

Private & Confidential

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

Our ref: KIB0001NER/JR/EH

Your ref:

Date: 10 December 2014

Dear Sirs

Report to management

During the course of our audit and regularity assurance engagement for the period ended 31 August 2014 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

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Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2014

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)	Our audit testing provided sufficient evidence that income is appropriately recognised in the financial statements	No comment required
Allocation of expenditure against the appropriate income stream (generic academy sector audit risk)	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	No comment required
Funding claw backs arising from changes in pupil numbers	We have reviewed correspondence with grant providers after the balance sheet date and found no evidence of funding claw backs arising from pupil numbers. However, the 2014/15 GAG funding statement includes a claw back of £377 relating to 2012/13 SEN LACSAG. The financial statements have not been adjusted for this amount	No comment required

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Catering income	Our audit work highlighted that school meals cost the Academy £2.60 but the Academy is only charging £2.00 per pupil resulting in a loss. We appreciate that this is an academy decision but feel this should be brought to your attention	It was agreed at the last Finance committee meeting that parents will be charged £2.20 from January 2014
Parent Pay ledger	The Parent Pay ledger includes many old balances which may potentially need writing off. We were also not able to obtain sufficient evidence of the accuracy of the balance provided for 31 August 2014. The accounts do not include the debtor reported on the ledger of £3,234 due to the unreliability of the report	School Business Manager to investigate the possibility of recovering these debts through our SLA with debtors service by 19 th December. SBM to advise Finance committee on ways of avoiding debt in future, i.e. parents to pay for school meals half termly in advance
Energy costs	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	School Business Manager to investigate by 19 th December
Staff costs	Our audit work provided sufficient evidence that staff costs, as recorded in the accounts, are complete. However, we bring to your attention the high level of staff costs compared to GAG income (95%). This is significantly higher than the EFA reported average of 80%	Management are satisfied staffing costs provide value for money considering pupil outcomes but School Business Manager & HT to review this when putting together draft budget in April 2015

Registration of trustees at Companies House	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	Chair of members has agreed funding from Finance Committee for this service to be provided by clerk of governors. School Business manager to ask clerk of governors to complete this by 19 th December
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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
General weaknesses in internal controls specific to the academic year	Several processes reviewed in the course of our audit uncovered various control weaknesses, some of which are identified in detail below. 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	School Business Manager is currently addressing this and internal assurance reports of visits by Evolution are sent to HT and governors to ensure correct processes are being followed

Finance Handbook	The Finance Handbook has not been updated to reflect changes issued by the EFA	This is due to be updated and presented to governors on the 10 th December
Missing purchase invoices	Our audit highlighted a number of purchases for which no purchase invoice could be found. Although no vat has been claimed on these amounts, the Academy must retain paperwork to corroborate all expenditure incurred	School Business Manager to ensure this is addressed by 19 th December
Purchase orders	<p>Purchase orders appear to be raised retrospectively to purchase invoices being received.</p> <p>The following inconsistencies have been noted between FHB and the process actually in operation:</p> <ul style="list-style-type: none"> (a) Section 606 refer to the use of requisition forms which is not followed. (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. (c) Section 610 refers to the use of a grid stamp. Again no evidence has been obtained to confirm this is being carried out 	School Business Manager to ensure this issue is addressed immediately

Authorisation of purchases	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	School Business Manager to investigate and advise HT and governors on future authorisations required
Lack of audit trail for certain cash collections	In the period where no Business Manager was in position, no records were maintained for cash collected. Therefore it was difficult to establish the nature of this income. This weakness only related to a short period and any discrepancies are considered not to have a material effect on the accounts	School Business Manager to advise HT and governors on measures to prevent reoccurrence

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 2013 to 2014 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 brought to your attention in connection with the regularity assurance engagement.