

Strictly Private and Confidential

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

Our ref: KIB0001NER/JR
10 December 2019

Dear Trustees

Report to management

During the course of our audit and regularity assurance engagement for the period ended 31 August 2019 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.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter circulated in July 2019, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

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 & Skills Funding Agency who may share this information internally within the Department for decision making purposes. 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

A handwritten signature in black ink, appearing to be 'P. M.', written in a cursive style.

Baldwins Audit Services

Significant matters relevant to our audit and regularity assurance engagements for the period ended 31 August 2019**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
Revenue recognition	During our audit we found no material issues to bring to your attention regarding the recognition of income. We are satisfied that income is appropriately recognised in the financial statements	No response required
Management override	Our audit work did not suggest any evidence of attempts by management to override financial controls	No response 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 response 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
Sustainability and going concern	The academy has provided appropriate explanations to suggest that the going concern basis is appropriate in the financial statements	No response required

There were no other areas where significant issues were identified during our audit work.

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
During our review of trade creditors we noted that some supplier accounts have old invoices and payments on account that have not been matched. Therefore it is difficult to determine what balances are actually outstanding on ledgers	Overdue invoices may not be flagged or overpayments may be made. We recommend that the purchases ledger is reviewed and tidied where possible	We accept this point as an area in need of improvement. Timely payment of invoices will become a priority and periodic tidying implemented
During our purchases testing two invoices were not found in the records resulting in evidence of spend and purpose being lost	Evidence is lost of purpose of expenditure and vat recovery. If a valid invoice cannot be presented, there is the possibility that HMRC could clawback vat We note that these were isolated incidents and not systematic of the purchases system	There is no specific reason for the cited invoices not being available. It is likely that this was a 'human error' of mismatching or failing to match-up paperwork. SLA's paid over a period of time may have an invoice attached to month one's purchase order form only

Status of findings/recommendations from previous years

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
<p>The purchases system is not being controlled as per the Finance Handbook</p> <p>Purchase orders appear to be dated after purchase invoices are being received, orders are stamped with authorisation details instead of the invoice This may result in inappropriate purchasing taking place</p> <p>Invoices are posted with incorrect dates leading to risk of costs being accounted for in incorrect periods</p>	<p>During our review of the purchases system we tested 56 transactions to verify the Finance Handbook procedures were being followed. Out of 56 transactions tested 35 had purchase orders dated after purchase invoice</p> <p>Purchase orders appear to be completed retrospectively meaning that processes are not being followed to ensure orders are for bono fide academy purposes</p> <p>The trustees may need to consider updating the Finance Handbook to introduce controls over purchasing which are more relevant to the academy</p> <p>We also found one SLA which was posted in 9/19 instead of the invoice date of 6/19 resulting in an audit adjustment</p>	<p>Our financial handbook has been adjusted to address this on-going issue.</p> <p>The majority of purchases are now made on-line, using the academy purchase card. This is a highly efficient and cost effective purchasing mechanism. The vast majority of purchases are of relatively low value.</p> <p>A traditional purchase sequence of requisition form, approval, order form etc. is not practical. Considering the volume of orders and low value of most orders, resources to process such a system are simply not available. Therefore, a system whereby expenditure is limited to the SBM and HT only, introduces an authorisation control mechanism. No one else has the authority to place orders on behalf of the Academy.</p> <p>For expedience, the HT will often make on-line recourse purchases or book CPD during 'out of hours' periods, especially at weekends, making it impossible to fulfil the traditional purchase chain.</p>

Findings / recommendations	Status in current in year	Management response / timetable for action
		<p>A monthly review of expenditure is conducted between the SBM and HT to ensure expenditure is legitimate, controlled and within budget.</p> <p>One of our biggest suppliers, Gateshead Council, usually invoice months after a service / goods are provided, sometimes leading to posting errors.</p> <p>All purchases, without exception are recorded on Sage and are subject, albeit sometimes retrospectively, to HT authorisation.</p> <p>We are confident both our internal controls are robust enough to mitigate any risk associated with retrospective purchase orders.</p>
Insufficient evidence of committee meetings taking place	During our audit we were provided with full access to minutes of all meetings. The minutes were a full reflection of matters discussed	No comment required
Information contained on the academy's website is incomplete with only two years' financial statements being available	Our review of the website has concluded that three years' financial statements are available in line with the Academies Finance Handbook	No comment required
Trustees' business interests are not recorded on the academy's website	Our review of the website has concluded that business interests are now included	No comment required

Summary of audit differences and draft letter of representation

There were no unadjusted misstatements noted during our work. We have attached a draft letter of management representations required in connection with our audit at appendix 1.

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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The ESFA has no right by virtue of the regularity engagement to place reliance on our work and the opinion we form in respect of our statutory financial statements audit of the academy.

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.

Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the academy's income and expenditure. The work undertaken to draw our conclusions included:

- completion of self assessment questionnaire by Accounting Officer
- discussions with the Accounting Officer and finance team
- review of Internal Assurance report
- review of trustee and committee meeting minutes
- review of finance and other relevant policies
- review of purchases, expenses and expense claims on a sample basis including the application of controls and tendering processes where applicable
- review of gifts and hospitality transactions including the application of controls
- review of credit card transactions including the application of controls
- review of payroll transactions on a sample bases including the application of controls
- review of potential special payments to staff
- review of leases and consideration of areas where borrowing may have been incurred
- consideration of transactions with related and connected parties
- review of register of business interests for completeness and compliance with regulations
- enquiries into transactions that may require disclosure under ESFA delegated authority rules
- consideration of value for money and appropriateness of transactions

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.

Appendix 1:**Draft letter of management representations to external auditor****Audit letter of representation**

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy's financial statements and as, relevant, your assurance engagement on regularity for the period ended 31 August 2019. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as trustees as set out in the terms of your engagement letter dated 26 September 2019, under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy, and with all other records and related information, including minutes of management meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 We were notified that there were no uncorrected misstatements found during the audit.

Internal control and fraud

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Accounting policies

- 9 We are satisfied that our accounting policies have been formally adopted by the trust, are appropriate to our circumstances and have been consistently applied.

Assets and liabilities

- 10 The academy has satisfactory title to all assets and there are no liens or encumbrances on the academy's assets, except for those that are disclosed in the notes to the financial statements.
- 11 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 12 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

- 13 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

- 14 The academy has not granted any advances or credits to, or made guarantees on behalf of trustees other than those disclosed in the financial statements.

Legal claims

- 15 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Law and regulations

- 16 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

- 17 Related party relationships and transactions, comply with the academy's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Annual Accounts Direction issued by the Education and Skills Funding Agency.

Subsequent events

- 18 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

- 19 We believe that the academy's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy's ability to continue as a going concern need to be made in the financial statements.

Grants and donations

- 20 Grants made by the Department of Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.

21 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Defined benefit pension scheme

22 We have considered the actuarial assumptions made in connection with the defined benefit pension scheme (LGPS) and are satisfied that to the best of our knowledge they reflect the circumstances applicable to the trust.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

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Signed on behalf of the board of trustees

Date.....