



Holmer Green Senior School

Interim Management Letter

10 July 2019

- 1. Introduction and Management Summary**
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1. Introduction and Management Summary

1.1 Summary of Work Undertaken

This report has been prepared for the governors of Holmer Green Senior School following the interim audit of the financial statements for the year to 31 August 2019.

During our interim audit for the year ended 31 August 2019 we reviewed the accounting procedures and system of internal controls. This review was made primarily to aid us in determining the scope of our work and did not purport to identify every irregularity or weakness in the system. The comments and recommendations made in this report arose as a result of our review and are for the sole use of the governors. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

The scope of the above work has been communicated to the governors through our audit planning letter, and our terms of engagement detail the respective responsibilities both Landau Baker Limited and the governors.

We shall be grateful if you will inform us in due course of the steps that you decide to take in respect of the matters dealt with in this management letter. It will also be helpful if you will inform us of any other proposed changes to your system of internal controls as and when they occur.

If you wish to discuss the points in this letter or indeed any other matters relating to the academy's finances and controls, please contact the academy audit team.

We would like to express our thanks to Lynda Jackson and the finance team for their assistance during the audit.

2. Audit Findings

As stipulated by the Academies Accounts Direction, all findings detailed below have been given a priority rating as follows:



High Priority – should be addressed as a matter of urgency.




Medium Priority – recommendations to be implemented as soon as practical





Low Priority – recommendations made but little risk – to be dealt with in the future


2.1 Points identified in previous management letter dated 29 November 2018


Findings	Recommendation	Current Position	Priority
<p>1. Land and Buildings Valuation The land and building valuation which occurred upon academy conversion totalled £3.9m, based upon a report from Sanderson Weatherall (surveyors). In contrast however, the ESFA valuation totals £16.538m.</p>	Please can you confirm the basis of the valuation of the land and buildings as shown in the financial statements.	It is understood, that the governors wish to adopt the ESFA valuation for the land and buildings. In order to affect this, please can you formally confirm that this is the case, providing evidence that it has been agreed by the governing body (eg. signed board minutes).	
<p>2. VAT Debtor At 31 August 2018, the VAT receivable per forms 126 submitted to HMRC was £62,694 whereas the balance per the ledger was £54,006, a difference of £8,688.</p>	At the end of each month, a reconciliation should be prepared between the balance not yet received for VAT claims submitted with the balance on the VAT account in the nominal ledger. Any differences should be fully explained.	It was noted that the relevant monthly reconciliations are not being undertaken. See section 2.1.5 below for full details.	
<p>3. Aged Debtors We noted that there was no supporting schedule available to confirm the nominal ledger balance.</p>	We recommend that at every month end the aged debtors listing is reconciled to the balance within the management accounts, with appropriate authorisation checks undertaken.	It was noted that the relevant monthly reconciliations are not being undertaken. See section 2.1.5 below for full details. We also recommend that the sales ledger function within FMS is utilised, as this will enable the academy trust to effectively monitor debtor balances and ensure that they promptly collect cash as it falls due.	
<p>4. Aged Creditors We noted the following: - There was no supporting schedule available to confirm the nominal ledger balance</p>	We recommend that at every month end the aged creditors listing is reconciled to the balance within the management accounts, with appropriate authorisation checks undertaken.	It was noted that the relevant monthly reconciliations are not being undertaken. See section 2.1.5 below for full details.	

Findings	Recommendation	Current Position	Priority
- A number of long outstanding balances within creditors	Any long outstanding items should be investigated on a regular basis.		
5. Management accounts We noted that within the management accounts, there is currently no balance sheet prepared.	As per the Academies Financial Handbook 17/18 (effective 1 September 2018), management accounts need to be prepared on a monthly basis. The management accounts need to include a profit and loss and balance sheet and need to be prepared on an accruals basis. They need to be reviewed and approved every month by the Chair of Governors.	As part of the monthly management accounts procedures, no reconciliations are undertaken on certain control accounts (highlighted above) within the balance sheet. In order to ensure that the management accounts are fully prepared, containing an accurate balance sheet, the above reconciliations need to be performed on a monthly basis, with the subsequent management accounts reviewed and approved monthly by the Chair of Governors.	

2.2 Matters arising from our audit work

Findings	Recommendation	Priority	Management Response
1. Budget Monitoring It was noted that the approval of expenditure in excess of the agreed annual budget is currently only being approved verbally with no external documentation retained.	The approval of any overspend to the agreed budgets for individual cost centres need to be formally approved, with documentation of such approval maintained. This formal approval needs to state whether the excess expenditure is to come out of the following years budget, or alternatively, have been vired from a different cost centre. Preparation and usage of formal documentation for when these instances occur will enable the academy to closely monitor expenditure to budget, ensuring that it is in line with expectations.		These are small adjustments of £100 - £500 from curriculum areas and are always included in our Year End forecasts so there is not a danger of the school overspending but we will look to implement this for 19.20
2. Payroll Costs We noted that there is no evidence that the academy verifies the accuracy of the gross salaries and deductions on payroll reports each month.	We recommend that the academy should prepare the following: a) The academy should prepare a summary of staff salaries (Salaries Master List) extracted from personnel records, contracts of employment and the annual assessment of		This check is carried out but not documented as per this request. We note that no salaries were found to be incorrect during the Audit. We will look to implement this for 19.20

Findings	Recommendation	Priority	Management Response
	<p>salary to show for each member of staff, including non-teaching staff:</p> <ul style="list-style-type: none"> • pay scale/points • part-time fraction, if applicable • annual and monthly gross pay • hourly / daily rate of pay, basis of calculating the rate • type of authorised deductions from pay, amount of deduction (e.g. AVC at fixed percentage or fixed amount) • any election to opt in or out of teachers superannuation scheme • National Insurance Table reference <p>b) The Salaries Master List should be printed at each major pay review date, signed by the Headteacher to confirm accuracy and kept up to date. All lists applicable during the year should be retained for audit purposes.</p> <p>c) Copy payslips each month should be checked against the Salaries Master List to ensure that all staff have been paid and on the correct basis. All checks carried out should be signed and dated on the relevant payroll report.</p>		
<p>3. Cash Payments & Staff Expenses A number of instances were noted where staff members were reimbursed by bank transfers for purchases directly for the academy which the employees paid for using their own bank card.</p>	<p>We recommend that the academy uses its own charge card for small online purchases, rather than relying on staff members and reimbursing them accordingly. This practice will also ensure that the budgets are being appropriately monitored, as discussed in point 1 above.</p>		<p>This is just not practical given the number of staff purchasing items. We do try to purchase online orders centrally using the school charge card for large items. No budgets are being overspent as a result.</p>

Findings	Recommendation	Priority	Management Response
<p>4. Information Outstanding The supporting documentation from FMS, to externally verify the pupil numbers within the census, was not available during our interim audit visit.</p>	<p>We look forward to the academy providing us with the documentation to support the census figure prior to, or during, the final part of the audit.</p>		<p>This has been supplied. It would be useful to have a list of items required by Audit at the start of the Year so we can ensure reports are requested appropriately at the time.</p>