

**The Talentum Learning Trust**

Management Letter

Year ended 31 August 2017

## 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.

|                      |   |
|----------------------|---|
| <b>High</b>          | The Academy Trust is subject to levels of fundamental risk or inefficiency where immediate action should be taken to implement an agreed action plan;             |
| <b>Medium</b>        | Attention should be given to resolving the position as the Academy Trust may be subject to significant risks or inefficiency;                                     |
| <b>Low</b>           | Desirable improvements could be made to improve the control framework or strengthen the ability to mitigate against risks and improve efficiency.                 |
| <b>Best Practice</b> | 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 |

| 2017 Management letter points..... |  |  |  |   |
|------------------------------------|--|--|--|---|
| Risk Rating                        | Weakness   | Risk   | Recommendation   | Management Response and estimated timescale for action  |
| Medium                             | <p><b><u>Opening Balances (Churnet)</u></b></p> <p>It had been noted that many of the August 2016 audit adjustments had not been posted.</p>   | <p>Management information during the year may be incorrect.</p>                                  | <p>All August 2017 audit adjustments should be processed, and the trial balance be agreed to the financial statements.</p>   | <p>The opening balances for 17/18 will be correct – the audit adjustments once received will be posted centrally.</p> |
| Medium                             | <p><b><u>Bank Postings (Churnet)</u></b></p> <p>It was noted that bank receipts, with August 2017 date, were posted into the wrong accounting period.</p>  | <p>Assets and liabilities may be recorded in the wrong period.</p>                               | <p>All bank receipts and payments should be posted and recognised on the date stated on the bank statement.</p>              | <p>Staff have been reminded to ensure that all income is posted into the period it is received.</p>                   |
| Medium                             | <p><b><u>Pecuniary interest forms (Trust)</u></b></p> <p>It appears that pecuniary interest forms have not all been completed properly as companies in which they are also directors have not been included.</p> | <p>Connected/related party transactions could escape detection and irregularity could ensue.</p> | <p>All companies in which trustees/members have a vested interest in should be included on the pecuniary interest forms.</p> | <p>All forms will be re-checked once submitted and confirmed with the individuals concerned.</p>                      |

| 2017 Management letter points..... |   |   |   |   |
|------------------------------------|---|---|---|---|
| Risk Rating                        | Weakness  | Risk  | Recommendation  | Management Response and estimated timescale for action  |
| Medium                             | <p><b><u>Nominal Postings</u></b></p> <p>During testing it was found that postings were processed to the incorrect nominal account.</p>                                     | Balances within the financial statements may be incorrectly stated. | Posting should be reviewed when preparing quarterly management accounts and any mis-postings corrected. | Staff have been informed to post all expenses to the correct nominal codes. Strict controls have also been put into place at LHS. |
| Low                                | <p><b><u>Supplier Invoices (Churnet / Westwood)</u></b></p> <p>It was noted that a supplier invoice was posted at an incorrect date.</p>                                    | Assets and liabilities may be recorded in the wrong period.         | All invoices should be posted at the date stated on the original invoice.                               | Staff informed that invoices must always be posted within the correct period according to tax point date.                         |
| Low                                | <p><b><u>Supplier Ledger Posting (All)</u></b></p> <p>It has been noted that a few purchase invoices, with a date after the year end, have been posted within the year.</p> | Liabilities may be recorded in the wrong period.                    | All invoices should be posted using their invoice date.   | Staff informed to take note of the tax point of all invoices posted and to ensure that they are posted into the correct period.   |

| 2017 Management letter points..... |   |   |   |   |
|------------------------------------|---|---|---|---|
| Risk Rating                        | Weakness  | Risk  | Recommendation  | Management Response and estimated timescale for action  |
| Low                                | <p><b><u>Signed contracts of employment (All)</u></b></p> <p>It appears that there aren't signed contracts of employment on file for all employees.</p> | <p>If a dispute were to ever arise, the Trust may have insufficient evidence on file to support their case.</p> | <p>Where contracts are not on file, new contracts should be issued.</p> | <p>Contracts have been requested from SCC but not received. The missing contracts relate to staff who have been with the organisation for a number of years and were TUPE'd into the Trust. All new staff and any staff changing roles are issued with TTLT contracts</p> |

| 2017 Management letter points..... |   |   |  |  |
|------------------------------------|---|---|--|--|
| Risk Rating                        | Weakness  | Risk  | Recommendation   | Management Response and estimated timescale for action   |
| Low                                | <p><b><u>Fixed Asset Register (All)</u></b></p> <p>The trust does not maintain the fixed asset register.</p>  | Mis-appropriation of assets may occur.                      | The fixed asset register should be updated as part of the month end routine.       | Fixed asset registers are now updated and will be reviewed as part of the month end process.   |
| Low                                | <p><b><u>Prepayments</u></b></p> <p>It was noted that invoices were prepaid that had not been posted onto the ledger.</p>   | Assets and liabilities may be recorded in the wrong period. | Prepayments should be matched to invoices posted in the period.                    | Insurance prepayment reversed and staff informed not to hold posting of invoices   |
| Low                                | <p><b><u>2017/18 budget</u></b></p> <p>From review of the 2017/18, budget submitted to the ESFA, it appears that the expected reserves position is incorrect.</p> | The information given to the ESFA may be incorrect.         | Work done on the academies behalf by third parties should be reviewed and checked. | Any issues experienced when inputting data onto ESFA spreadsheets will be communicated with Dains so that support can be provided prior to submission. |

| 2016 Management Letter Points..... |  |   |   |  |                        |
|------------------------------------|--|---|---|--|------------------------|
| Risk Rating                        | Weakness   | Risk  | Recommendation  | Response in 2016   | Action taken 2016/2017 |
| Medium                             | <p><b>Recognition of DFC income</b></p> <p>DFC had been recognised in full when it had been received.</p>                    | Income could be misstated.                      | DFC income should be recognised evenly over the period to which it relates.                                       | Now recognised evenly / adjusted for.  | Cleared                |
| Medium                             | <p><b>Payroll authorisation</b></p> <p>Currently, amendments and final payroll authorisation are both done by the SSM's.</p> | Fraudulent transactions could escape detection. | Final approval of the pay reports should be done by the associate heads or someone else with delegated authority. | Further payroll controls to be implemented. Associate Headteachers to sign final approval. | Cleared                |

| 2016 Management Letter Points..... |   |   |  |   |                        |
|------------------------------------|---|---|--|---|------------------------|
| Risk Rating                        | Weakness  | Risk  | Recommendation   | Response in 2016  | Action taken 2016/2017 |
| <b>Medium</b>                      | <p><b>Pecuniary interest forms</b></p> <p>It appears that pecuniary interest forms have not all been completed properly as companies in which they are also directors have not been included.</p> | <p>Connected/related party transactions could escape detection and irregularity could ensue.</p>                | <p>All companies in which trustees/members have a vested interest in should be included on the pecuniary interest forms.</p> | <p>Pecuniary interest forms now have additional wording to clarify this requirement.</p>                      | <p>Carried forward</p> |
| <b>Low</b>                         | <p><b>Signed Contracts</b></p> <p>It appears that there aren't signed contracts of employment on file for all employees.</p>  | <p>If a dispute were to ever arise, the Trust may have insufficient evidence on file to support their case.</p> | <p>Where contracts are not on file, new contracts should be issued.</p>  | <p>Original contracts for TUPE staff retained by LA. Implemented for new TTLT employees since conversion.</p> | <p>Carried forward</p> |



| 2016 Management Letter Points..... |  |   |  |                         |                        |
|------------------------------------|--|---|--|-------------------------|------------------------|
| Risk Rating                        | Weakness   | Risk  | Recommendation   | Response in 2016        | Action taken 2016/2017 |
| Low                                | <p><b>Signed pay amendment letters</b></p> <p>Signed pay letters are not always retained and placed in the employees personnel file.</p>                 | <p>If a dispute were to ever arise, the Trust may have insufficient evidence on file that the employee had been notified of the pay amendment.</p>    | <p>Whenever pay is amended, a letter should be sent to staff and should be placed on the personnel file.</p> | <p>Now implemented.</p> | <p>Cleared</p>         |
| Low                                | <p><b>Talentum bank reconciliation</b></p> <p>The Talentum bank reconciliation was done as at 16<sup>th</sup> August, not at 31<sup>st</sup> August.</p> | <p>If the amount per the nominal and the amount per the bank statement didn't agree, then there would not have been an up to date reconciliation.</p> | <p>In line with the rest of the trust, the bank should be reconciled at the month end.</p>                   | <p>Now implemented.</p> | <p>Cleared</p>         |

| 2016 Management Letter Points..... |   |                                 |  |                                |                        |
|------------------------------------|---|---------------------------------|--|--------------------------------|------------------------|
| Risk Rating                        | Weakness  | Risk                            | Recommendation   | Response in 2016               | Action taken 2016/2017 |
| Low                                | <p><b>SEN income</b></p> <p>SEN income had not always been accrued into 2015/16 for amounts received post year end relating to the summer term.</p> | Income may be misstated.        | Income should be recognised when it relates to not when it is received.                              | Now recognised / adjusted for. | Cleared                |
| Low                                | <p><b>Loan on conversion</b></p> <p>The loan on conversion has not currently been recognised.</p>   | Liabilities may be understated. | All assets and liabilities on conversion with a fair value of more than £1,000 should be recognised. | Now recognised.                | Cleared                |