



**Smailes Goldie Group**  
CREATING ADVANTAGE

**The Constellation Trust**  
**Management Letter**  
*for the year ended 31 August 2019*



Our Ref: NS/DJB/SIR001

The Directors  
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16/12/2019

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Dear Sirs

We present our management letter following completion of the audit of the financial statements for the year ended 31 August 2019.

We have summarised the principal findings arising from the audit in the executive summary in section 1, but would stress that our principal findings should be read in conjunction with the rest of our report. This report has been prepared for your sole use in connection with the financial matters contained therein. It should not be provided to or relied upon by any other person, used or referred to in any document, or used for any other purpose without our prior consent in writing.

We appreciate this opportunity to be of service to you. If you have any questions regarding the matters set out in this report or require us to carry out any additional work, please contact Nicola Shipley or David Burkill.

Yours faithfully



Smailes Goldie



## 1. Overview

### Context

The Academies Financial Handbook is the Education & Skills Funding Agency's (ESFA) financial guide for the governing body and managers of Academy Trusts. Drawing on the overall financial requirements specified in an Academy Trust's Funding Agreement, it describes the financial responsibilities reflecting their status as companies limited by guarantee, exempt charities and public bodies.

The Academies Financial Handbook sets out the overall governance framework for Academy Trusts and describes the key systems and controls that should be in place. It balances the need for effective financial governance with the freedoms that Academy Trusts need over their day to day business and it sets out the areas of HM Treasury's Managing Public Money that apply to trusts, and reflects the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) to which public office holders must adhere. It also discusses in detail the requirements for preparing an annual trustees' report and accounts in order to comply with company law, accounting standards and Charity Commission expectations.

In June 2019 an updated Academies Financial Handbook 2018 was issued by the ESFA effective from 1 September 2018. Based on the guidance and requirements of this updated handbook the Multi Academy Trust has produced its own Financial Regulations Manual. This manual specifies the detailed financial systems and controls adopted by the Multi Academy Trust and has remained in use throughout the period ended 31 August 2019.

### Summary conclusion

Having completed our audit of the financial statements for the period ended 31 August 2019, our general observation is that the Board of Trustees has a diligent and thorough approach to fulfilling its roles and responsibilities under statute and regulations, charity law and the funding agreements applicable during the year.

Throughout the period, the finance team has taken a proactive approach to ensuring that staff and budget holders are aware of their day to day financial responsibilities within the framework of the Multi Academy Trust's Financial Regulations Manual.

In overview, we have concluded that there were no major systemic failures during the period and the Multi Academy Trust's commitment to the principles of regularity, propriety and compliance is robust.

Section 2 of this report highlights the points that were noted in last year's management letter and provides details of how the Multi Academy Trust has moved forward to resolve these.

Our detailed findings for the current year are set out in section 3. We rated our findings based on a colour coded system as follows:

#### Red

A Key Concern. Action required immediately.

#### Amber

A Moderate Concern. Action is believed to be required.

#### Yellow

A Minor Concern. Action is believed to be required but it is not considered a significant issue.



**2. Points noted in the prior period management letter**

Area	Grading	Point noted	Recommendation	Client comments	Resolved/ unresolved
Cheque payments	Amber	For 1 of the 25 cheque payments tested it was noted that no invoice/receipt was obtained/kept as the goods were paid for at the time of purchase on an educational visit and no receipt was provided. This meant that a blank cheque had to be authorised prior to payment as the amount of the purchase was not known.	There was no proof of purchase available, though a copy was subsequently obtained. Additionally, authorising cheques prior to purchase could leave the trust more exposed to fraud.	Ensure receipts are obtained or requested for all purchases. Use one of the trusts credit cards to pay for such transactions.	Prior year point has been resolved
Inter-academy balances	Yellow	It was noted that transactions and balances between academies within The Constellation trust required significant reconciliation at year end in order to balance.	Income and expenditure may be grossed up and overstated (with £nil effect on the bottom line) if inter-academy transactions are not eliminated correctly.	Inter-academy transactions an balances should be reconciled at least monthly.	Prior year point has been resolved
Fixed assets	Yellow	It was noted on 2 occasions that, although not material, assets of a similar nature were categorized differently across the MAT.	Incorrect depreciation rates may be applied.	Assets of a similar nature should be categorised consistently across the MAT.	Prior year point has been resolved





Fixed assets	Yellow	<p>It was noted that some of the fixed asset registers did not include all of the details as required by the finance policy, such as asset tags and date of additions. In the case of asset tags, high value/lucrative IT assets are being tagged and tracked and therefore the point is in relation to lower value fixtures and fittings which are generally movable around the school.</p>	<p>Depreciation may be calculated incorrectly if the date of additions is not clear on the fixed asset register. Assets are more susceptible to theft if asset tags are not used.</p>	<p>Ensure fixed asset registers comply with the finance policy.</p>	<p>Prior year point has been resolved</p>
Personnel files	Yellow	<p>For 2 of the 40 employees tested no contract of employment could be found for staff members. For 11 of the 40 items tested the contract of employment was not signed.</p>	<p>If any employment disputes were to arise, the Constellation trust would not have an employment contract to use as a point of reference to resolve the issue.</p>	<p>Ensure that the files are all updated.</p>	<p>Prior year point has been resolved</p>



**3. Points noted during the course of the audit for the year ended 31 August 2019**

Area	Grading	Points noted	Implications	Recommendations	Client comments
Fixed assets	Yellow	Fixed asset registers on some schools required updating.	Depreciation may not be calculated correctly.	Ensure fixed asset registers are updated.	Point noted. All Primary school asset registers were up-to-date. The Secondary schools asset registers have been updated.
Trade creditors	Yellow	It was noted that there had been an instance of a post year-end payment run being posted into the year. This did however appear to be a case of human error.	Creditors and bank figures are not accurately recorded.	The cut-off procedures are reviewed.	Point noted. The Executive Finance Lead had corrected this and will initiate training at schools to prevent it occurring again.
Lettings contract	Yellow	It was noted that lettings contracts did not include specific reference to the amount of the contract, though a general price list was available.	Disputes are more easily resolved if the contract includes the price being charged.	Include the contract price in the contract itself.	Point noted. The Executive Finance Lead is to review all contract paperwork and ensure that new contracts include the amount of the contract.



## Contact us

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