

**Private & Confidential**

The Trustees  
Kibblesworth Academy  
West View  
Kibblesworth  
Gateshead  
Tyne & Wear  
NE11 0XP

Our ref: KIB0001NER

Your ref:

Date: 10 December 2015

Dear Sirs

**Report to management**

During the course of our audit and regularity assurance engagement for the period ended 31 August 2015 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the trustees of Kibblesworth Academy. We understand that you are required to provide a copy of this report to the Education Funding Agency. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Evolution Business and Tax Advisors LLP towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy's comments against each point under the "management response" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully



Evolution Business and Tax Advisors LLP

**Here's to the future. We plan it. You shape it.**

## Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2015

### Audit approach

Our general audit approach was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the company operates.

To summarise our approach, we:

- ✎ updated our understanding of the business and its environment;
- ✎ reviewed the design and implementation of key internal financial control systems; and
- planned and performed an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated.

Significant risks arise on most audits and are often derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. In areas where we identified the potential for significant risk, we extended our audit testing to include more detailed substantive work. Our work in other areas was proportionally less.

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

There were no changes to our audit approach as previously communicated to you in our audit planning document.

## Summary of significant audit findings

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Recognition of income in the appropriate accounting period (generic academy sector audit risk)	<p>Our audit testing found certain adjustments were required to income reported in the management accounts amounting to £4,200. After adjusting for our findings, we are satisfied that income is recognised in the appropriate accounting period</p> <p>However there were weaknesses identified in cash controls reported below</p>	No comment required
Allocation of expenditure against the appropriate income stream (generic academy sector audit risk)	<p>The management accounts provided appropriate details to confirm that the accounts were prepared in accordance with the appropriate guidelines and all funds have been accounted for in accordance with those guidelines</p> <p>Our audit testing found certain adjustments were required to ensure completeness of expenditure</p>	No comment required
Funding claw backs arising from changes in pupil numbers	We reviewed correspondence with funding providers after the balance sheet date and found no evidence of funding claw backs arising from changes in pupil numbers	No comment required

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
VAT reclaims are not being made on a timely basis	<p>Only one vat reclaim had been made during the year for the period to March 2015 and at 31 August 2015 £26,000 was due to the academy in unclaimed vat recovery.</p> <p>We recommend that vat reclaims are carried out more frequently so that the academy receives funds it is entitled to in a timely manner</p>	<p>This issue has been recognised as an area of weakness and one for improvement. As a result of it being reported at the last RO visit an agreement has been made with Joanne Ayre of Evolution to submit claims on a termly basis, resulting in 3 claims per annum. Naturally there is a 'quiet' period during July and August which negates the value of a quarterly return. This new practice will be reviewed and discussed at each RO visit with a view to increasing the frequency if it is deemed appropriate</p>
Declarations of trustees' business interests are not included on the academy's website	<p>The Academies Financial Handbook 2015, section 2.5.2 specifies that a trust must include details of relevant business and pecuniary interests on the website</p>	<p>Following the Ofsted visit in June 2015 a complete review of our web site has been undertaken. The absence of the trustee business and pecuniary interests is being addressed and the recent changes in the profile of the Governing body has prompted the updating of all relevant documentation. Completion of this task is scheduled for late December 2015 – early January 2016</p>
During our audit work we were not able to inspect all minutes of committee meetings. Minutes of meetings are required by company law and the academy's governing document and should be stored safely and made available to all trustees and to us as auditors	<p>We recommend that the minutes of meetings are retained in a central location and access information provided to those who should have access to the documents</p>	<p>We accept this failing and have introduced measures to rectify this weakness. With immediate effect the SBM has been designated the 'keeper of minutes' with all minutes and associated documentation being copied to him. An electronic and hard copy will be stored</p>

## Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
<p>Our audit highlighted that there are significant weaknesses in controls in place for recording catering income. Lunchtime assistant records did not agree to finance office records, which in turn did not agree to Parent Pay records.</p> <p>Additionally, source information collected in the classroom on pupils taking school meals is weak</p>	<p>The academy should demonstrate strong internal controls over cash collection. The current weaknesses in controls allow for the possibility of cash misappropriation.</p> <p>We recommend that source records are fully completed and reconciled to cash received to support the completeness of income.</p> <p>Having inaccurate source documentation provides for the risk to the academy that all income due is not collected</p>	<p>Considerable work has been undertaken during the latter part of the financial year 2014-15 to improve the management of school meals income. All parents are strongly encouraged to use our on-line payment system and to register their child's 'meal plans'. Payment by cash is strongly discouraged and only accepted in exceptional circumstances. A daily check procedure has been introduced where teachers verify the children's perception of their meal arrangements each day and then inform the office of any perceived variances.</p> <p>Further refinement and development of this system is envisaged which will result in an even more robust payment collection process.</p> <p>A zero tolerance to debt policy has been introduced and vigorously pursued to recover outstanding debt and eliminate the risk of loss to the Academy</p>

<p>Our audit highlighted significant weaknesses in the recording of club income.</p> <p>Also, we noted that club income is recognised in the accounts net of expenditure incurred</p>	<p>Our sample testing indicated that the source records for documenting attendance and cash received were not complete and did not tie in to income banked. There is no conclusive documentation being held to support cash banked and allows for the possibility of cash misappropriation. We further identified that cash income is included in the accounts net of any expenditure incurred. Therefore income and expenditure are understated. The academy should recognise the full amount of income and separately record any expenditure incurred so that the accounts provide a fair reflection of the transactions</p>	<p>This issue has been recognised as a significant failing in our system and cash management processes. Consequently considerable effort has been made to ensure attendance at after school club(s) is properly recorded and payment received. Payment is made through Parent pay, our on-line system, and parents are required to pre-book sessions. 'Last minute' bookings are discouraged but accommodated in exceptional circumstances. The club organisers have worked closely with the office staff to ensure a reliable attendance record is maintained and the office are able to ensure appropriate billing is carried out. The SBM will be undertaking a further review of the efficacy of the whole wrap around services, this will include a cost benefit analysis which will highlight operational costs against income and assess the value for money of the services provided</p>
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## Update on prior year's management letter points

Audit issues communicated in last year's management letter and our proposed approach to each of these areas, in light of developments in the period are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
The Parent Pay ledger included many old balances which potentially needed writing off. We were also not able to obtain sufficient evidence of the accuracy of the balance provided for 31 August 2014. The accounts did not include the debtor reported on the ledger of £3,234 due to the unreliability of the report	Strenuous efforts have been made in reviewing Parent Pay ledgers during the current financial year. Although there are still some minor errors in the system, we are satisfied that balances are now properly accounted for and chased	No comment required
Our audit highlighted that the Academy may have been overcharged for climate levy on energy costs historically. There may be an opportunity to challenge the charges and recover any overpayment	The academy currently is working towards collecting overpayment	No comment required
All governors of the Academy should be recorded as directors at Companies House. During the course of our audit work, we found that not all directors have been appointed. We recommend that this is corrected immediately and future governors are appointed in a timely manner	Our review of Companies House records highlights that this continues to be an issue	Some updating at Companies House was recorded in August 2015. This now requires further amendment to reflect the considerable recent movement in the profile of the Governing Body

Several processes reviewed in the course of our audit uncovered various general control weaknesses. We concluded that the main reason behind the weaknesses was the fact that the Academy had two Business Managers during the year and two periods where no Business Manager was in position. We strongly recommend that the new business manager ensures that policies recorded in the Finance Handbook are followed, and if appropriate, the Finance Handbook is adapted to record actual processes being followed	There were still significant weaknesses identified in general controls during the current year's audit. However, it is acknowledged that the Academy has invested in additional resources for 2015/16 and is working on strengthening controls. More detail on control weaknesses identified are reported earlier in this report, therefore we are not seeking management responses here	No comment required
The Finance Handbook had not been updated to reflect changes issued by the EFA	This was updated and presented to governors on 10 December 2014	No comment required
Our audit highlighted a number of purchases for which no purchase invoice could be found. Although no vat had been claimed on these amounts, the Academy must retain paperwork to corroborate all expenditure incurred	We did not identify any issues in this area during the current financial year	No comment required



<p>Purchase orders appear to be raised retrospectively to purchase invoices being received. The following inconsistencies have been noted between FHB and the process actually in operation:</p> <p>(a) Section 606 refer to the use of requisition forms which is not followed.</p> <p>(b) Section 608 of the FHB states that a detailed check of goods received noted will be carried out. No evidence has been obtained to confirm this is being carried out.</p> <p>(c) Section 610 refers to the use of a grid stamp. Again no evidence has been obtained to confirm this is being carried out</p>	<p>This continues to be an issue in the current financial year. Our audit sample of 10 purchases highlighted that all matters raised last year have not been addressed.</p> <p>The academy must demonstrate strong internal controls on the use of educational monies through spending, therefore authorisation from designated officials must be obtained prior to purchases being made and this procedure must be followed by all staff.</p> <p>Goods received must be checked to orders placed to confirm that the right items are delivered, invoiced and paid for.</p> <p>If the procedures in place do not follow the Finance Handbook policies, we recommend that the Finance Handbook is updated</p>	<p>This remains an on-going issue as many orders can only be raised retrospectively, e.g. invoices from Gateshead Council for school meals. We take advantage of on-line ordering to ensure best value for money, this results in the official order becoming a confirmation order rather than actual purchase document. However the SBM has raised the issue with SLT colleagues and a requisition form has been designed. All expenditure not pre-approved in the Academy Development Plan will be reviewed by the SLT.</p> <p>Goods received notes are now signed and filed with the copy order and invoice.</p> <p>The grid stamp is used on all copy orders will ALL orders approved by the Head Teacher (this practice has been in place since 13 October 2014 when the current SBM took up post)</p> <p>The SBM is proposing changes to the FHB to reflect the use of on-line purchasing and the commensurate process modifications</p>
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<p>The Finance Handbook stipulates levels at which various levels of authorisation must take place. Our audit testing identified one invoice that should have been authorised by the Head Teacher and one invoice that should have been authorised by the Finance Committee. There was no evidence to suggest that this had been done</p>	<p>This continues to be an issue in the current financial year. Our audit sample of 10 purchases highlighted that one invoice should have been authorised by the Finance Committee. However all other invoices in the sample had been appropriately authorised by the Head Teacher.</p> <p>We recommend that The Finance Handbook is updated to include the policy actually in place, as the current Finance Handbook policy is too onerous</p>	<p>The unauthorised invoice cited in column one was a 'one-off' oversight. However the SBM proposes to recommend changes to the FHB to recognise that some 'regular' invoices will exceed the stipulated authorisation limit and should no longer require Finance Committee authorisation, an example of this would be school meals where invoices are invariably over £4k. One off or exceptional expenditure would still require approval via the Finance Committee</p>
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### **Anticipated audit report**

We anticipate that we will issue an unmodified audit report for period.

### **Regularity assurance engagement findings**

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2014 to 2015 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We anticipate that we will issue an unmodified regularity assurance report for the period.

There were no regularity issues to be brought to your attention in connection with the regularity assurance engagement.