



williams giles
Chartered Accountants

The Trustees
The Pathway Academy Trust
C/o Culverstone Green Primary School
Wrotham Road
Gravesend
Kent
DA13 0RF

Dear Sirs

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 Pathway Academy Trust. 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 Williams Giles 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

Williams Giles

Office & Registered Office:

12 Conqueror Court, Sittingbourne, Kent. ME10 5BH

Williams Giles is the trading name of Williams Giles Limited
a company registered in England and Wales. Co. No. 7035263

Registered Auditors:
Business & Tax Advisers

Tel: 01795 471544
Fax: 01795 422757

Web: www.williams-giles.co.uk
Email: admin@williams-giles.co.uk



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 as previously communicated to you.

Summary of significant audit findings¹

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Related parties	Amber - From reviews of the related party registers provided by the client there were a large number that were detailed as 'none'. We note that the current form has been correctly completed and recommend for best practice the form is amended to include employment details.	On recommendation from our accountants, the Declaration of Business Interests form has been amended to include current employment details. Declarations on the new forms will be renewed in January 2018.
Revenue recognition	No issues identified	
Accounting estimates	No issues identified	
Staff costs	Amber – From payroll testing undertaken it was identified that the personnel files at Riverview Infant School had not been updated in-line with the payroll. We recommend that personnel files are updated regularly for any and all changes to staff pay.	Electronic copies of all payroll amendments are stored in an electronic file. The School's Personnel Officer will ensure that copies are printed and filed in the personnel files, the Trust Personnel Officer will monitor.
Accrued expenditure	No issues identified	

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Purchase orders	Amber – From testing carried out	School's Finance Officers will be



	<p>on expenditure it was identified that there was not always a backing purchase order in place; for expenses that would expect to have one.</p> <p>We recommend that purchase orders are raised and authorised prior to expenditure being undertaken as per EFSA guidelines.</p>	<p>reminded of the need to obtain a purchase order for every transaction.</p> <p>The Trust's Finance Officer will monitor.</p>
Expenditure authorisation	<p>Amber – From walkthrough and credit card testing it was identified that a payroll report and a credit card invoice had not been authorised prior to payment.</p> <p>We recommend that all expenditure is authorised by the appropriate finance member to ensure all expenditure undertaken by the academy is legitimate.</p>	<p>The school's Finance Officers will be reminded of the need to obtain authorisation prior to the date of payment.</p> <p>The Trust's Finance Officer will monitor.</p>

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.

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 [year] are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
Income cut off - the element of UIFSM income that relates to 2016/2017 had not been deferred to next year. Incorrect cut-off could lead to income being recognised in the wrong year.	Correctly deferred in both schools this year. No further issues identified.	N/A
Expenditure cut off – some expenditure relating to 2015/2016 had not been accrued into the year. Incorrect cut-off could lead to expenditure being recognised in the wrong year.	Correctly applied this year with only items identified being immaterial/trivial. These items also appeared to have been received after the cut-off review had been applied.	The Trust Business Manager has agreed with the accountants that only creditors in excess of £500 will be identified in future.
Fixed Assets - Some additions in excess of the capitalisation limit had not been noted as additions. In addition depreciation is not currently calculated by the client.	No change items were identified over the capital limit which had not been moved to additions.	In agreement with the Board of Directors the capitalisation limit has been raised to £2000.

Summary of audit differences and draft letter of representation

Attached is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm that you are satisfied that none of these need to be adjusted for in the financial statements.

We have also attached a draft letter of management representations required in connection with our audit.

Regularity assurance engagement findings

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

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 misstatement and irregularity
- Testing and review of areas identified through risk assessment including enquiry, inspection and review, observation and re-performance
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our audit in order to support the regularity conclusion

Regularity issues brought to your attention in connection with the regularity assurance engagement are as follows:

Findings and significance	Potential implications / financial impact and recommendations	Management response / timetable for action