

# Report to the trustees and summary of audit findings

The KITE Academy Trust

Year ended 31 August 2018

# SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR 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.

# The KITE Academy Trust

## Summary of audit findings for the year ended 31 August 2018

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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 on the attached schedule are limited to those deficiencies that we have identified during the audit.

### **Outstanding matters**

Prior to issuing our audit report we require:

- the signed letters of representation;
- a copy of the academy's most recent management accounts showing a comparison against budget.
- Signed journals

### **Anticipated audit report**

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding the matters outlined in this report.

**SUGGESTED IMPROVEMENTS**

Level	Current Procedure	Possible Consequences	Suggested Improvement	Management Response
2	<p>At the time of the audit there were a number of details which were not fully up-to-date on the Trust website and on those of the individual schools. This included:</p> <ul style="list-style-type: none"> <li>- Incomplete pecuniary business interests for Trust governors</li> <li>- Incomplete governance details for local governing bodies (at GRO/SAN/CRO/LAK), including disclosure of business interests and meeting attendance.</li> </ul>	<p>It is a requirement of the AFH that trusts must be transparent with governance arrangements and ensure governors' pecuniary and business interests are available on their website.</p> <p>Guidance has also been issued by the DfE confirming other information which academies should publish on their website.</p>	<p>We recommend that the MAT and school websites are updated as soon as possible to ensure compliance with this requirement.</p> <p><b>See AFH 2.5.1</b></p>	<p>Agreed: To ensure information contained on our websites is both complete and compliant we will be centralising this role to our newly appointed IT Manager</p>
2	<p>At the time of the audit Pupil Premium grant expenditure details disclosed on the school websites was not fully up-to-date. Report dates stated were incorrect for HLG and LAK, although details were otherwise accurate. HLG and LAK are now updated. A breakdown of expenses is not disclosed for WYK.</p> <p>Similarly the sports premium grant report published on LAK's website seems to relate to 2016/17, although the title states 2017/18. This is now updated.</p>	<p>Potential non-compliance with the terms of the grant, which specify information on how the funding has been used should be published on the school website by the end of the Summer Term (so July 2018 for the grant received in July 2017).</p>	<p>Review the information disclosed on the school website and ensure that this is up to date and in line with the latest DfE guidance</p> <p><a href="https://www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online">https://www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online</a></p>	<p>Agreed: The central Finance team on an ongoing basis will assist schools in ensuring Sports and Pupil Premium grant reports are fully compliant. Our IT Manager will ensure that these reports are uploaded to school websites on an ongoing basis.</p>

# The KITE Academy Trust

## Summary of audit findings for the year ended 31 August 2018

2	No valuation has been obtained for the central team's Local Government Pension Scheme (LGPS) obligation.	The LGPS pension obligation will be understated in the accounts. Owing to the increase in size of the central team this could lead to a material understatement of liabilities.	We understand that a valuation has been requested from the actuary, following receipt of the other reports. We recommend that in future years this is included in the original request.	Agreed: The majority of central team staff transferred from Kite schools during 2017/2018. There has been some confusion regarding whether these staff have been included within school pension reports. Once it was clarified that this was not the case a pension report was requested for central Kite staff on 2 <sup>nd</sup> October 2018. We are currently awaiting receipt of this report.
1	The operating lease commitments schedule was not up-to-date with all lease agreements held by the Trust.	An incomplete central summary of leases will make it harder to identify current commitments and lead to under disclosure in the accounts.	Ensure that the schedule of lease commitments is updated for all new agreements entered into.	Agreed: We intend to create a lease schedule as part of the implementation of our newly procured fixed asset system during 2018/19.

**Level 1 – Low      Level 2 – Medium      Level 3 - high**

Please note that this report has been prepared for the sole use of The KITE Academy Trust. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

### **Regularity assurance engagement findings**

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the 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.

### **Regularity**

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

- An assessment of the risk of material irregularity and impropriety across all of the Trust's activities;
- Further testing and review of the areas identified through the risk assessment including enquiry;
- Identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

We anticipate that we will issue an unmodified regularity assurance report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.