

PRIVATE AND CONFIDENTIAL

The Trustees
The Kite Academy Trust
Holly Lodge Primary School
Stratford Road
Ash Vale
Surrey
GU12 5PX

Our Ref:MJD/SRT/K0431

1 December 2017

Dear Trustees

REPORT TO MANAGEMENT

During the course of our audit and regularity assurance engagements for the year ended 31 August 2017, 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 The Kite Academy Trust. 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 Wise & Co. towards any party acting or refraining from action as a result of this report.

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



Wise & Co

**SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY
ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2017****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.

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 letter of representation;
- a copy of the academy's most recent management accounts showing a comparison against budget.

Anticipated audit report

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

Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2016 to 2017 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.

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 matters outlined in this report.

The Kite Academy Trust
31 August 2017
SUGGESTED IMPROVEMENTS

Risk level	Current Procedure	Possible Consequences	Suggested Improvement	Management Response
2	At the time of auditing, the MAT website and individual schools' websites were not up-to-date with governors' pecuniary and business interests.	It is a requirement that trusts must be transparent with governance arrangements and ensure governor's pecuniary and business interests are available on their websites.	We recommend that the websites are updated as soon as possible to ensure compliance with this requirement. See AFH 2.5.1	Agreed: This will be overseen on an on-going basis by a designated officer from the Kite Central Team.
1	At one school we noted that cheque receipts are recorded through the bank nominal earlier in PSF than the date the cheque is actually clearing the account.	Receipts could sometimes be posted in the wrong period and the monthly management reports could be inaccurate. The financial statements may be overstating income.	Cheque receipts must be posted in PS Financials on the same date as they clear the bank.	Agreed: All banking will be performed centrally and postings subsequently made on PSF on a timely basis.
1	On posting payroll liabilities the employee deductions (E'ee NI/PAYE etc.) are recorded in PS Financials against the net wages control account.	The net wages, pensions and PAYE/NI liabilities recorded on PS Financials do not agree to the individual payments made, although they do agree in total. An additional adjustment needs to be made when the bank is reconciled to contra the balances remaining on the control accounts.	When posting payroll, the liabilities should be recorded in the appropriate ledger in creditors so that they agree with the monthly payroll statement. This means that the bank payment will agree to the liability recorded on PS Financials and no additional adjustment will be necessary. All expenses forms should be signed by the authorising person to confirm that they are correct.	Agreed: We will amend our payroll journal process to ensure that the NI and PAYE control account balances agree to the HMRC and pensions creditors on a monthly basis.
1	At one school not all expenses claim forms are signed as authorised.	This could result in errors being made and staff could claim fictitious expenses. As a result the expenses could be overstated.		Agreed: We will ensure that all expense claim forms are appropriately authorised prior to payment.

Risk level: 1=low; 2=medium; 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.