**Private & Confidential**

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| The Trustees  Kibblesworth Academy  West View  Kibblesworth  Gateshead  Tyne & Wear  NE11 0XP | Our ref: | KIB0001NER/JR |
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| Your ref: |  |
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| Date: | 11 December 2018 |
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Dear Trustees

**Report to management**

During the course of our audit and regularity assurance engagement for the period ended 31 August 2018 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 and Skills 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 Baldwins Audit Services 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



**Baldwins Audit Services**

**Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2018**

**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**

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| **Significant risk area identified at planning** | **Findings, significance and recommendations** | **Management response / timetable for action** |
| Revenue recognition | During our audit we found no material issues to bring to your attention regarding the recognition of income, therefore we are satisfied that income is appropriately recognised in the financial statements | No comment required |
| Management override | Our audit work did not suggest any evidence of attempts by management to override financial controls | No comment required |
| Fund accounting | Your finance team provided appropriate information and all funds have been accounted for in accordance with accounting guidelines with no material errors noted | No comment required |
| LGPS liability | We reviewed the assumptions made by the actuary and made appropriate enquiries, no significant issues were noted | No comment required |
| Compliance with laws and regulations | After making enquiries with management and reviewing policies, we did not discover any evidence of non-compliance | No comment required |
| Connected party transactions | We reviewed business interests information and held discussions with management and found no evidence of undisclosed connected party transactions | No comment required |
| Sustainability and going concern | We reviewed budgets and forecasts and enquired into assumptions made. We concluded that the going concern basis is appropriate | No comment required |

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| **Other areas where issues were identified during the audit** | **Findings, significance and recommendations** | **Management response / timetable for action** |
| Insufficient evidence of committee meetings taking place | During our audit we were only provided with minutes for two full governors’ meetings held in January and April. The details within the minutes were limited and provided no assurance of key oversight matters being addressed.  No finance committee minutes were presented to us | This problem has now been resolved. The old chair of Governors has resigned and been replaced by one more attuned to the need for detailed and accurate minutes.  The ‘old’ chair of Governors also chaired the finance committee insisting on chairing, taking minutes and contributing at each meeting. All requisite documents were received and discussed, however minutes rarely reflected this. |
| Information contained on the academy’s website is incomplete or out of date | Our review of the website identified only two years’ financial statements were available. The Academies’ Finance Handbook stipulates three years’ financial statements | This will be rectified within 24 hours when the YE 2018 financial statement is uploaded following ‘sign off’ by Governors on 11 Dec 2018 |

**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.

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| **Control weakness identified and significance** | **Potential implications and recommendations** | **Management response / timetable for action** |
| The purchases system is not being controlled as per the Finance Handbook  Purchase orders appear to be dated after purchase invoices are being received, orders are stamped with authorisation details instead of the invoice and invoices are posted with incorrect dates | The academy is at risk of inappropriate purchasing taking place where there is no evidence of authorisation prior to ordering  Costs and expenses may also be accounted for in the incorrect period by not posting invoices in accordance with invoice dates | This has been an on-going issue for the Academy, following discussion and advice from auditors the handbook has been amended to reflect the ‘reality’ of our business. Creating an official requisition form for a £1.99 purchase is neither efficient nor effective therefore the handbook has been revised to give the SBM authority to make purchases for day to day operational items without the need for a formal requisition. This amendment reflects the trust placed in the SBM post and is safeguarded by the rigour of internal audit.  The stamping of orders as opposed to invoices is in the interest of efficiency, the order being the ‘top copy’ on view in the file. This has also been amended in the handbook.  The posting of invoices in the wrong period was a technical misunderstanding which has now been resolved. |

**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:

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| **Findings / recommendations** | **Status in current in year** | **Management response / timetable for action** |
| Finance Committee minutes did not provide evidence of Internal Assurance reports being discussed | This continues to be an issue | As discussed above this matter has now been resolved with a new chair of Governors and chair of finance committtee |
| Trustees’ business interests are not recorded on the academy’s website | This continues to be an issue. Although the academy discloses details of governors and any direct pecuniary interests in academy business, the academy must also retain a record of trustees’ business interests (whether transactions are taking place or not) | The need for detailed business interests in addition to the register ofpecuniary interests had not been fully appreciated. It will now be corrected. |
| All trustees of the academy should be recorded as directors at Companies House | From our review prior to finalising the audit, trustees are consistent between internal records, the website and Companies House | No comment required |

**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 2017 to 2018 issued by ESFA. 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 bring to your attention in connection with the regularity assurance engagement.