

Area Tested	Controls are well designed & fit for purpose	Controls are applied effectively	Yellow / low weakness Identified	Amber / medium weakness Identified	Red / high weakness identified	Status
1.4 Purchases and payments	✓	✓	0	0	0	●
1.5 Fixed Assets	✓	✓	0	0	0	●
1.6 Bank, petty cash, Debit and Credit card use	✓	X	2	0	0	●
2.1 Employment taxes	✓	✓	0	0	0	●
2.2 Accounting for VAT	✓	✓	0	0	0	●
2.6 Management accounts	✓	✓	0	0	0	●
2.9.6 Financial planning	✓	✓	0	0	0	●
Total			2	0	0	

Status Classification



Systems & controls are well designed, fit for purpose & are applied effectively. We have not identified any weaknesses and therefore have no recommendations to make.



Systems & controls are well designed and fit for purpose but could benefit from improvement. We acknowledge that the Trust have implemented effective controls but attention may be required to ensure that systems reflect recommended best practice.



Systems & controls are in place, but may not in all cases be well designed or applied effectively. We have identified some weaknesses and make recommendations for improvement to the design or application of controls in place.



Systems & controls are not in place, may not be well designed or not fit for purpose. We have identified weaknesses and make recommendations for urgent attention and improvement.



Part 2 – Summary of Main Findings

Should you require any further information or explanation please do not hesitate to contact Brian Laidlaw or Marc Breeze.

We would like to express our thanks to your staff for their assistance during the course of our work.

Please note that this report has been prepared for the sole use of 1 Excellence Multi Academy Trust. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. MHA Tait Walker neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by reliance on these findings.

Yours faithfully,

MHA Tait Walker
Chartered Accountants



Disclaimer

Tait Walker LLP trading as MHA Tait Walker is a member of MHA. MHA is an independent member of Baker Tilly International Limited, the members of which are separate and independent legal entities.

Appendix 1 – Detailed Findings & Recommendations

1.4 Purchases & Payments	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
1.4.1 Select a sample payment from each academy (including those of a capital nature) from the nominal ledger and ensure that the Academy Trust's policies detailed within the Financial Procedures manual have been followed.	We selected a sample of purchase invoices from both School's within the Trust. We traced from the nominal ledger to supporting documentation. We ensured that all expenditure was incurred in line with the Financial Policy manual.	From the sample selected, we can see the invoices have been entered onto Agresso and authorised appropriately.	None to note.	Green			
1.4.2 Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory.	We discussed with management the progress of any capital contracts.	There were capital contracts at both School's, and both contracts were progressing satisfactorily and appropriate payments have been made.	None to note.	Green			

Appendix 1 – Detailed Findings & Recommendations

1.4 Purchases & Payments	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
<p>1.4.3 Review all contracts awarded / tenders undertaken in the period and ensure that the Academy's Trust policies have been followed throughout the process.</p>	<p>We discussed with management any tenders/contracts awarded within the term.</p> <p>We selected a tender from each school to ensure that the Trust's policies had been followed through out the process.</p>	<p>We observed that St. Marks did not undertake any tenders within the period. Pentland had adhered to the correct tender process in respect of the items tested.</p> <p>Four quotes were obtained from different suppliers and the quote selected which represented best value for money.</p>	<p>None to note.</p>	<p>Green</p>			

Appendix 1 – Detailed Findings & Recommendations

1.5 Fixed Assets	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
<p>1.5.1 Review the fixed assets register. Select a sample of items and for each item:</p> <ul style="list-style-type: none"> • Confirm that the item is capital in nature; • Check the depreciation charge has been correctly calculated in line with the Trust’s accounting policy; • Physically verify that the asset exists, reviewing for indicators of impairment and obsolescence. 	<p>We obtained the fixed asset register from the School Business Manager. We then reviewed this to determine if all items were correctly classified as capital items.</p> <p>We selected a sample of seven items from the fixed asset register and calculated the depreciation rates to ensure these were in line with the Trust accounting depreciation policy.</p> <p>We reviewed seven items from the fixed asset register We physically verified these and ensured the items were not impaired or obsolete.</p>	<p>All items on the fixed asset register were of a capital nature and correctly classified.</p> <p>All items were correctly depreciated, in line with the Trust depreciation policy.</p> <p>All items were physically verified and none showed any signs of impairment.</p>	<p>None to note.</p>	<p>Green</p>			

Appendix 1 – Detailed Findings & Recommendations

1.6 Bank, Petty Cash, Debit and Credit Card Use	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
1.6.1 Ensure bank reconciliations are correctly prepared and authorised on a regular basis.	Reviewed the bank reconciliations for April, May, June and July to ensure that authorisation was in line with the Financial Procedures Manual.	All bank reconciliations were prepared correctly and authorised.	None to note.	Green			
1.6.2 Review banking arrangements and ensure they are adequate and that there is appropriate segregation of duties.	Reviewed banking arrangements with both School Business Managers to ensure that process and authorisation was in line with the Financial Procedures Manual.	Whilst appropriate segregation of duties appeared to be in place, we noted that the BACS reports tested had not been signed by the relevant Head Teacher to approve payment, as required by the Financial Procedures Manual.	Ensure every BACS report is reviewed and signed by the Head Teacher.	Yellow	Banking arrangements have been reviewed and this has been actioned.	VH NW KC	Immediate.

Appendix 1 – Detailed Findings & Recommendations

1.6 Bank, Petty Cash, Debit and Credit Card Use	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
<p>1.6.3 Review petty cash, credit and debit card expenditure, ensuring that a sample of entries in the nominal ledger are supported by the appropriate receipt and authorisation as required by the Financial Procedures Manual.</p>	<p>We selected a sample of six credit card purchases from the accounts system and agreed them to supporting documentation and credit card statements. We ensured that the purchases were authorised in line with the Trust Financial Procedures Manual.</p>	<p>All expenditure had been posted to the correct nominal and were authorized in line with the Financial Procedures Manual.</p> <p>We noted one instance where VAT had been claimed on an invoice but the invoice had no VAT charged.</p>	<p>Only claim VAT when included on a invoice.</p>	<p>Yellow</p>	<p>This has been reviewed and is in place now.</p>	<p>VH NW KC</p>	<p>Immediate.</p>

Appendix 1 – Detailed Findings & Recommendations

2.1 Employment Tax	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
2.1.1 Review payroll for and discuss with finance team any employees that receive benefits in kind, ensuring that these have been correctly treated for tax purposes.	Discussed with the School Business Managers.	There are no P11d (benefit in kind) employees.	None to note.	Green			
2.1.2 Review senior employees tax arrangements ensuring that the latest guidance in the Academies Financial Handbook is being followed.	Discussed with the School Business Managers.	There are no P11d (benefit in kind) employees.	None to note.	Green			

Appendix 1 – Detailed Findings & Recommendations

2.2 Accounting for VAT	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
2.2.1 Review VAT Returns / VAT 126 Forms for correct completion, ensuring any apportionment for business and non-business overheads has been calculated on a reasonable basis.	Reviewed the latest VAT 126 Return for the two months ended June 2019.	The apportionment of business and non-business expenditure appeared reasonable.	None to note.	Green			
2.2.2 Review all income streams for correct VAT treatment and potential impact on VAT registration limits.	Obtained a Trial balance for each school and reviewed the income streams.	VATable income streams were below the registration threshold, therefore no issues were arising.	None to note.	Green			
2.2.3 Ensure that the trust is benefitting from reduced VAT rate of 5% on energy bills.	Selected a sample of one gas and one electric invoice from each school.	All invoices correctly included VAT at 5%.	None to note.	Green			

Appendix 1 – Detailed Findings & Recommendations

2.6 Management Accounts	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
<p>2.6.1 Review procedures used to prepare financial reports issued to the Board, the local governing bodies ensuring they are completed at least once a team, accurately and promptly.</p>	<p>Reviewed June 2019 management accounts for both schools.</p>	<p>The management accounts include income and expenditure, cash flows, forecasting aged debtors and creditors, details of reserves, KPI's and variances. They have been prepared accurately and on a monthly basis. They are given to the chair on a monthly basis and the reminder of the board at least six times a year.</p>	<p>None to note.</p>	<p>Green</p>			

Appendix 1 – Detailed Findings & Recommendations

2.9.6 Financial Planning	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
2.9.6.1 Discuss with the finance team and Document the methodology for the budget setting process.	Discussed with the finance team and reviewed the Financial Procedures Manual for the budget setting process.	There was a full procedure involved for setting the budget, including the annual budget process, the medium term financial plan and balancing the budget.	None to note.	Green			
2.9.6.2 Ensure that the budgets have been approved by the full board of directors and that the approval has been minuted.	Reviewed the board minutes to ensure that the budgets have been approved by the board of directors.	The board reviewed and approved the budget on 24 June 2019.	None to note.	Green			
2.9.6.3 Ensure that any significant changes to the budget are notified to the board and to the EFA.	Reviewed the budget and board minutes for any changes.	There were no changes from a review of the budget and the board minutes.	None to note.	Green			

Appendix 1 – Detailed Findings & Recommendations

2.9.6 Financial Planning	Work completed	Observations	Recommendations	Status	Management response	Responsible	Target date for completion
2.9.6.4 Ensure that any unspent funds expected to be carried forward at the end of the financial year are declared in the budget.	Reviewed the budget to ensure that any unspent budget had been declared.	The budget showed the unspent funds and it was agreed that this had been declared appropriately.	None to note.	Green			



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