

**Joint meeting of the
South Bank Academies Audit Committee and Board of Directors**

10.00 am on Friday, 12 January 2018
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		RF
2.	Declarations of interest		RF
3.	Minutes of previous meeting <ul style="list-style-type: none">• Board meeting, 7 December 2017• Joint Audit Committee and Board meeting, 20 December 2017	3 - 12	RF
4.	Matters arising	13 - 18	RF
	Financial reporting for the year end 31 August 2017		
5.	External audit findings (to review)	19 - 56	AK
6.	Going concern statement (to approve)	To Follow	CV
7.	System of internal control report (to discuss)	To Follow	CV
8.	External audit letter of representation (to approve)	To Follow	AK
9.	South Bank Academies Annual Report and Accounts (to approve)	57 - 102	CV
	Items to discuss		
10.	Finance System action plan	103 - 108	CV
	Items to note		
11.	Financial controls policy	109 - 116	CV
12.	Any other business		

**Date of next meeting
4.00 pm on Tuesday, 6 March 2018**

Members: Richard Flatman (Chair), Adam Crossley, Douglas Denham St Pinnock, Tony Giddings, Lesley Morrison, David Phoenix, James Stevenson and Rao Bhamidimarri

Apologies: Richard Parrish

In attendance: Claire Viner, Michael Broadway, Joe Kelly and Anjali Kothari (Kingston Smith LLP)

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**Minutes of the meeting of the South Bank Academies Board
held at 2.00 pm on Thursday, 7 December 2017
South Bank Engineering UTC, 56 Brixton Hill SW2 1QS**

Present

David Phoenix (Chair)
Rao Bhamidimarri
Adam Crossley
Douglas Denham St Pinnock
Richard Flatman
James Stevenson

Apologies

Tony Giddings
Lesley Morrison
Richard Parrish

In attendance

Michael Broadway
Claire Viner
Joe Kelly

1. Welcome and apologies

The Chair welcomed directors to the meeting. The above apologies were noted.

The Board noted that Steve McGuire had resigned as a director.

2. Declarations of interest

No director declared a conflict of interest with any item on the agenda.

The Board approved the directors' Register of Interest declarations.

3. Minutes of last meeting

The Board approved the minutes of the meeting held on 14 September 2017.

4. Matters arising

The Board noted the following actions were still in progress:

- Financial controls policy: the Board requested that the current version of the policy is circulated to directors as soon as possible. The policy was being revised and would be reviewed by the Audit Committee; and
- Review of KPIs. The next KPI report was due at the Board meeting in March 2018.

5. **Chief Executive report**

The Board discussed the CEO report.

The Board noted that the most significant challenge to both schools is the high number of Newly Qualified Teachers (NQTs). This is due to difficulties in recruiting and retaining teachers in London, particularly in STEM subjects. The Principals at both schools are reviewing staffing capacity.

The Board noted that the second stage of the new accommodation at UTC is due to be delivered in June 2018.

The Board noted student recruitment to the UTC had declined in September 2017, and requested that staff focus on improving student numbers as a key priority. The Board noted national challenges for UTCs include the age of student entry. The Board noted the option of converting to an 11-18 school intake while maintaining a focus on STEM subjects. A review would be undertaken in the New Year for the Board to approve. The consent of the DfE would be required if such a change were to be pursued.

The Board discussed the DfE's term 3 visit report. The Board noted that students' experience of practical learning at the UTC had been limited by the temporary accommodation. The Board asked that LGBs review that students are actively supported in integrating additional hours of practical learning within their overall workload.

The Board noted that DfE would conduct termly visits to the UTC until it received its first Ofsted inspection. The final term 4 visit report would be circulated to the Board when received from the DfE.

The Board discussed the support for new teachers who did not have experience in preparing students for exams. It was noted that this is a regular item at the monthly management meetings.

The Board noted that Skanska had delivered a successful sustainability day at UTC for students and staff.

6. **SBA Strategic Plan**

The Board approved the Strategic Plan. The individual school development plans would be aligned to the strategic plan.

The Board noted the plan was based around the two existing schools and would need to be updated if any additional schools joined the MAT.

7. **SBA Risk Register**

The Board discussed the company's risk register.

The Board confirmed that the risk register is a live document and requires continual review and updating.

The Board requested that:

- An overview of changes should be recorded on the cover sheet for each meeting; and
- pending actions to address risks be recorded.

The Board requested that the policy and processes for identifying, reviewing and tracking risks and updating the company and school risk registers is reviewed at the next Audit Committee meeting.

The Board agreed that staff recruitment, and financial controls should both carry a higher risk rating.

8. Revised budget 2017/18 and management accounts to 31 October 2017

The Board discussed the re-forecast of the budget 2017/18.

The Board confirmed that the budget approved at the start of the financial year and submitted to ESFA remains the budget throughout the year. Any subsequent changes to budgeted income and expenditure should be managed to ensure the agreed surplus is met.

The Board requested confirmation by email of the value of the recent cleaning and catering contracts, and that they had been approved within delegated limits.

9. Assurance visits report

The Board noted the assurance reports.

10. Safeguarding report

The Board discussed the Safeguarding report.

The Board noted there were six active safeguarding cases at the Academy.

The Board requested that the Safeguarding report include a relevant Board-level overview with details of the number of cases in each school, to be reported at each meeting.

11. Annual Report and Accounts 2016/17

The Board discussed the current situation in relation to the annual report and accounts, and agreed the next steps in moving forward.

The Board noted the challenges in producing accurate accounts; these were identified as follows:

- A lack of financial control during the financial year;

- A lack of regular bank reconciliations in the new financial year; and
- A lack of training of junior staff resulting in mis-posting of a large number of small transactions.

The Board noted a £170k unreconciled difference between the accounting records and the bank accounts which has now been reduced to approximately £50k. Management gave assurance to the Board that the majority of the £170k difference would be reconciled in the next few days. This position is shared by the auditors. The auditors' advice is that £5k is the materiality threshold.

The auditor has confirmed that if final draft accounts (with the differences reconciled) can be submitted for audit by the morning of Tuesday 12 December 2017, the auditors will be able to audit the accounts in time for approval by the Board and filing with the ESFA ahead of the filing deadline of 31 December 2017. The Board noted practical issues around Christmas holidays.

The Chair of the Audit Committee is having regular discussions with the external auditors.

The CEO assured the Board that:

- it is confident that there is no evidence of fraud or misappropriation;
- there is paperwork to back up all transactions; and
- the differences are due to error.

The Board expressed its disappointment to be in this position but noted that the issues can be resolved. The Board instructed management to do its utmost to ensure that the accounts are not qualified and that they are filed on time.

The Board noted that the draft accounts, the audit management letter and the letter of representation will receive detailed scrutiny by the Audit Committee before being recommended to the Board for approval. The Board noted it is likely that the auditors will require specific representations from directors in the letter of representation to the auditors.

The Board agreed the following next steps:

- To review the position again on Tuesday 12 December 2017;
- Audit Committee and Board meetings will be arranged to allow scrutiny and approval of the accounts ahead of the filing deadline of 31 December 2017 (practically this means Friday 22 December 2017); and
- The internal audit function will be reviewed by the Audit Committee to address financial control issues.

12. **Local Governing Body reports**

The Board noted the reports from the Local Governing Bodies.

13. **School Development Plans**

The Board noted the School Development Plans.

14. **Election of Chair and Vice Chair**

The Board approved David Phoenix and Richard Flatman as Chair and Vice Chair, respectively, for the school year 2017/18.

15. **Company policies**

The Board approved the revised terms of reference for the Remuneration Committee.

The Board noted the Pay Policy. The CEO is reviewing the policy and, after consultation with staff, will bring a revised policy to the July 2018 Board meeting.

**Date of next meeting
2.00 pm, on Thursday, 22 March 2018**

Confirmed as a true record

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**Minutes of the joint meeting of the South Bank Academies Audit Committee
and Board of Directors
held at 12.00 pm on Wednesday, 20 December 2017
Technopark, SE1 6LN**

Present

Richard Flatman (Chair)
David Phoenix
Rao Bhamidimarri
James Stevenson
Douglas Denham St Pinnock
Richard Parrish

Apologies

Adam Crossley
Tony Giddings
Lesley Morrison

In attendance

Claire Viner
Michael Broadway
Joe Kelly
Anjali Kothari (via conference call)

1. Welcome and apologies

The Chair of Audit Committee welcomed members to a joint meeting of the Audit Committee and Board of Directors.

South Bank Academies External Auditor, Anjali Kothari (Kingston Smith LLP), joined the meeting by teleconference.

The above apologies were noted.

Members agreed the meeting would focus on the Annual Report and Accounts.

2. Declarations of interest

No member declared a conflict of interest with any item on the agenda.

3. South Bank Academies Annual Report and Accounts

The purpose of the meeting had been to review and approve the annual report and accounts. The CEO had circulated a first draft set of annual accounts (numbers only) to all directors on Tuesday 19 December 2017. The meeting noted it would not be possible to approve and sign off the annual report and accounts at this meeting, as planned.

The auditor gave an update on the current position with the accounts. The meeting noted the auditors had received an extended trial balance on 18 December 2017, which has not yet been audited. The accounts would be audited over the Christmas period, and a set of draft audited accounts and final queries would be delivered to the company by the auditors by the end of 4 January 2018. The Board noted that the key areas to address in the audit of the accounts are income recognition, payroll reconciliations, staffing and fixed assets.

The Board was extremely disappointed to accept that the deadline for submission of approved audited accounts and auditor's management letter to the ESFA of 31 December 2017 would be missed. The meeting agreed that the Chair of the Audit Committee would inform the ESFA and request an extension with an anticipated submission date in mid-January.

The meeting noted that the ESFA has a deadline on 19 January 2018 for the submission of the Annual Accounts Return (AAR), a separate return. The meeting requested that the CEO provide a timetable to the Board detailing the work to be completed between 4 and 19 January 2018 in order to meet this deadline. The meeting noted the CEO was drafting the Trustees' section of the annual report, which would require review by the Board.

The meeting noted that the AAR must be signed off by the auditor, and requested that management work with LSBU's Performance, Planning and Assurance team to review and verify the data to be submitted. The Board requested the CFO to begin work on the AAR with immediate effect.

The auditor confirmed that its management letter would contain a number of high risk areas. The meeting noted that management would need to respond and be in a position to understand why things went wrong; to be able to confirm that books and records are now up-to-date; and to set out how this would be addressed so it does not happen again.

The meeting agreed that the Audit Committee and Board would meet again during the week commencing 8 January 2018 to review and approve the audited accounts.

The CFO confirmed that internal audits had been conducted on a termly basis in 2016/17, and as far as possible in 2017/18. The meeting requested an internal audit report be brought to the next meeting of the Audit Committee. The meeting agreed to appoint an independent internal auditor.

4. Public benefit statement

The Board approved the Public Benefit Statement for inclusion in the Annual Report.

5. **Governance statement**

The Board approved the Governance Statement for inclusion in the Annual Report.

6. **Annual value for money report**

The Board approved the Value for Money Statement for inclusion in the Annual Report.

7. **Anti-fraud, bribery and corruption report**

The Board noted the Anti-fraud, bribery and corruption report.

8. **Speak up report**

The Board noted the Speak Up report.

9. **Any other business**

There was no other business.

**Date of next meeting
12.00 pm, on Friday 12 January 2018**

Confirmed as a true record

..... (Chair)

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SOUTH BANK ACADEMIES BOARD - THURSDAY, 7 DECEMBER 2017 ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	Matters arising	Circulate current financial controls policy to directors	Before 22 Dec 2017	Claire Viner, Joe Kelly	On agenda
		Review KPIs	Before 27 Feb 2018	Rao Bhamidimarri	To do
		Revised financial controls policy to March 2018 Audit Committee meeting		Claire Viner	To do
6.	Chief Executive report	LGB to confirm that students are actively supported in integrating additional hours of practical learning within their overall workload		Rao Bhamidimarri	To do
		Staff / LGBs to focus on student recruitment		Rao Bhamidimarri	To do
		Circulate final DfE term 4 visit report to directors		Rao Bhamidimarri	To do
		Proposals on UTC school to Board meeting		Rao Bhamidimarri	To do

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
8.	SBA Risk Register	<p>Changes to risk register to be recorded on the cover sheet for meetings; revisions to be clearly dated; details of pending actions to address risks</p> <p>Policy and processes for identifying, reviewing and tracking risks and updating the registers in the MAT and both schools to</p> <p>March 2018 audit committee meeting Update risk rating for staff recruitment and financial controls</p>	<p>Before 27 Feb 2018</p> <p>Before 27 Feb 2018</p> <p>Before 22 Dec 2017</p>	<p>Claire Viner</p> <p>Claire Viner</p> <p>Rao Bhamidimarri</p>	<p>To do</p> <p>To do</p> <p>To do</p>
9.	Revised budget 2017/18 and management accounts to 31 October 2017	<p>Budget reporting to be against agreed budget for the year. Forecast revisions to appear in separate column.</p> <p>Circulate confirmation to directors that contract amounts for the recent cleaning and catering contracts are within delegated limits.</p>	Before 22 Dec 2017	<p>Claire Viner</p> <p>Claire Viner</p>	<p>To do</p> <p>To do</p>
11.	Safeguarding report	Safeguarding reports to include confirmation of number of cases in each school.		Rao Bhamidimarri	To do

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
12.	Annual Report and Accounts 2016/17	<p>Internal audit function to be reviewed by Audit Committee</p> <p>Draft audited accounts to be ready for Board to approve early in week commencing 18 December 2018</p> <p>Arrange Board meeting for week commencing 18 December 2017 for approval of accounts</p>		<p>Claire Viner</p> <p>Rao Bhamidimarri, Claire Viner</p> <p>Michael Broadway</p>	<p>To do</p> <p>On agenda</p> <p>Completed</p>
16.	Company policies	Revised Pay Policy to July 2018 Board meeting	Before 5 Jul 2018	Rao Bhamidimarri	To do

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**SOUTH BANK ACADEMIES AUDIT COMMITTEE - WEDNESDAY, 20 DECEMBER 2017
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
3.	South Bank Academies Annual Report and Accounts (to recommend to the Board)	Timetable of work to be completed 4 - 19 January 2018 in order to meeting AAR filing date	Before 22 Dec 2017	Rao Bhamidimarri	Completed
		Update Trustees' reports and include sentence citing problems during the year which are now be rectified by SBA.	Before 22 Dec 2017	Rao Bhamidimarri	Completed
		Engage independent internal auditor		Richard Flatman	In progress
		Work with PPA (Richard Duke) to prepare data for AAR		Rao Bhamidimarri	In progress
		Begin work on AAR now		Claire Viner	Completed
		Send letter to ESFA		Richard Flatman	Completed
		To report back to SBA with audited accounts and audit findings	4 Jan 2018	Anjali Kothari	Completed
		Agree and circulate date for next joint Audit Committee/Board meeting	Before 22 Dec 2017	Michael Broadway	Completed
	Kingston Smith to issue draft management letter and letter of representation	Before 8 Jan 2018	Anjali Kothari	On agenda	

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Agenda Item 5

	CONFIDENTIAL
Paper title:	External audit findings
Board/Committee	South Bank Academies Joint Audit Committee and Board meeting
Date of meeting:	12 January 2018
Author:	Kingston Smith, External Auditor
Purpose:	For review by the Board
Recommendation:	The meeting is requested to review and note the external audit findings

Executive Summary

The draft external audit findings report is attached for information.

The final external audit findings report will be filed with the ESFA.

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South Bank Academies

Post Audit Management Report

Year Ended 31 August 2017

DRAFT

Post Audit Management Report – South Bank Academies

We have largely completed the audit of South Bank Academies (SBA) for the year ended 31 August 2017 and whilst we expect to issue an unqualified audit opinion on our Kingston Smith Audit report, there have been significant difficulties encountered which have been identified throughout his report.

As part of our audit work and in accordance with the reporting requirements outlined in the regularity report we have identified irregularities in relation to the maintenance of the books and records and the management information being reported to the Board. We have highlighted key areas of concern in Section 2 and Section 3 of this report, with further details outlined in the appendices. An explanation of the issues has been included in the Financial Statements by the Trustees.

We understand that the Trust is in the process of bringing their accounting system up to date and a more rigorous internal control process is to be introduced once this exercise has been completed.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes a number of points which have been deemed to be high and medium risk which need to be resolved.

If you have any concerns or questions arising from this report, please contact Anjali Kothari.

Yours faithfully

.....
Kingston Smith LLP

.....
Date

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Section 2	Significant findings from the Audit
Section 3	Operation of the Accounting and Internal Control Systems
Section 4	Operation of the Accounting and Internal Control Systems – follow up on prior year points raised
Section 5	Sector update
Appendix 1	Detailed timetable
Appendix 2	Original figures presented for audit vs subsequent extended trial balance (ETB)
Appendix 3	Corrected Misstatements and Reclassifications from the ETB
Appendix 4	Uncorrected Misstatements and Reclassifications
Appendix 5	Significant unresolved items as at 8 January 2018
Appendix 6	Other matters

Section 1: Audit Approach

As outlined in our pre-audit letter dated 9 June 2017 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work. Unfortunately due to the difficulties encountered as part of the audit process as identified in section 2 and 3 of this report, and from the work that we have undertaken ourselves we believe that the conclusions we have reached have to be referenced to the detail issues raised within this report.

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Risk: Income recognition

- DfE funding could be recognised in the wrong period.



Audit Approach

- We will look to gain assurance in this area by performing cut-off testing and reviewing a sample of post year end transactions to ensure income has been recognised in the correct accounting period.



Conclusion

- We have used the paperwork provided by the Trust to identify the income that should have been received. The final income figures presented are materially in agreement with supporting documentation.

Risk: Management override

- Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records, overriding controls that otherwise appear to be operating effectively (ISA 240 para 31).



Audit Approach

- We will review journals raised in the year for any unusual entries or patterns
- We will test a sample of journals to identify the nature of the journal and evaluate whether there is a genuine rationale for the adjustment.



Conclusion

- Whilst we did not identify any instances of management override, due to the number of errors that were identified and the lack of information to support the journals that had been processed, we have raised a significant issue in the body of this report.

Section 2: Significant Findings From The Audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected material misstatements and reclassifications

As referred to in the Significant difficulties section, the original trial balance presented for audit was not reflective of the year's results. Appendix 1 outlines the detailed timetable of events and Appendix 2 shows a summary of the financial position presented by the original trial balance for reference.

Management were not able to correct the system on a transactional level within the time frame, but prepared reconciliations and breakdowns for balance sheet items and identifiable areas such as income and payroll. A manual extended trial balance was created to record all the adjustments identified from the work undertaken, in order to bring the figures to the correct year end position.

This revised trial balance was then audited, and included as Appendix 3 are the corrected misstatements identified during the course of our audit work which have been discussed and agreed with you.

Uncorrected immaterial misstatements and reclassifications

Included as Appendix 4 are the uncorrected, immaterial misstatements and reclassifications identified during the course of our audit work.

At this point there are still unanswered audit queries which are yet to be resolved, which are likely to have further impact upon the corrected and uncorrected adjustments disclosed in this report.

Appendix 5 details the key outstanding audit queries and unresolved items at this point, being 8 January 2017.

Observations concerning the operation of the accounting and control systems

We detail in section 3 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention. The observations have been ranked in order of potential risk to the Trust.

We look forward to receiving your responses on the points raised.

Due to the nature of an audit we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Significant difficulties

We experienced significant difficulties and delays during our audit as the financial information presented to us was incomplete and could not be supported by the underlying financial records.

Section 2: Significant Findings From The Audit

The original trial balance presented for audit was not reflective of the year's results and a number of the key control accounts had not been reconciled or reviewed and a significant number of postings were errors, duplicate transactions or incomplete.

The answers given to some of the audit queries and requests made have been inadequate and indicate a lack of understanding of the underlying issues, or are reflective of the lack of a full audit trail throughout the year.

Under significant matters we have summarised the key issues. Under section 3 we have provided more detail on the individual issues we faced..

Significant matters

The number of significant issues noted within this report as well as the state of the financial records indicate that no adequate internal reviews had been undertaken by an independent person during the year, which would have identified the issues sooner. It also indicates the lack of systematic controls and processes that should be undertaken on a weekly/monthly basis. For example the payroll journals had not been fully posted onto the accounting system since April 2017. However if the net wages control account was being reconciled as part of the normal controls process, this issue would have been identified by May 2017 at the latest.

Another example includes the purchase ledger control account which included a number of duplicate entries, payment only entries and outstanding invoice payments where invoices had been paid directly through the bank. A review of the ledger and a process to reconcile it to the trial balance would have identified the discrepancies at a much earlier stage.

As part of the issue the bank accounts had not been properly reconciled within the accounting system and therefore a number of incorrect

transactions had not been identified on a timely basis. In addition a bank account previously in use under the UTC was still active but had not been included in the financial statements as it was not thought to have been dormant during the year.

As part of our audit work and in an attempt to unravel some of the errors identified it became apparent that there was a lack of clarity and information, and therefore an appropriate audit trail for journal entries, including income and opening balances.

With the number of errors identified it became clear that the Trustees could not have received accurate financial information which correlated to the accounting system during the year, therefore the management accounts must have been incorrect during and post year end.

The extent of the issue was quite significant. Whilst a number of errors have been identified and corrected, there are still areas of the accounts that whilst materially correct based on the information we have to date, we cannot be certain will not result in a prior year adjustment in the following year. For example we are unable to ascertain whether an accrual of £111k is an accurate charge for the light and heat used and if so which nominal code the remainder of the accrual has been posted to as the current nominal expense code only reflects £58k of costs for this year.

Future risks

The Trust has taken the decision from October 2017, when the extent of the issue became apparent, to maintain the financial records on a manual ledger via excel rather than continue to maintain its current accounting system, PS Financials. We understand that part of this decision is because the accounting package has to be updated to a more current version.

Section 2: Significant Findings From The Audit

Given the size of the Trust maintaining a manual accounting system is high risk as it is prone to human error. It is more difficult to maintain and produce the financial information on an accruals and prepayments basis and is not a robust system for cash management against budgets, and projections.

We would strongly advise that the Trust reverts back to using its current accounting system, update the accounting entries from October 2017 and run the proper checks, reconciliations and processes to ensure all the information is correct and accurate with a proper audit trail.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Trustee's formal confirmation are in respect of routine matters, except for the following:-

To be added

USEFUL OBSERVATIONS

Members

We would note that the ESFA recommends a minimum of 5 members, although this is not currently a mandatory requirement. This is an area of interest to the ESFA and should be considered particularly as the trust grows in the next few years, and as the two individual members are also trustees the aim of this is to ensure the members have sufficient separation from the Board so as to provide external oversight.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
1	<p>Roles and responsibilities</p> <p>It was noted that there is a lack of clarity over individuals' roles and responsibilities within the finance team although a team structure was in place, tasks had not always been completed as expected, particularly in respect of the accounting system once the former finance manager had left the Trust.</p>	HIGH	<p>This caused omissions of some entries such as payroll entries, and duplication of others such as purchase invoice payments, and therefore a material misstatement of the figures. This also caused journal entries to be processed without clear audit trails.</p>	<p>It is recommended that clear roles and responsibilities are allocated amongst staff and clear procedures are put in place for all aspects of the accounting system. Adequate training must be given to all members of staff who are responsible for maintaining the accounting records.</p>	<p>Agreed. A monthly checklist will clarify responsibilities and ensure all accounting tasks are completed by month end. Roles and expectations will also be reviewed and training arranged as required. Training is planned for the end of January and further training will be organised as required</p> <p>Target date: 31st Jan 2018</p>
2	<p>Cash management</p> <p>Bank reconciliations were not performed during the year. This has resulted in material adjustments being required as prompted by auditors. As this work is being done long after the date of transactions, there is increased risk of misstatement and does not reflect timely bookkeeping or management.</p>	HIGH	<p>Conducting regular bank reconciliations is regarded as a basic financial management tool. In the absence of this basic check, the Trust is unable to prove that the accounts and the financial information is correct.</p>	<p>It is recommended that formal bank reconciliations are performed on a regular basis - once a month - and the bank balance as per PS Financials is reconciled to the bank balance as per the bank statements. Any issues identified should be investigated and resolved on a timely basis.</p>	<p>Agreed. Bank accounts will be reconciled at least monthly and reconciling items investigated. The reconciliation will be independently reviewed by a member of the University Finance team.</p> <p>Target date: 31st Jan 2018</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
3	Accounting system Through discussion with management, and review of the financial data presented for audit, it is apparent that those in charge of the finance function are not fully conversant in PS Financials and inadequate training was provided.	HIGH	For example, we note that some expenditure invoices have been posted multiple times to creditors and expenditure, following payment, we note that the transaction has been between bank and expenditure; therefore overstating expenditure and leaving the MAT open to risk of overpayment.	We recommend that all appropriate staff members are formally trained on PS Financials and are trained on their function as well as other functions to ensure that there is always someone on hand with knowledge of the system to advise appropriate treatment.	Agreed. Roles and expectations of staff responsible for maintaining accounting records will be reviewed. Training is planned for the end of January and further training will be organised as required (recommendation 1). In addition members of the University Finance team will be trained in the use of PS Financials and we will consider buying additional consultancy services from the software supplier to use when further support is required. Target date: 28 th Feb 2018
4	Management information It is clear from the information viewed, that full management information has not been prepared and reviewed on a regular basis during the year. Management accounts had been produced and circulated during the year, but it is clear from the information viewed that these did not always agree to the general ledger.	HIGH	Management have a responsibility to review regular management information and this would have identified the deficiencies in the system at an earlier point during the year.	A full set of management information should be made available and reviewed at least on a termly basis.	Agreed: Management accounts will be circulated to Management each month and a schedule of LGB, Committee and Trust board meetings will make it clear which month's management accounts go to each meeting. Management accounts will include a balance sheet and a section reconciling figure to the ledger. Target date: 28 th Feb 2018

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
5	Control accounts Control accounts are not being utilised properly, reviewed nor reconciled, such as net wages, PAYE/NI, pensions, trade debtors, trade creditors.	HIGH	The payroll charge is significant to the MAT - if the journals are not being processed monthly as per the payroll reports, then there is a major weakness in the controls surrounding the payroll function. There is therefore a risk of misappropriation of funds as the reporting could be manipulated and payments manipulated also as there is not a full reconciliation of the charge and the payments made.	We recommend that the payroll process is revised and a formal reconciliation of the payroll report with the postings as per the financial system are reconciled with the payments made. This should ensure that staff are paid appropriately as per approved calculations and that we reduce any misappropriation risks.	Agreed. A formal process will be put in place for the payroll to be signed off in line with the bank mandate before the payroll bacs are sent. Reconciliations will be completed monthly and be included on the monthly check list (recommendation 1). A formal process for recovery of overpayments will be put in place. Target date: 31 st Jan 2018
6	Supplier transactions The supplier ledger within PS Financials is not being utilised, and management have confirmed that they do not have a complete listing of liabilities as at 31 August 2017, with the year end position being ascertained based on post year end payment of physical invoices located.	HIGH	Given the size of the trust, the lack of a functioning supplier ledger increases the risk of duplicate payments being made as there is no complete trail of purchase invoices and payments made.	We recommend that supplier invoices and payments are properly tracked within the accounting system so that outstanding balances can be seen and historic invoices can be viewed.	Agreed. Payments to suppliers will only be made against invoices that have been entered on the accounting system. Outstanding and debit balances will be investigated and resolved monthly and statements will be obtained from key suppliers and reconciled at least every 3 months. Target date: 31 st Mar 2018

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
7	Land and Buildings As at 8 January 2018 a 125-year lease for the land and buildings of UAE was made available to us as the external auditors. Being dated August 2016, this represents a material prior year adjustment to recognise the long leasehold property controlled by the Trust, and this information should have been made available to us during the prior year.	HIGH	The current draft accounts are materially incorrect and are pending an assessed valuation of the land and buildings gifted to the Trust in the prior year.	The Trust has a responsibility to ensure that there is no relevant audit information of which the external auditor is unaware.	We had already disclosed information regarding the lease to the auditors. We will consider professional valuation and the correct accounting treatment. Target date: 30 th Apr 2018
8	Unidentified provisions Upon querying the accruals balance, there is an unsupported general provision for energy costs of £111,000, and unidentified accruals of £42,325. Total energy costs recognised within expenditure for the year however only amounts to £58k.	HIGH	This indicates a lack of clarity and control over the expenditure recognised within the trust's financial statements.	We recommend that proper controls are put in place around supplier invoices which would allow clear monitoring of transactions.	Agreed. Payments to suppliers will only be made against invoices that have been entered on the accounting system. Outstanding and debit balances will be investigated and resolved monthly and statements will be obtained from key suppliers and reconciled at least every 3 months. (Recommendation 6). At year end the reasons for accruals will be clearly documented. Target date: 30 th Sept 2018

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
9	<p>Related party transactions</p> <p>There is not an appropriate process in place whereby related parties and pecuniary interests of key management personnel are recorded on a timely basis</p>	HIGH	<p>There are specific ESFA requirements that state Academies are to keep a record of related parties and pecuniary interests of all key management personnel, trustees and budget holders. This is to ensure that all goods and services procured are done so at a reasonable rate, and to ensure that management are fully aware of related parties at all times.</p>	<p>It is recommended that a formal register of related parties and pecuniary interests is kept centrally by the finance team. It is further recommended that this is updated when new staff are appointed, and on an annual basis. This will allow for the MAT to be aware of all related parties at all times.</p>	<p>There is a formal register of related parties maintained by the University Governance team.</p>
10	<p>Accruals based reporting</p> <p>The accounting records were being maintained on a cash accounting basis instead of an accruals and prepayments basis. A number of adjustments had to be processed to recognise the appropriate accruals, creditors and accrued income.</p>	MEDIUM	<p>There is a risk that incorrect financial information is presented to the board.</p>	<p>The finance staff need to be trained to understand the difference between cash accounting and the accruals concept. This should incorporate an understanding of cut off procedures making it easier to identify the necessary adjustments for monthly, termly and year end accounts.</p>	<p>Accounting records are maintained on an accruals basis. The monthly check list and actions in response to recommendation 6 and 8 will ensure that management and year end accounts are prepared on an accruals basis.</p> <p>Target date: 30th Sept 2018</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
11	<p>VAT receivable</p> <p>Throughout the account period, we note that only 2 VAT 126 returns have been processed and submitted.</p> <p>The UTC VAT balance per PS Financials is £56k overstated compared to the draft claim workings.</p> <p>The VAT balances have not been reconciled during the period.</p>	MEDIUM	<p>There is a risk that these claims have been prepared incorrectly and/or the balance showing as receivable in the accounting system is incorrect.</p> <p>The Trust is also not taking advantage of cash flow opportunities as these returns can be processed on a monthly basis.</p>	<p>It is firstly recommended that the financial system is brought up to date and the VAT 126 returns already processed are reviewed for appropriateness. It is further recommended that the governors of the MAT consider adopting the policy of processing these returns on a monthly basis to aid inflows.</p>	<p>Agreed. VAT 126 returns will be prepared, reconciled to ledgers and sent to HMRC monthly. The monthly check list will evidence that this task has been completed.</p> <p>Target date: 31st Mar 2018.</p>
12	<p>Fixed asset register</p> <p>A complete formal fixed asset register is not maintained was not available at the time of the audit</p>	MEDIUM	<p>The figures within the trial balance in respect of fixed assets are highly material to the MAT, we were not provided with supporting documentation by way of a fixed asset register. This therefore a risk that depreciation, capital additions and capital disposals are not processed appropriately on a timely basis. The fact that this is not being done on a timely basis means that management may not remain aware of the true position of the Academy at all times.</p>	<p>It is recommended that a formal fixed asset register is maintained with capital transactions and depreciation being posted on a regular basis (at least termly), when the management accounts are prepared. This will ensure that the true position of the Academy is reflected at all times.</p>	<p>Agree. The register currently details IT equipment only. A full fixed asset register is being prepared. Fixed asset transactions and depreciation will be posted to the ledger monthly and reconciled to the fixed asset register.</p> <p>Target date: 31st Mar 2018.</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
13	<p>LGPS pensions</p> <p>We identified discrepancies between the amounts showing on the actuarial reports for employer contributions received, and the trust records of employer contributions paid to the scheme.</p>	MEDIUM	<p>These discrepancies indicate potential error in the information used by the actuaries in preparing the LGPS pension report figures.</p>	<p>We recommend that the Trust reviews the documentation received by the actuaries and reconciles contributions paid to internal records, with discrepancies investigated and resolved directly.</p>	<p>Agreed.</p> <p>Target date: 30th Sept 2018.</p>
14	<p>Agency staff</p> <p>The agency staff costs in the year of £587k is extremely high compared to other trusts, and indicates a potential staffing and budgeting issue which should be closely monitored.</p>	MEDIUM	<p>Having heavy reliance on agency staff is a potential issue and needs to be managed by the team. Whilst there is an obvious financial impact, it also has an impact on the day to day operations as there is inconsistency in approaches as staff change.</p>	<p>We recommend that the Trust reviews it's staffing position and prepares an action plan in respect of this area.</p>	<p>Agreed. A staff budget and recruitment strategy will be prepared as part of the 2018/19 budget process.</p> <p>Target date: 30st June 2018.</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
15	Members and directors It was noted that the appointed members and trustee directors of the trust were not reflected accurately and on a timely basis at the get-information-schools.service.gov.uk website (previously known as Edubase) - (the DfE's register of educational establishments).	MEDIUM	The Trust is in breach of the Academy Handbook requirement that the Trust must notify DfE of the appointment or vacating of the positions of members, trustees and local governors within 14 days of that change through the governance section of DfE's Edubase.	We recommend that the Trust gets the information up to date and monitors this on a regular basis.	Agreed. We are in the process of updating the register to reflect the current position. We will update the register to show the new directors and governors. Target date: 31st January 2018.
16	Expenditure vs budgets The budget for the year (as approved by Governors) had not been uploaded onto the PS Financials system. Therefore, the current financial position cannot be properly monitored or managed as compared to the budgets set.	LOW	Expenditure cannot be monitored against the budget without accurate reporting and there is therefore an increased risk of the Trust not adhering to the approved budget which increases the risk of excess spending.	The approved budgets are uploaded into PS Financials once finalised. It is further recommended that the budget to actuals are compared on a regular basis (perhaps termly) and any projected under / over spends can be brought to attention in a timely manner.	Agreed. Budgets will be loaded onto PS financials. Management accounts will be circulated to Management each month (recommendation 4) with variances to budget investigated and explained in the commentary. Target date: 28 th Feb 2018.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
17	Payroll records As a result of the testing performed, an instance was noted where we could not locate a staff leaver's supporting documentation to confirm their leave date from UAE.	LOW	There is a risk of misappropriation of the MAT's funds here as incomplete record keeping could result in this member of staff not being removed from payroll appropriately.	It is recommended that the process of processing starters and leavers is formalised. As well as this, there should be a checklist for starters / leavers to ensure that the appropriate steps are taken and documents are processed; for example a P45 and resignation letter.	Agreed. A formal process for checking starters, leavers and variations will be put in place and signed off before the payroll is finalised. A formal process will be put in place for the payroll to be signed off in line with the bank mandate before the payroll bacs are sent (recommendation 5). Target date: 28 th Feb 2018.
18	Central recharges Where internal bank transfers are made, there is not always supporting documentation available.	LOW	If inter academy transactions are not being consistently monitored and recorded, then the risk of entity level reporting being inaccurate is increased.	Where a financial transaction is to be processed there should be sufficient and appropriate evidence and documentation to support this. Where there are internal recharges required to be posted via journal, it is recommended that a schedule is maintained as to the basis of the recharge as well as who it has been approved by and when the posting has been made.	Agreed. Supporting documentation will be checked before any accounting entries are made, including receipts, payments and journals. The completion of regular internal recharges will be included on the monthly check list (recommendation 1) and bank reconciliations completed and reviewed monthly (recommendation 2). Intercompany balances will be reconciled monthly and the Trust will consider reducing the number of bank accounts from 3 to 1 to simplify the accounting entries. Target date: 28 th Feb 2018

Section 3: Operation of the Accounting and Internal Control Systems

We have given each of our observations a risk rating as explained in the key below:-

RISK RATING FOR MANAGEMENT REPORT POINTS		
	Risk rating	Explanation
	Low	Issues that would, if corrected, improve the internal controls or accounting practices in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.
	Medium	Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
	High	Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Section 5: Sector Update

Prior Year Points

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	2017 FOLLOW UP
1	Accruals We note an accrual for £34k has been made for Southwark heating and an accrual of £44k for IT services from RM. We have noted the calculations to support these, but understand 3rd party evidence (an invoice, for example) is not available.	MEDIUM	Accruals may be overstated.	To ensure that all accruals are supported by evidence of invoices where possible.	The Academy is aware that there are costs involved with the heating supplied by Southwark Heating and also the IT services supplied by RM Education. Despite requests we have not received any invoices. It is however prudent to accrue for these costs.	Unfortunately we do not believe this has been addressed as the financial information that was presented for audit had not been prepared on an accruals basis - this has therefore been repeated as an issue in the current year. Management Response: an accrual for £111k has been made for some of these costs. (see recommendation 6)
2	Bank reconciliations Bank reconciliations are not being signed off as reviewed.	LOW	There is a risk that reconciliations are not being performed adequately and/or in good time.	Sign off bank reconciliations once reviewed; consider the possibility of a dual review or a separate reviewer to the person posting income and expenditure.	Bank Reconciliations will now be prepared by the Finance Officer in each school and signed by the Trust Business Manager.	Again, this issue has not been seen to be resolved by management for the 2016/17 financial year and this issue has been repeated in the current year. Management Response: See response to recommendation 2)

Section 5: Sector Update

Section 5: Sector Update

Academies Useful Links

There are a number of links which the Governors and senior leadership might find useful and these are listed below:-

Gov.uk

<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

<https://www.gov.uk/guidance/schools-financial-efficiency-top-10-planning-checks-for-governors>

<https://www.gov.uk/academies-fianncial-assurance>

<https://www.gov.uk/academies-severance-payments>

<https://www.gov.uk/government/collections/academies-investigation-reports>

NABSM good practice Library:

<http://nasbm.co.uk/Home/Efa-Academies-Library.aspx>

FD Forum:

www.thefdforum.co.uk

ICAEW:

www.icaewvolunteers.com

Section 5: Sector Update

Academies Financial Handbook 2017

The 2017 Handbook came into force on 1 September 2017. The annually updated academies financial handbook is a key document that sets out the financial framework for academy trusts, and compliance with the handbook is a requirement of your funding agreement with the Secretary of State.

There is no substitute for reading and making reference to the handbook directly. It sets out requirements which the trust must comply with, as well as recommended best practice.

A few points to note are as follows:

- Academy trusts must publish on their website up to date details of its governance arrangements. This includes:
 - The structure and remit of the members and board of trustees
 - For each member who served at any point over the past 12 months, their full names, dates of appointment/resignation and relevant business and pecuniary interests including governance roles in other educational institutions.
 - For each trustee who served at any point over the past 12 months, the same information above for members plus also their term of office and attendance records at board meetings over the last academic year.

Register of interests must capture relevant business and pecuniary interest of members, trustees and also any senior employees to

aid the trust in managing its relationships with any connected parties to avoid both real and also perceived potential conflicts of interest.

- Academy trusts must notify DfE of the appointment or vacating of the position of any:
 - Member
 - Trustee
 - Local governor
 - Chair of trustees
 - Chair of local governing bodies
 - Accounting officer
 - Chief financial officer

Including direct contact details, within 14 days of that change.

Notification must be made through the governance section of DfE's <https://get-information-schools.service.gov.uk> which is accessed via the Secure Access Portal.

- ESFA's accounting officer will send a 'Dear Accounting Officer' letter annually to all academy trust accounting officers, covering issues pertinent to their role such as developments in the accountability framework and findings from ESFA's work with trusts.

Accounting officers must share this letter with their members, trustees, chief financial officer and other members of the senior leadership team, arrange for it to be discussed by the board of trustees and take action where appropriate to strengthen the trust's financial systems and controls.

Section 5: Sector Update

Revised Governance Handbook

In January 2017, the Department for Education published the new version of its Governance Handbook for trustees of academy trusts.

All boards, no matter what type of schools or how many schools they govern, have three core functions:

1. Ensuring clarity of vision, ethos and strategic direction;
2. Holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff; and
3. Overseeing the financial performance of the organisation and making sure its money is well spent.

Effective governance is based on six key features:

- **Strategic leadership** that sets and champions vision, ethos and strategy.
- **Accountability** that drives up educational standards and financial performance. 9
- **People** with the right skills, experience, qualities and capacity.
- **Structures** that reinforce clearly defined roles and responsibilities.
- **Compliance** with statutory and contractual requirements.
- **Evaluation** to monitor and improve the quality and impact of governance.

The first two features are the core pillars of the board's role and purpose. The second two are about the way in which governance is organised, and the last two are about ensuring and improving the quality of governance.

The full Code can be found at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/582868/Governance_Handbook_-_January_2017.pdf

Section 5: Sector Update

Employment tax changes since April 2017

Many proposed new tax rules have been abandoned because of the General Election. However, April 2017 has still seen several changes to the employment tax rules that employers need to be aware of.

In particular, the apprenticeship levy is now being paid by the Trust. The funds started accruing in your digital account from May 2017 and will expire if not used within 24 months.

In addition, the Government provides a top up of 10% of the levy which occurs each month as the levy is paid in. The top up funding can only be used for apprenticeship purposes. The courses which it can be used against are continuously being updated and reviewed so the Trust should monitor these and plan to use the funds where practicable.

The General Data Protection Regulations

Data protection legislation exists to protect the public and uphold their right to privacy and freedom. The rapid growth in digital technology and the potential for cyber attack has created a need to review the way information is collected, used, shared and stored. The General Data Protection Regulation (GDPR) which becomes UK Law on 25 May 2018 sets out to create the framework for the future of privacy legislation and has far reaching consequences for all organisations, including fundraising charities.

GDPR will affect those organisations that handle the personal data of customers, supporters or members, referred to as 'data subjects'. Data subjects have many new rights under GDPR such as the right to be forgotten, the right to object and the right to compensation. Organisations will need to be able to demonstrate they have an understanding of the regulation and the ability to comply with data subject requests. The need to demonstrate compliance with GDPR is paramount for most organisations for three main reasons:

1. Reputational damage – The public have developed a heightened level of sensitivity when it comes to their personal data. Breaches of data protection in the future will be high profile, the public will be encouraged to seek demonstrable evidence organisations are protecting them.
2. Substantial financial penalties – The Information Commissioner's Office (ICO) has new powers to warn, reprimand and fine organisations up to €20m (Most likely to become pounds sterling) for breaches of GDPR.

Section 5: Sector Update

The biggest fines will be reserved for breaches of the most basic of rules such as the right to consent to marketing.

3. Liability to data subject – Article 80/82 of GDPR gives data subjects the right to judicial remedy for the first time. Subjects will be able to sue for material and non-material loss.

The main discussion for charitable entities revolves around permission to contact individuals. There are six conditions for processing personal data, but only three that really apply to not for profit entities.

1. Necessary for Contract

If you have sold a supporter something, as apposed to accepting a donation, you can communicate with them because of the contract and the need to legally fulfil that arrangement. They have the right to complain and have legal recourse should you not fulfil your commitment to them.

2. Consent

Widely understood and definitely the best condition of the six. It must be given unambiguously, freely, in an informed way, specifically and you must be able to demonstrate you have it. Silence is effectively an opt-out. Consent does not lapse, so once you have it you don't need to renew although good practice suggests the value of refreshing consent, and it is important to have a robust policy for the length of time you hold personal data. Only if a supporter opts-out should there be no further communication with them.

Consent will be specific to a particular channel and a particular purpose, and charities need to make sure they record how they are communicating and flag specific consents accordingly.

3. Legitimate interest

The Legitimate interest condition is a charity's interest to achieve an objective. For example, it is in a charity's legitimate interest to raise important funds to continue its work. If consent hasn't been given in advance of processing personal data, this might be a charity's only option.

For example, it can be used to write to people (printed letter) with whom the charity doesn't yet have consent to communicate. If a supporter hasn't indicated they don't want a telephone call and aren't registered with TPS, it can be in a charity's legitimate interest to telephone them.

While using Consent or Legitimate interest, it is important to offer supporters the opportunity to Opt-out of printed communications or telephone calls at every engagement. A simple, easily understood privacy notice printed in every direct mail pack or newsletter for example will ensure this is clear and the supporter is being treated fairly and in accordance with data protection.

For further information about demonstrating data protection compliance, data management audits and best practice, please contact Dan Fletcher of Kingston Smith Fundraising and Management dfletcher@ks.co.uk

Appendix 1: Detailed Timetable

9 August 2017:

Full audit information request list sent to SBA

29 September 2017:

SBA requested a Kingston Smith (KS) visit to help extract the trial balance

30 September 2017:

Trial balances from PS Financials as at 31 August 2017 expected to be received from SBA as per scoping letter.

3 October 2017:

Kingston Smith onsite visit to extract the trial balance from PS Financials.

9 October 2017:

Kingston Smith fieldwork - Day 1:

- Trade debtors, prepayments, accrued income, trade creditors, accruals, deferred income listings and breakdowns requested: not available, but being prepared on the day
- Audit work on income and expenditure

10 October 2017:

Kingston Smith fieldwork - Day 2

- Payroll reconciliation not possible due to incomplete postings, communicated to SBA
- Bank reconciliations requested from SBA
- Audit work on payroll sample testing and fixed assets

11 October 2017:

Kingston Smith fieldwork - Day 3

- SBA requests that Kingston Smith prepares prepayments, accrued income, accruals, and deferred income listings.
- Payroll reconciliation not possible due to incomplete postings, communicated to SBA
- Audit work on cash and bank payments and journal entries

12 October 2017:

- SBA presents revised trial balance having updated the payroll postings
- KS prepares prepayments, accrued income, accruals, and deferred income listings

13 October 2017:

- SBA provides the payroll reports for auditing the payroll
- Audit work on payroll reconciliation

16 October 2017:

- SBA requests that KS help with the year end bank reconciliation, anticipating that balances are complete and reconciled to end of July 2017
- KS identifies that balances are not reconciled at end of July 2017

17 October 2017:

- Further bank information sent to KS for the year to allow reconciliation work to identify the issues causing the total bank balance per PS Financials to be £595k lower than the bank statements with no reconciling items identified.

18 October 2017:

KS contacts Rao Bhamidimarri regarding the extent of the issues encountered

Appendix 1: Detailed Timetable

19 October 2017:

KS offers Rao Bhamidimarri estimated fee for reconciling the bank accounts for the year.

25 October 2017:

KS confirms to Rao Bhamidimarri that no further work has been undertaken pending his approval since no response was received.

3 November 2017:

Rao Bhamidimarri authorises KS to help complete the bank reconciliation work.

9 November 2017:

KS sends SBA listings for each bank account of:

- Bank transactions not posted to PS Financials
- Bank postings in PS Financials that do not correlate to bank statements or are duplicate entries

KS sends SBA opening balances which have not been brought into the system.

14 November 2017:

SBA sends KS a new trial balance having worked through the bank transactions identified by KS as requiring corrective action.

15 November 2017:

KS query SBA as to why there is a £70k difference between the revised bank balances and the bank balance expected.

16 November 2017:

Conference call to discuss the issues. KS query SBA as to why there is a £70k difference between the revised bank balances and the bank balance expected. SBA requests a set of draft accounts based on the ETB. KS raises the issue that there are material issues on the revised ETB such as £105k net wages balance which should be £nil. Agreement that KS will conduct a visit to correct significant issues on the balance sheet in order to prepare a sensible set of draft accounts for which there can be support behind some of the figures.

20 November 2017:

Direct contact made with Richard Flatman by KS to ensure Board awareness of the current position.

21 November 2017:

KS onsite visit to ascertain an expected position for balance sheet items.

24 November 2017:

KS circulates draft set of financial statements for which the balance sheet is largely supported by underlying documentation, with a suspense account balance of £172k.

At request of SBA, KS update given to Tarun Chotai on work done to date and current position.

Appendix 1: Detailed Timetable

27 November 2017:

KS meeting with Tarun Chotai at his request and Rao's approval to discuss the work that is needed to identify the entries required to eliminate the suspense account.

28 November 2017:

At request of SBA, KS update given to Natalie Ferer on work done to date and current position.

6 December 2017:

Tarun Chotai provides an updated ETB at which point the suspense account has been reduced to £60k. KS reminder that the root of the issues need to be identified in order to resolve the differences correctly, i.e. £86k of the suspense was moved to net wages, but it is known that net wages should not be £86k so the difference is still not resolved. Discussed on a conference call.

7 December 2017:

SBA requests that KS send the ETB provided by Tarun yesterday.

11 December 2017:

At request of SBA, KS update given to Michael and Dan Smith on work done to date and current position.

12 December 2017:

Conference call to discuss progress being made by SBA team.

Revised ETB send which still shows suspense account balance of £59k and net wages of £86k

14 December 2017:

KS one day onsite visit to review the supporting documentation behind the adjustments made, and raise further queries.

A new ETB was received during the onsite visit showing £113 suspense account balance, but £86k net wages receivable on the balance sheet.

15 December 2017:

Conference call arranged to discuss progress made and communicate issues faced during onsite visit the day before.

18 December 2017:

A new ETB was received having eliminated the suspense account and with no net wages balance.

19 December 2017:

KS circulates a new set of financial statements prepared based on the new ETB received the day before, noting that these figures have not yet been audited but appear to show materially incorrect income figures.

20 December 2017:

SBA requests that KS resend the pupil number adjustment (PNA) documentation supporting the original income figures expected.

Appendix 1: Detailed Timetable

21 December 2017:

SBA sends a revised ETB materially correcting the income, ready for audit.

Christmas period 2017:

KS update audit files and accounts for the revised ETB.

4 January 2018:

KS sends a detailed audit and accounts information request and queries list resulting from full review and audit update in light of the 21 December ETB.

Appendix 2: Original figures presented for audit vs subsequent extended trial balance (ETB)

Section	Area	At 9 Oct 17 £000s	Net adjustment made £000s	At 21 Dec 17 £000s
Tangible assets	Fixed assets	-	63	63
		-	63	63
Current assets	Stock	3	(3)	-
Current assets	Trade debtors	5	(5)	-
Current assets	VAT recoverable	160	(31)	129
Current assets	Net wages	325	(325)	-
Current assets	Other debtors	-	2	2
Current assets	Prepayments and accrued income	-	86	86
Current assets	Bank	888	1,352	2,240
		1,381	1,076	2,457
Current liabilities	Trade creditors	(33)	(62)	(95)
Current liabilities	Interacademy	(42)	42	-
Current liabilities	Taxation and social security	63	(118)	(55)
Current liabilities	Pensions	50	(72)	(22)
Current liabilities	Accruals and deferred income	-	(1,075)	(1,075)
		38	(1,285)	(1,247)
Pension liability	LGPS	-	(27)	(27)
		-	(27)	(27)
Reserves	Reserves	-	(867)	(867)
		-	(867)	(867)
SoFA	Income	(5,236)	391	(4,845)
SoFA	Non payroll expenditure	1,577	(47)	1,530
SoFA	Payroll	2,240	738	2,978
SoFA	Actuarial gain	-	(42)	(42)
		(1,419)	1,040	(379)

Appendix 3: Corrected Misstatements and Reclassifications

As discussed in Section 2, whilst our assistance was required to help management get to an auditable trial balance position, the ETB as presented on 21 December has been taken to be the final draft position presented by management for audit. On this basis, the following corrected misstatements were made to this ETB:

	Balance sheet		SOFA		Effect on surplus/ (deficit) £000s	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s		
	Initial surplus as per client ETB as at 21 December 2017				379	
1	Pension costs	-	-	19	-	(19)
	Actuarial gain	-	-	-	2	2
	LGPS pension creditor	-	17	-	-	-
	Being the adjustments to recognise UTC LGPS movement					
2	Governance costs	-	-	15	-	(15)
	Accruals	-	15	-	-	-
	Being an estimated accrual for additional Kingston Smith fees to support the year end process					
3	Furniture and Equipment additions	49	-	-	-	-
	Computer additions	92	-	-	-	-
	Building improvements	17	-	-	-	-
	Premises costs	-	-	-	158	158
	Being capitalisation of fixed assets processed as revenue costs					

Appendix 3: Corrected Misstatements and Reclassifications

		Balance sheet		SOFA		Effect on surplus/ (deficit) £000s
		Dr	Cr	Dr	Cr	
		£000s	£000s	£000s	£000s	
4	Depreciation charge	-	-	42	-	(42)
	Furniture and Equipment depreciation	-	10	-	-	-
	Computer depreciation	-	31	-	-	-
	Building improvements depreciation	-	1	-	-	-
	Being depreciation charge on capitalised fixed asset additions					
5	Accruals	35	-	-	-	-
	Depreciation charge	-	-	-	35	35
	Being removal of the duplicated depreciation expense per client					
6	Salary costs	-	-	92	-	(92)
	Donated salary income	-	-	-	92	92
	Being recognition of CEO salary donated from LSBU					
	Revised surplus as per draft financial statements					498

Appendix 4: Uncorrected Misstatements and Reclassifications

Some of the following adjustments are material, but however remain uncorrected as the detailed entry has not been ascertainable from the records provided by the client.

		Balance sheet		SOFA		Effect on surplus/ (deficit) £000s
		Dr £000s	Cr £000s	Dr £000s	Cr £000s	
1	Unconfirmed	-	-	55	-	(55)
	VAT recoverable	-	55	-	-	-
	Being the adjustments to recognise UTC LGPS movement					
2	Governance	-	-	12	-	(12)
	Unconfirmed	-	-	-	12	12
	Being Kingston Smith fees included within accruals but not expenditure					
3	Land and buildings cost	TBC	-	-	-	-
	Opening reserves	-	-	-	TBC	TBC
	Being donated long leasehold for UAE in August 2016					
4	Depreciation charge	-	-	TBC	-	TBC
	Long leasehold depreciation	-	TBC	-	-	-
	Being depreciation on UAE land and buildings					

Appendix 4: Uncorrected Misstatements and Reclassifications

		Balance sheet		SOFA		Effect on surplus/ (deficit) £000s	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s		
5	Energy	-	-	43	-	(43)	
	Unconfirmed	-	-	-	43	43	
	Being energy accrual made in excess of energy costs recognised						
	Net potential effect of unadjusted misstatements and reclassifications						TBC

Appendix 5: Significant unresolved items as at 8 January 2018

Fixed Assets

The long leasehold land and buildings at the UAE held by the Trust has not been recognised in the financial statements. Supporting documentation needs to be provided in respect of a fair value of the gifted land and buildings, which need to be added to the accounts as a prior year adjustment.

Appendix 6: Other Matters

Engagement & Independence

Our engagement objective was the audit of the South Bank Academies.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 9 June 2017.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Trustee's Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006.

During the course of our audit of the financial statements for the period under review we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Pre-Audit Letter and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.

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	CONFIDENTIAL
Paper title:	Draft annual report and accounts
Board/Committee	South Bank Academies Joint Audit Committee and Board meeting
Date of meeting:	12 January 2018
Author:	Rao Bhamidimarri and Claire Viner
Purpose:	For review and in principle approval by the Board
Recommendation:	The meeting is requested to approve the annual report and accounts

Executive Summary

The final draft annual report and accounts are attached. There is still some formatting work to do to tidy up the final signing version of the document.

The meeting is requested to approve the annual report and accounts, which will be filed with the ESFA.

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South Bank Academies

Annual Report and Financial Statements

For the year ended 31 August 2017

Company Registration Number: 08589525 (England and Wales)

Reference and Administrative Details

Members	London South Bank University (LSBU) Richard Flatman David Phoenix	
Directors	David Phoenix Rao Bhamidimarri Adam Crossley Douglas Denham-St-Pinnock Richard Flatman Anthony Giddings Steve McGuire Lesley Morrison Richard Parrish James Stevenson	Chair of the Board Chief Executive Officer Resigned 27 September 2017 Appointed 1 September 2017
Company Secretary	Michael Broadway	
Key Management Personnel	Rao Bhamidimarri Dan Cundy Gary Nelson (resigned 29/06/2017) Dan Smith (resigned 08/08/2017) John Taylor (appointed 01/09/2017) Claire Viner (appointed 01/08/2017)	Chief Executive Officer Principal of South Bank Engineering UTC Interim Principal of University Academy of Engineering South Bank Business Manager Principal of University Academy of Engineering South Bank Business Manager
Registered Office	103 Borough Road London SE1 0AA	
Company Registration Number	08589525 (England and Wales)	
Independent Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Bankers	Lloyds Bank Plc Threadneedle Street London EC2R 8AU	

Chief Executive's Statement

2016/17 has been a year of considerable change and challenge.

South Bank Academies continued to develop as the new multi-academy trust and the Academy and the UTC expanded as the additional cohorts of students joined the schools in 2016/17 school year. Partnerships with employers continued to strengthen as we strived to ensure that all students had interaction with employers through projects, mentoring, site visits and work experience. Structured support from London South Bank University is beginning to take shape with the students from the Trust schools accessing the University's laboratories and workshops, advice and guidance from University's student ambassadors and academic staff supporting projects.

The Academy's first intake of students progressed to Key Stage 4 and we launched Post 16 offer in September 2016. The UTC opened in September 2016 and recruited students into all years of Key Stage 4 and Key Stage 5 for 2017/18 school year.

Given the timing of the departure of the Principal of the Academy in August last year, we recruited an Interim Principal to prepare the Academy for its first Ofsted Inspection. Following extensive search, the Trust appointed John Taylor as the permanent Principal and he took up the post on 1st September 2017.

The education vision at the Trust schools attracted interest nationally. Both of our schools specialise in STEM and the DfE has identified the UTC as a potential school to launch phase 1 of T-Levels in 2020.

The Academy was inspected by Ofsted in May 2017. Following the two day inspection, Ofsted graded the Academy as a 'GOOD' in all aspects.

Student achievement continued to make progress at both schools and our Year 11 students at the UTC and Year 13 students at both schools will be the first cohorts from our schools to sit the national examinations. Employer support for the project based learning at the UTC is strong, in particular from Skanska, King's College and Guys & St Thomas' NHS Trust.

Operationally, we took possession of the Phase 1 of the UTC new building in Brixton and we equipped the premises with high quality equipment and services over summer in time for the school to open for the new school year. Work on Phase 2 of the building has commenced and will be completed by July 2018. Financially, the Trust and its schools continue to be viable, although student recruitment at the UTC remains a challenge. We are considering options for the future positioning of the UTC to ensure its sustainability.

Support from the sponsors, London South Bank University, and the employer partners played an important role in the continued development of the two schools, successful Ofsted grade for the Academy and the UTC's move into new building.

Professor Rao Bhamidimarri
Chief Executive, South Bank Academies

Directors' Report

The directors of the Company present their annual report together with the financial statement and auditors' report of South Bank Academies (SBA) for the period ended 31 August 2017. The annual report serves the purpose of both a charitable trustee's report and a directors' report under company law.

The Company operates two education establishments in London, the University Academy of Engineering South Bank in the London Borough of Southwark which opened in September 2014 and South Bank Engineering UTC in the London Borough of Lambeth which was opened in September 2016.

Structure, Governance and Management

Constitution

South Bank Academies is a company limited by guarantee. The company's articles of association are its primary governing documents.

SBA's directors are also trustees in relation to the charity.

Details of the directors who served throughout the period except as noted are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the Company undertakes to contribute to the assets of the company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

Directors' indemnities

In June 2015 the company joined the Department for Education's Risk Protection Scheme which gives unlimited cover for Governor's Liability Insurance. This cover has been renewed and is ongoing.

Method of Recruitment and Appointment or Election of Directors

The Board of Directors has agreed its composition as:

- 5 directors appointed by the sponsor, LSBU
- The CEO
- The Chairs of the local governing bodies
- No parent trustees (as they will be represented on the local governing body)
- 4 co-opted trustees

The Board has established a nomination committee to recruit new directors to the Board. Co-opted trustees will be recruited through an open recruitment process, supported by the Nomination Committee.

Policies and Procedures Adopted for the Induction and Training of Trustees

Directors and local governors are encouraged to attend training organised by London Borough of Southwark and London Borough of Lambeth. A training register is maintained by the Clerk.

During the year directors received Ofsted training delivered by the London Borough of Southwark.

Organisational structure

The Company is responsible for running the University Academy of Engineering South Bank and South Bank Engineering UTC.

The Company is headed by a Board of Directors which is responsible for overseeing the business of the company and may exercise all the powers of the company (article 93). The Board of Directors has established a Nomination Committee, a Remuneration Committee and an Audit Committee. A local governing body for each academy school has been established.

The Matters reserved to the Board and delegation of responsibilities to the local governing bodies of each school is set out in a Scheme of Delegation approved by the Board at its meeting of 7 January 2016.

Under the Scheme of Delegation, the Board has delegated decisions regarding the curriculum, learning and teaching strategy and Academy performance management to Local Governing Bodies to oversee. Although local control is delegated, the Board remains responsible for ensuring that standards are maintained across both the Academy and the UTC.

Related Parties and other Connected Charities and Organisations

South Bank Academies was incorporated in 2013 to enable the development of academies to provide technical and vocational education within the broader STEM framework. The Trust opened the University Academy of Engineering (UAE) South Bank in 2014 and has subsequently opened a UTC with a specialism in engineering which is sponsored by London South Bank University, Skanska, Guy's & St Thomas' and King's College NHS Foundation Trusts.

London South Bank University and Professor Dave Phoenix and Mr Richard Flatman, who are employees of London South Bank University, are Members of South Bank Academies. Four staff members of London South Bank University and an independent Governor of London South Bank University are Directors of the Trust.

South Bank Academies is not currently part of any networks or soft federations.

Objectives and Activities

There is a growing gap in engineering skills in the UK. According to the Royal Academy of Engineering, over one million science and engineering technicians and professional engineers are required by 2020.

The UAE South Bank is a 11 -18 secondary Academy with a specialism in Engineering within the broader STEM framework and the UTC has a particular focus on engineering for building and health sectors to bridge the current skills gap identified by the employers as well as to

prepare young people to drive forward innovations in engineering industry generally.

Vision and Values

South Bank Academies aspires to create Outstanding UTCs and Academies providing employment focused educational opportunities for young people in South London in partnership with employer sponsors and London South Bank University within the broad STEM framework. While each of the Academies will have distinctive specialisms, the education will be based on a broadly-based curriculum designed in partnership with business and industry. The students will graduate with strong transferrable skills that not only enhance employability opportunities but also subsequent career success. The curriculum will be rigorous and will prepare the students to ensure that they are well qualified to enter good universities for higher education.

To realise this vision, the company has achieved the commitment of our industry partners, the Principals and staff through clear and consistent communication. The Trust will set ambitious but realistic objectives through a five year strategic plan working with the Principals and the staff.

The board and the Governing Bodies will challenge and support the Principals and staff of the UTC and Academy to deliver agreed targets on both achievement and progress. Outstanding success of the UTC and Academy will also be reflected by feedback from employers and partners, Ofsted inspections and student destinations.

The board will reassure itself on the performance of the UTC and academies through periodic internal and external reviews. We expect that the graduates of the UTC and academies will be most preferred by the employers, while those students wishing to pursue higher education will progress into good universities.

The sponsors are committed to facilitating and supporting the provision of STEM education through UTCs and Academies with distinctive objectives of preparing young people for future leadership roles in the STEM sector. The academies and the UTCs will offer broad based education underpinned by creativity and innovation. The institutions will offer a learning experience that fosters confidence and enterprise in young people.

The company places students at the centre of everything it does, with a focus on creating a culture of success, achievement, happiness, hope, confidence, respect and responsibility, reflection and service to others. The board will create positive climate for innovative learning, and increased student attainment, achievement and effective social and emotional development.

Objects and Aims

The key objective of the Trust is to promote high quality STEM education at secondary level in South London. In pursuit of achieving this, the Trust will

- Establish 4 to 5 STEM Academies in South London each with a distinct specialism in the broader STEM framework
- The education vision at these schools would be distinct with a strong employability focus
- Develop strong partnerships with world leading employers to facilitate real world learning and career opportunities
- Establish close links with the university to create seamless higher learning opportunities

- To foster confidence and enterprise in all students through innovative curriculum and learning environment,

Objectives, Strategies and Activities

The Trust's main objectives during the period under review were to;

- embed education vision in both UTC and Academy
- support the building project for the UTC's permanent building
- prepare the Academy for its first Ofsted Inspection
- expand industry links for the UTC and Academy students for projects and work placements, and progression opportunities
- enhance governance across the Trust and schools improve challenge and support to staff
- ensure that the schools are equipped and resourced to accommodate the growth in student numbers.
- work with local community

In order to achieve these objectives the Trust implemented

- harmonised policies and procedures across the Trust including consistent performance linked reward systems.
- a staff development programme to support the staff and enhance learning & teaching and assessment.
- a system of termly external review of schools for continuous improvement
- Trust wide Assurance Visits by Directors to promote consistency across the schools

The Trust schools closely engage the local community. Examples of community support include:

- the hall at the Academy is made available for over 50s fitness classes
- Burgess Park sports clubs use the sports hall
- Space is given free of charge for Sewing classes for recent immigrant women.

Public Benefit

South Bank Academies is an exempt charity within the meaning of the Charities Act 2011 and is regulated by the Secretary of State for Education on behalf of the Charity Commission.

Charity Commission guidance on Public Benefit

The members of the Board of Directors are the charitable trustees of the company. In undertaking its duties the Board of Directors has regard to the Charity Commission's guidance on public benefit.

Charitable objects

South Bank Academies receives the vast majority of its income from the Department for

Education to provide educational services to children and to ensure a broad and balanced curriculum across its schools.

The charitable objectives of the company as set out in its articles of association are restricted to the following:

“to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum which includes provision for technical education”.

The company’s objects are applied solely for the public benefit, as follows.

The company advances education for the public benefit by:

- establishing and running two academy schools which offer a broad and balanced curriculum. Both schools have an engineering focus and have provision for technical education;
- each school providing teaching to its students; and
- setting and marking assessments and giving feedback to students.

Beneficiaries

In carrying out its objects the company benefits its students and future students through teaching and learning activities.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The schools are committed to open, fair and transparent admissions arrangements and act in accordance with the School Admissions Code.

Strategic Report

Achievements and Performance

The company’s main objectives during the period were to continue to ensure that the Trust’s education vision is embedded at both UTC and Academy. Significant progress was made in introducing project based learning as well as promoting team work and enhancing communication skills in students.

The Phase 1 of the UTC’s building project was completed ahead of schedule and the UTC relocated into the new building without detrimental impact on business continuity.

Industry links continued to expand creating opportunities for our students in learning in real world context.

Key Performance Indicators

South Bank Academies has a list of key performance indicators both financial and non-

financial.

The main KPI's that were set in 2016/17 were:

- Finance – Surplus of over 1% in Trust accounts
- Infrastructure – All compliance documentation was complete
- Teaching and Learning – Good or better
- Income target - £4.6 m
- Student numbers – 90% of submission to DfE

All were achieved during the year. The Academy achieved an Ofsted grading of 'GOOD'. The UTC was visited termly by DfE's Educational Adviser, who continues to be positive about the way the UTC is developing.

Each school is given targets throughout the year and these were monitored through Trust Management Meetings, Local Governing Bodies, and the Trust Board. Neither of the schools had cohorts of students that had national examinations.

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

The Trust's financial performance is healthy with reserves of £1.2m and cash of £2.2m. We have a small pension deficit, but this has no material impact on the financial position of the Trust. Funds were received primarily from ESFA and these were used in accordance with the objectives of the Trust. Policies and procedures are in place to ensure best value for money.

Reserves Policy

South Bank Academies aims to carry forward some resources from the central services charge against its school's the General Annual Grant (restricted fund).

The company also expects its schools to carry forward some resources from the General Annual Grant (restricted fund) and the School fund (unrestricted fund) to cover the medium and long term needs for renewal and replacement of major capital projects and unforeseen contingencies.

Currently the balance of Unrestricted Funds is £86k this is to be used to increase the capacity for learning and teaching at the academy. Restricted funds carry forward balance is £905k this is the equivalent of two month's income and is to be used as a contingency for unforeseen operational disruption.

Investment Policy

Directors of South Bank Academies are firmly committed to ensuring that all funds under their control are administered in such a way as to maximise return while minimising risk. Trustees do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds.

Principal Risks and Uncertainties

Directors have identified the principal risks and uncertainties affecting the company. A risk register agreed by the board is the subject of careful and frequent monitoring and is reviewed at each board meeting. The principal risks are as follows:

Risk and Impact

Inappropriate governance structure and organisation allowing poor information flow and inadequate level of challenge at board and local governing body level.

Mitigation Strategy

- Qualified and experienced governance support.
- Representation of the board at local governing body level.
- Annual review of local governing bodies including external review.

Risk and Impact

Changes to funding via government policy which could lead to a loss of income.

Mitigation Strategy

- Monitoring of government policy including fair funding formula.
- Long term forecast.
- Financial expertise at board and operational level

Risk and Impact

Failure to recruit sufficient student numbers in schools leading to a decrease in pupil led income and cash flow or long term financial problems.

Mitigation Strategy

- Designated positions for marketing and admissions at school and multi academy trust level.
- Monthly reports on current and prospective student numbers.
- Student number led sensitivity analysis on forecasts to allow for reasonable reduction in numbers.

System of Internal Controls

Failure of internal controls leading to lack of financial scrutiny and budget management

Mitigation Strategy

- Adequate staff capability and capacity supported by appropriate training
- Periodic independent internal audit
- Robust finance policies and procedures
- Ensuring management oversight of operational finance

Plans for Future Periods

South Bank Academies currently operates two schools. It is proposed that the Trust would open 3-4 more schools in South London specializing in STEM to enhance educational and career opportunities for young people. We will do this in partnership with employers and London South Bank University.

It is the Trustees' aspiration that the Academy will be a model school for a distinctive model for learning in which the students take more responsibility for their learning with mentoring support of the teachers. The UTC will develop to be an industry-led and employment focused high technology learning environment.

We are continuing to build on our employer links with some world leading employers supporting our students. An Member of the University's Executive is leading a comprehensive programme of collaborative activities between the schools and the University to offer a range of support to students of the schools. These include career guidance, master classes, access to University's high technology laboratories and workshops, and guidance on preparation of UCAS applications.

Auditor

Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware;
- the trustees have taken all steps that they ought to have taken as to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The members of South Bank Academies will be asked to re-appoint Kingston Smith LLP as its auditors by written resolution.

The Trustees' Report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on and signed on the board's behalf by:

[Name]
Trustee

[Date]

Governance Statement

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring that South Bank Academies has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of directors has delegated the day-to-day responsibility to the Chief Executive Officer and the Chief Financial Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between South Bank Academies and the Secretary of State for Education. They are also responsible for reporting to the board of directors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The board of directors has formally met four times during the year. Attendance during the year at meetings of the board of directors was as follows:

Director	Meetings attended	Out of a possible
Dave Phoenix (Chair)	2	4
Adam Crossley	2	4
Douglas Denham St Pinnock	4	4
James Stevenson	4	4
Rao Bhamidimarri (CEO)	4	4
Richard Flatman	4	4
Richard Parrish	1	4
Steve McGuire	1	4
Tony Giddings	2	4

The Board and local governing bodies completed internal light-touch effectiveness reviews in July 2017. The outcomes of these effectiveness reviews will feed into a wider review of governance structures by the company's member and sponsor, London South Bank University. Any recommended changes to the governance of the Company will be implemented during the academic year 2017/18.

The Board noted its current composition and has taken steps to address the gender and ethnicity imbalance, and a new director has been appointed in 2017/18.

The Board is supported by three committees, an audit committee, a remuneration committee, and a nomination committee.

Audit Committee

The Audit Committee's purpose is to monitor the internal and external audit functions, risk management and internal financial control at the Company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Richard Flatman (Chair)	3	3
Adam Crossley	2	3
Tony Giddings	3	3

Remuneration Committee

The remuneration committee's purpose is to set the objectives and review the Principals' performance; to set the pay of the Key Management Personnel; and to approve the HR policy for the company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Douglas Denham St Pinnock (Chair)	1	1
Richard Parrish	1	1
Dave Phoenix	1	1

Nomination Committee

The purpose of the Nomination Committee is to consider succession planning for the Board and to appoint new directors to the Board. The committee did not meet during the year.

Arrangements for setting pay and remuneration of key management personnel

The Remuneration Committee has defined the key management personnel as the CEO, Chief Financial Officer and the Principals of the two schools. The Committee reviews benchmark data and performance of the key management personnel when setting pay. The CEO is seconded from London South Bank University who pay his salary.

Review of Value for Money

As Accounting Officer the Chief Executive Officer has responsibility for ensuring that the Company delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Company's use of its resources has provided good value for money during each academic year, and reports to the board of directors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Company has delivered improved value for money during the year by:

- **Effective purchasing** – reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.
- **Income generation** – The Academy’s facilities continue to be let to local community groups to generate additional income and maintain relationships with the local community.
- **Economies of Scale** – Cleaning and Catering contracts have been entered into for services across the Trust schools. This includes the sharing of larger cleaning equipment between the sites.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Bank Academies for the period covered by the accounts (1 September 2016 to 31 August 2017) and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of directors has reviewed the key risks to which the Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is a formal on-going process for identifying, evaluating and managing the Company’s significant risks that has been in place for the period covered by the accounts (1 September 2016 to 31 August 2017) and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

The Risk and Control Framework

The Company’s system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports of performance against budget which are reviewed and agreed by the board of directors
- setting targets to measure financial and other performance
- [clearly defined purchasing (asset purchase or capital investment) guidelines – verify]
- delegation of authority and segregation of duties
- identification and management of risks

The Audit Committee had previously considered the need for a specific internal audit function and decided:

- during the year under review, not to appoint an internal auditor. However the directors have appointed the CFO to undertake an agreed internal audit programme and report regularly to the Audit Committee

In May 2017, the previous CFO submitted his resignation and left the Trust before the Summer break. A smooth transition to the new CFO was not possible. This, and a combination of other factors has contributed to a breakdown in controls with significant gaps in the oversight of routine financial operations and data quality towards the end of the financial year. The Board has responded in a timely manner to rectify this position although inadequate bank and control account reconciliations and incomplete posting of payroll transactions has created delay and significant audit issues at year end resulting in the failure to meet the 31 December filing deadline for accounts submission. An action plan has been developed to ensure that the position is rectified, effective controls implemented and the finance system brought up to date. An independent internal audit function is also being established to provide assurance to the Audit Committee and Board regarding the future maintenance and effective operation of control systems.

Given the above, and the challenges associated with growth, on the recommendation of the Audit Committee, the Board has reviewed the need for an internal audit function and has decided to appoint an independent internal auditor.

Review of Effectiveness

As Accounting Officer the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year the review has been informed by:

- the work of the Chief Financial Officer as part of the internal audit programme
- the work of the external auditor

- the work of the Chief Financial Officer who has responsibility for the development and maintenance of the internal control framework

A plan to address any weakness and to ensure continuous improvement of the system is in place.

Approved by the board of directors on and signed on its behalf by:

[Signed]

[Signed]

David Phoenix

Rao Bhamidimarri

Chair of the Board

Chief Executive Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of South Bank Academies I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook 2016.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and the ESFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and the ESFA:

- Late filing of accounts with the ESFA

[Signed]

[Name to be typed]

Accounting Officer

[Date]

Statement of Trustees' Responsibilities

The directors are also the trustees of the charitable company are responsible for preparing the Trustees. Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved the board of trustees on and signed on its behalf by:

[Signed]

[Name to be typed]
Director

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South Bank Academies

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Opinion

We have audited the financial statements of South Bank Academies ('the Academy Trust'), for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA.

This report is made solely to the Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRS's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 9 June 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Bank Academies during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to South Bank Academies and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to South Bank Academies and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Bank Academies and the ESFA, for our work, or for the conclusion we have formed.

Respective responsibilities of South Bank Academies' accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of South Bank Academies' funding agreement with the Secretary of State for Education dated 8 April 2014 and the Academies Financial Handbook, extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our 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 includes 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 to our conclusion includes:

- Enquiry
- Inspection and review
- Observation and reperformance

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Statement of Financial Activities for the year ended 31 August 2017
(including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Income and endowments from:						
Donations and capital grants	2	3	92	-	95	92
Transfer on conversion		28	-	-	28	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	4,811	-	4,811	2,472
Other trading activities	4	1	-	-	1	12
Investments	5	2	-	-	2	2
Total		34	4,903	-	4,937	2,578
Expenditure on:						
Raising funds	6	10	-	-	10	-
Charitable activities:						
Academy trust educational operations	7	-	4,396	79	4,475	2,270
Other						
Net liabilities transfer loss		-	-	-	-	2
Total		10	4,396	79	4,485	2,272
Net income / (expenditure)		24	507	(79)	452	306
Transfers between funds	15	-	(13)	13	-	-
		24	494	(66)	452	306
Other recognised gains/(losses)						
Actuarial (losses) / gains on defined benefit pension schemes	15, 22	-	44	-	44	(36)
Net movement in funds		24	538	(66)	496	270
Reconciliation of funds						
Total funds brought forward		62	501	304	867	597
Total funds carried forward		86	1,039	238	1,363	867

All of the trust's activities derive from continuing operations during the above two financial periods.

South Bank Academies

Balance Sheet
as at 31 August 2017

Company number 08589525

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	11		179		100
Current assets					
Debtors	13	217		124	
Cash at bank and in hand		<u>2,240</u>		<u>1,188</u>	
		2,457		1,312	
Liabilities					
Creditors : Amounts falling due within one year	14	<u>(1,229)</u>		<u>(517)</u>	
Net current assets/(liabilities)			<u>1,228</u>		<u>795</u>
Total assets less current liabilities			1,407		895
Net assets excluding pension liability					
Defined benefit pension scheme liability	22		(44)		(28)
Total net assets			<u>1,363</u>		<u>867</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	238		304	
General fund	15	1,083		412	
Pension reserve	15	<u>(44)</u>		<u>89</u>	
Total restricted funds			1,277		805
Unrestricted income funds	15		86		62
Total funds			<u>1,363</u>		<u>867</u>

The financial statements on pages [xx to xx] were approved by the trustees, and authorised for issue on [date] 2018 and are signed on their behalf by:

David Phoenix

Director

South Bank Academies

Statement of Cash Flows for the year ended 31 August 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	17	1,208	(84)
Cash flows from investing activities	19	(156)	2
Cash flows from financing activities	18	-	-
Change in cash and cash equivalents in the reporting period		<u>1,052</u>	<u>(82)</u>
Cash and cash equivalents at 1 September 2016		1,188	1,238
Transfer from South Bank Engineering UTC		-	32
Cash and cash equivalents at 31 August 2017	20	<u>2,240</u>	<u>1,188</u>

South Bank Academies

Notes to the Financial Statements for the year ended 31 August 2017

1 Statement of Accounting Policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Company information

South Bank Academies is a limited company domiciled and incorporated in England and Wales. The registered office is 103 Borough Road, London, SE1 0AA.

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: 'Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

South Bank Academies meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand pound.

Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

• Grants

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

• Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

• Other Income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

• Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and "Income from other trading activities". Upon sale, the value of the stock is charged against "Income from other trading activities" and the proceeds are recognised as "Income from other trading activities". Where it is impractical to fair value the items to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within "Income from other trading activities".

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in a settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including the support costs involved in undertaking each activity. Direct costs attributable to a single activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

- **Expenditure on Raising Funds**

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	15 year straight line
Fixtures, fittings and equipment	5 year straight line
Computer hardware	3 year straight line

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in the settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods and services it must provide.

Provisions

Provisions can be recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle an obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the last pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Financial Instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note. Prepayments are not financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 17 and 18. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Employee benefits

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 29, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1 Statement of Accounting Policies (continued)

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency and Department for Education.

Critical accounting estimates and areas of judgment

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 29, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Provisions*

Provisions have been made for various expenses for which the full year's expense has not been invoiced. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

- *Key management remuneration*

Key management includes the CEO who is employed by a member, LSBU. His costs relating to the trust are recognised as donated income and salary costs within the trust and has been recognised based on estimated time spent.

- *Salaries and Wages*

The split of payroll expenditure between direct costs and support costs has been made on an estimated basis, using the prior year split.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

2 Donations and capital grants

	Unrestricted General Funds £000	Restricted General Funds £000	Total 2017 £000	Total 2016 £000
Donations	3	-	3	-
Donated salaries	-	92	92	92
	<u>3</u>	<u>92</u>	<u>95</u>	<u>92</u>

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
DfE / ESFA revenue grants				
General Annual Grant (GAG)	-	3,787	3,787	2,171
Start Up Grants	-	612	612	-
Other DfE/ESFA grants	-	275	275	147
	<u>-</u>	<u>4,674</u>	<u>4,674</u>	<u>2,318</u>
Other Government grants				
Local authority grants	-	54	54	96
	<u>-</u>	<u>54</u>	<u>54</u>	<u>96</u>
Other Income from the academy trust's educational operations	-	83	83	58
	<u>-</u>	<u>4,811</u>	<u>4,811</u>	<u>2,472</u>

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Hire of facilities	1	-	1	12
	<u>1</u>	<u>-</u>	<u>1</u>	<u>12</u>

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Short term deposits	2	-	2	2
	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

6 Expenditure

	Staff Costs £000	Non Pay Expenditure		Total 2017 £000	Total 2016 £000
		Premises £000	Other £000		
Expenditure on raising funds	-	-	10	10	-
Academy's educational operations:					
Direct costs	2,081	-	118	2,199	1,168
Allocated support costs	1,008	646	622	2,276	1,102
	3,089	646	750	4,485	2,270

Net income / (expenditure) for the period includes:

	2017 £000	2016 £000
Depreciation	79	4
Fees payable to auditor for:		
Audit	7	5
Other services	34	4
	120	13

7 Charitable Activities

	Total 2017 £000	Total 2016 £000
Direct costs - educational operations	2,199	1,168
Support costs - educational operations	2,276	1,102
Loss on transfer of liabilities from South Bank Engineering UTC	-	2
	4,475	2,272

Analysis of support costs

	Educational operations £000	Total 2017 £000	Total 2016 £000
Support staff costs	1,008	1,008	373
Depreciation	79	79	4
Technology costs	87	87	67
Premise costs	567	567	357
Other support costs	299	299	291
Catering	214	214	-
Governance costs	19	19	10
Total support costs	2,273	2,273	1,102

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

8 Staff

a. Staff costs

	2017 £000	2016 £000
Staff costs during the period were:		
Wages and salaries	1,760	1,058
Social security costs	246	90
Operating costs of defined benefit pension scheme	404	118
	<u>2,410</u>	<u>1,266</u>
Supply staff costs	587	125
Donated staff costs	92	-
Staff restructuring costs	-	84
	<u>3,089</u>	<u>1,475</u>
Staff restructuring costs comprise:		
Other restructuring and settlement costs	-	84
	<u>-</u>	<u>84</u>

b. Staff numbers

The average number of persons employed by the academy during the period was as follows:

	2017 No.	2016 No.
Teachers	47	26
Administration and support	32	5
Management	8	1
	<u>87</u>	<u>32</u>

c. Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2017 No.	2016 No.
£60,001 - £70,000	4	-
£70,001 - £80,000	2	-
£90,001 - £110,000	1	1

d. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £380,473 (2016: £299,650).

Key management also includes the CEO who is employed by LSBU and whose remuneration is donated to the trust. This has been recognised in the accounts based on estimated time spent and amounts of £92k (2016: £92k).

10 Disclosure of central services

The academy trust has provided the following central services to its academies during the year: human resources; financial services; educational support services; marketing; recruitment

The trust charges for these services on the following basis:

3.5% of GAG income received for each school is taken as a fee for central services

The actual amounts charged during the year were as follows:

	2017	2016
University Academy of Engineering South Bank	147,512	-
South Bank Engineering UTC	41,665	-
	<u>189,177</u>	<u>-</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

9 Related Party Transactions - Trustees' Remuneration and Expenses

None of the trustees have been paid remuneration or have received other benefits from an employment with the academy trust.

During the year ended 31 August 2017, no travel and subsistence expenses were reimbursed or paid directly to any trustees (2016: £nil).

10 Trustees and officers insurance

The academy trust has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

11 Tangible fixed assets

	Leasehold Improvements £000	Furniture and Equipment £000	Computer Hardware £000	Total £000
Cost				
At 1 September 2016	-	10	105	115
Additions	17	49	92	158
Disposals	-	-	-	-
At 31 August 2017	17	59	197	273
Depreciation				
At 1 September 2016	-	6	9	15
Charged in year	1	12	66	79
Disposals	-	-	-	-
At 31 August 2017	1	18	75	94
Net book values				
At 31 August 2017	16	41	122	179
At 31 August 2016	-	4	96	100

Leasehold land and buildings, on which the University Academy of Engineering is sited, are leased from the Local Authority on a 125 year lease at a peppercorn lease. No value has been placed on this asset due to the restrictive covenants on the use of the asset.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

12 Financial instruments	2017	2016
	£000	£000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>2</u>	<u>9</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>1,174</u>	<u>455</u>
13 Debtors	2017	2016
	£000	£000
Trade debtors	-	4
VAT recoverable	129	48
Other debtors	2	-
Prepayments and accrued income	86	67
Amounts due from sponsoring organisation	-	5
	<u>217</u>	<u>124</u>
14 Creditors: Amounts falling due within one year	2017	2016
	£000	£000
Trade creditors	95	62
Taxation and social security	55	28
ESFA creditor: abatement of GAG	992	83
Other creditors	22	40
Accruals and deferred income	65	304
	<u>1,229</u>	<u>517</u>
Deferred income	2017	2016
	£000	£000
Deferred Income at 1 September 2016	34	-
Resources deferred in the year	-	34
Amounts released from previous years	(34)	-
Deferred Income at 31 August 2017	<u>-</u>	<u>34</u>

At the 2016 year end, deferred income related to rates relief income.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

15 Funds	Balance at 1 September 2016 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	458	3,787	(3,074)	(88)	1,083
Start Up Grant	-	612	(612)	-	-
Other DfE grants	-	275	(275)	-	-
Other sources	89	229	(318)	-	-
Transfer from South Bank Engineering UTC	(18)	-	-	18	-
Pension reserve	(28)	-	(117)	101	(44)
	501	4,903	(4,396)	31	1,039
Restricted fixed asset funds					
Local authority capital grants	289	-	(79)	(33)	177
Transfer from South Bank Engineering UTC	15	-	-	46	61
	304	-	(79)	13	238
Total restricted funds	805	4,903	(4,475)	44	1,277
Total unrestricted funds	62	34	(10)	-	86
Total funds	867	4,937	(4,485)	44	1,363

The specific purposes for which the funds are to be applied are as follows:

Restricted general funds

All restricted funds are grants received from the Department for Education and the Local Authority for the purpose of running the academy. This also includes catering income received from pupils.

Restricted general funds

All restricted funds are grants received from the Department for Education and the Local Authority for the purpose of running the academy. This also includes catering income received from pupils.

Total funds analysis by academy

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £000	Total 2016 £000
University Academy of Engineering South	983	609
South Bank Engineering UTC	162	(18)
Central services	24	-
Total before fixed assets and pension reserve	1,169	591
Restricted fixed asset fund	238	304
Pension reserve	(44)	(28)
Total before fixed assets and pension	1,363	867

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding depreciation) £000	Total £000
University Academy of Engineering South Bank	1,498	683	78	739	2,998
South Bank Engineering UTC	611	185	36	387	1,219
Central services	-	112	4	73	189
Academy Trust	2,109	980	118	1,199	4,406

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

16 Analysis of net assets between Funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	179	179
Current assets	-	2,457	-	2,457
Current liabilities	-	(1,229)	-	(1,229)
Pension scheme liability	-	(44)	-	(44)
Total net assets	-	1,184	179	1,363

17 Reconciliation of Net Income/(expenditure) to Net Cash Inflow from Operating Activities

	2017 £000	2016 £000
Net income/(expenditure) for the reporting period	452	306
Adjusted for:		
Depreciation	79	4
Interest receivable	(2)	(2)
Defined benefit pension scheme cost less contributions payable	60	(5)
Defined benefit pension scheme finance cost	-	-
(Increase)/decrease in debtors	(93)	(38)
Increase/(decrease) in creditors	712	(349)
Net Cash provided by / (used in) Operating Activities	1,208	(84)

18 Cash flows from financing activities

	2017 £000	2016 £000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	-	-

19 Cash flows from investing activities

	2017 £000	2016 £000
Dividends, interest and rents from investments	2	2
Purchase of tangible fixed assets	(158)	-
Net Cash provided by / (used in) Operating Activities	(156)	2

20 Analysis of cash and cash equivalents

	At 31 August 2017 £000	At 31 August 2016 £000
Cash in hand and at bank	2,240	1,188
Total cash and cash equivalents	2,240	1,188

21 Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

22 Pension and Similar Obligations

The trust's employees belong to three principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the two Local Government Pension Schemes (LGPS) for non-teaching staff, one managed by Southwark Council and one by Lambeth Council. All are multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPSs 31 March 2016.

Contributions amounting to £21,608 were payable to the schemes at 31 August 2017 (2016: £nil) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effect date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- the assumed real rate of return of 3.0% in excess of prices and 2% in excess of earnings. The rate or real earnings growth is assumed to be 2.75%. The assumed normal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £183,791 (2016: £91,247).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £75,000 (2016: £35,000), of which employer's contributions totalled £57,000 (2016: £27,000) and employees' contributions totalled £18,000 (2016: £8,000). The agreed contribution rates for future years are 14.5 per cent for employers and between 5.5 per cent and 7.5 per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an academy closure, outstanding Local Government Pension Scheme Liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Principal Actuarial Assumptions	Lambeth At 31 August 2017	Southwark At 31 August 2017	Southwark At 31 August 2016
Rate of increase in salaries	2.8%	3.4%	3.4%
Rate of increase for pensions in payment/inflation	2.4%	1.9%	1.9%
Discount rate for scheme liabilities	2.5%	2.5%	2.0%
Inflation assumption (CPI)	2.4%	1.9%	1.9%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	Lambeth At 31 August 2017 years	Southwark At 31 August 2017 years	Southwark At 31 August 2016 years
<i>Retiring today</i>			
Males	21.6	22.5	21.9
Females	23.9	26.1	26.5
<i>Retiring in 20 years</i>			
Males	23.8	24.1	24.1
Females	26.0	27.9	28.0

Sensitivity analysis

Approximate monetary increase to the obligation as a result of the following changes in assumptions at 31 August 2017:

	At 31 August 2017 £000	At 31 August 2016 £000
Southwark		
0.1% increase in the salary increase rate	2	-
0.1% increase in the pension increase rate	4	-
0.1% decrease in real discount rate	6	-
Lambeth		
0.5% increase in the salary increase rate	-	N/A
0.5% increase in the pension increase rate	9	N/A
0.5% decrease in real discount rate	9	N/A

The trust's share of the assets in the scheme were:

	Fair value at 31 August 2017 £000	Fair value at 31 August 2016 £000
Equity instruments	77	28
Debt instruments	38	14
Property	20	9
Cash and other liquid assets	1	1
Total market value of assets	136	52

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

	2017 £000	2016 £000
Amounts recognised in the statement of financial activities		
Current service cost	117	22
Interest income	(2)	(1)
Interest cost	<u>2</u>	<u>1</u>
Total amount recognised in the SOFA	<u>117</u>	<u>22</u>

	2017 £000	2016 £000
Changes in the fair value of defined benefit obligations were as follows:		
At 1 September	80	10
Current service cost	117	22
Interest cost	2	1
Employee contributions	18	8
Actuarial (gain)/loss	(35)	40
Benefits paid	<u>(2)</u>	<u>(1)</u>
At 31 August	<u>180</u>	<u>80</u>

	2017 £000	2016 £000
Changes in the fair value of Academy's share of scheme assets:		
At 1 September	52	13
Interest income	2	1
Actuarial gain/(loss)	9	4
Employer contributions	57	27
Employee contributions	18	8
Benefits paid	<u>(2)</u>	<u>(1)</u>
At 31 August	<u>136</u>	<u>52</u>

	2017 £000	2016 £000
Net movements in the defined benefit liability:		
At 1 September	(28)	3
Current service cost	(117)	(22)
Finance cost	-	-
Employer contributions	57	27
Net actuarial gain/(loss)	<u>44</u>	<u>(36)</u>
Net pension liability	<u>(44)</u>	<u>(28)</u>

23 Related Party Transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

The following related party transactions took place in the period of account:

- four trustees are full time salaried employees of LSBU;
- one trustee is a non-remunerated governor of LSBU
- The CEO is seconded from LSBU and his salary is paid by LSBU
- There is an agreement with LSBU to receive governance services for £15k p.a. No payment was made during the year and the services for 2016/17 will be invoiced during 2017/18.

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	CONFIDENTIAL
Paper title:	Finance system action plan
Board/Committee:	Joint SBA Audit Committee and Board meeting
Date of meeting:	12 January 2018
Author:	Rao Bhamidimarri
Purpose:	For review
Recommendation:	The Board is requested to review the action plan.

Executive Summary

The joint meeting of the SBA Audit Committee and Board on 20 December 2017 requested that SBA management team provide an action plan detailing how weaknesses in the finance system will be addressed, as soon as possible, to ensure accurate recording of transactions for 2017/18 and beyond.

The meeting is requested to review the action plan.

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Action Plan to Strengthen System of Internal Controls

1. Finalise and close 16/17

- Implement PS Financials upgrade and ensure that all data from previous version of PSF is transferred to the new system.
- Close 2016/17 accounts on the system.
- Ensure no changes can be made once the final balances agree with the audited accounts.

2. Bring the system up to date for the current financial year

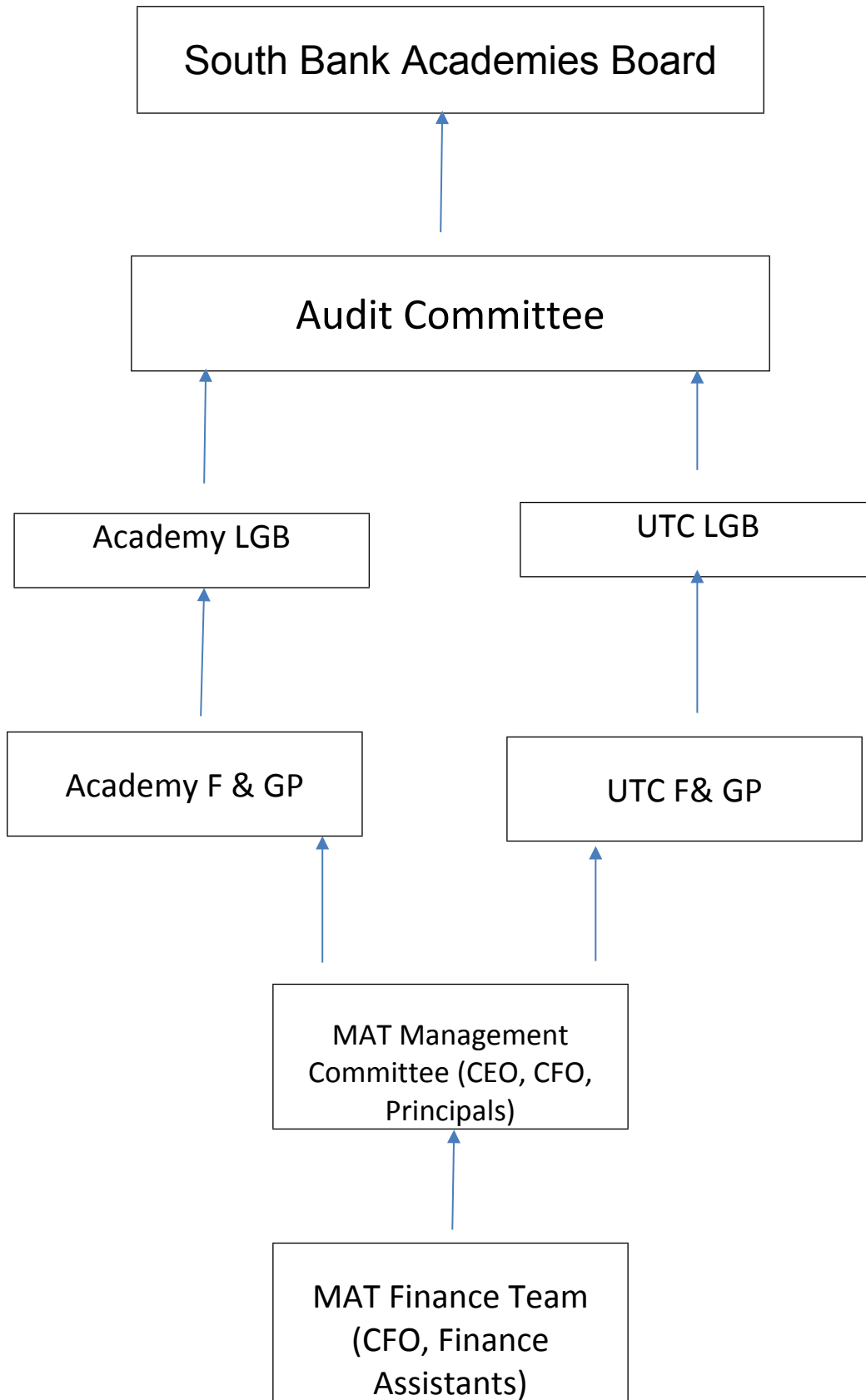
- Continue reconciliation of the bank accounts from 1st September 2017 for the new financial year to ensure that the accounts and reconciliations are up to date.
- Implement PSF upgrade (8th – 10th January 2018).
- CFO to work with University's Finance Controller to bring the new system up to date for 2017/18 financial year
- Develop and implement robust procedures for book keeping and data input on to the system including relevant staff training.
- Training for the new PSF package is organised for 22nd and 23rd January.

3. Strengthen internal controls

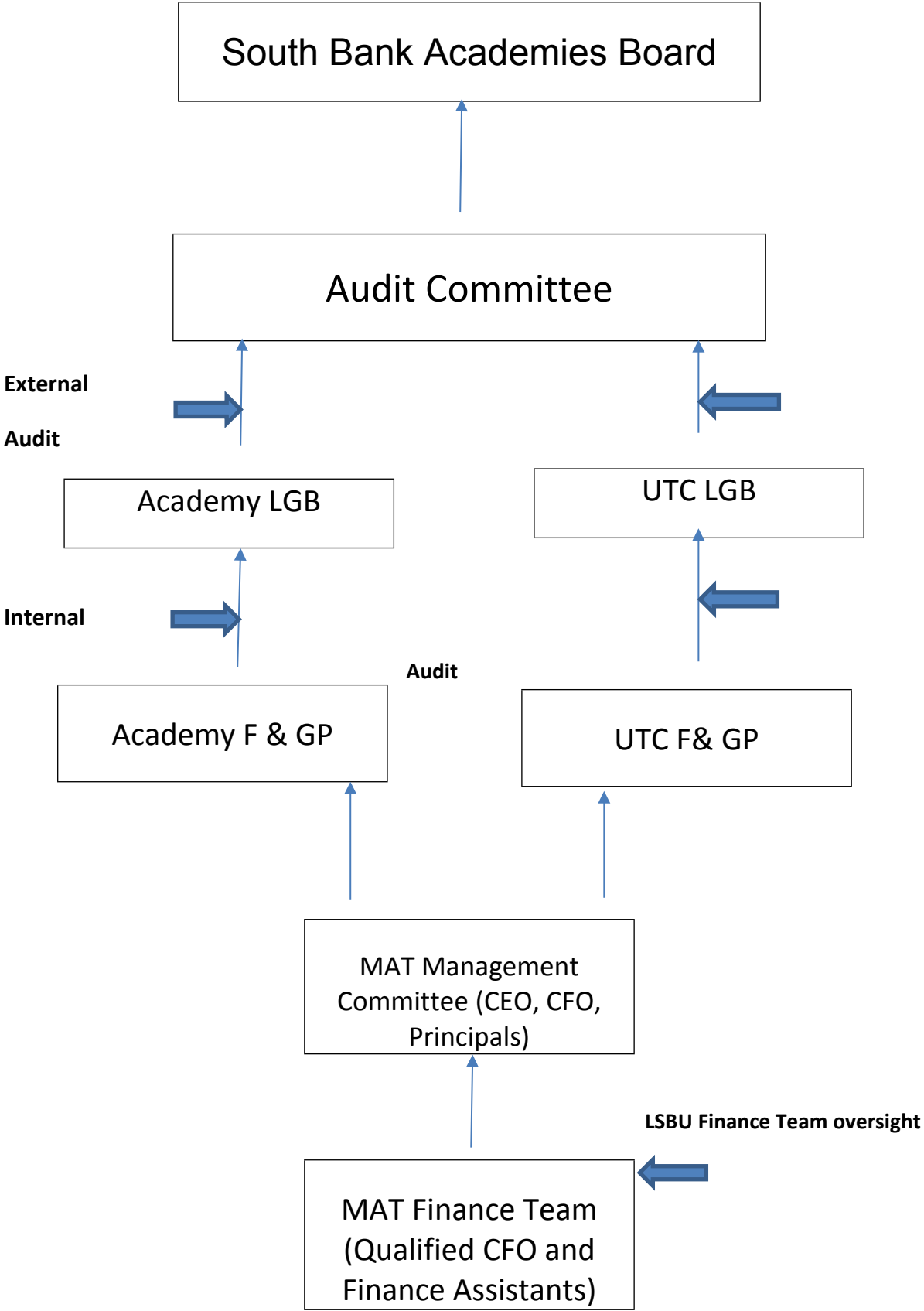
- PSF upgrade includes Reporting Suite allowing for monthly management accounts to be produced directly from the system, avoiding data transfer errors.
- Systems and procedure will be put in place to ensure that errors in duplicate postings, wrong coding can be avoided. Each school will only be able to access their own nominal codes, bank account etc. with the Trust having an overview of the system.
- Every period (monthly) will be closed down after bank rec. This will then lock that period and avoid incorrect postings into a previous period.
- CEO and CFO will review and enhance the finance operations capability and capacity at school level and make changes as required.
- CFO will carry out half termly reviews in each school before to complement independent internal audit.
- The Finance and General Purposes Committees of the schools and MAT Management Committee (CEO, Principals and CFO) will challenge the CFO on the robustness of monthly and termly financial management reports and the data underpinning these reports.

Proposed changes to the financial controls are attached.

Financial Controls (Existing)



Financial Controls (proposed)



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	CONFIDENTIAL
Paper title:	Financial Controls Policy
Board/Committee:	Joint SBA Audit Committee and Board meeting
Date of meeting:	12 January 2018
Author:	Rao Bhamidimarri
Purpose:	For information
Recommendation:	The meeting is requested to note the policy and the related comment on contract approval within delegated limits.

Executive Summary

SBA's Financial Controls Policy is appended for information, as requested by the Board at its meeting of 7 December 2017.

Approval of contracts within delegated levels

Further to the Board's request for information on the awarding of contracts within designated authority levels, there are currently two contracts for cleaning, one at the UTC and the other at the Academy. The UTC contract value is £34,985.99 and the Academy contract is for £69,969.18.

With catering contracts, the students or ESFA (for students for Free School Meals) pay for their meals. Therefore, catering contracts essentially involve collecting money from students or ESFA and transferring it to the catering company. However, the Academy and the UTC undertake to underwrite a minimum number of meals to the catering company.

Minimum number of meals to be underwritten:

Academy contract: 300 (lunch); 510 (snack) and 20 (breakfast) = £158,742.50
 UTC contract: 150 (lunch) and 100 (snack) = £84,649.80

All contracts are within the delegated procurement authority limits.

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SOUTH BANK ACADEMIES TRUST FINANCIAL CONTROLS

Introduction

The South Bank Academies Trust has the responsibility for ensuring that there is a process for maintaining a sound system of financial control that supports the achievement of aims and objectives of the Trust, whilst safeguarding the public and other funds and assets for which they are responsible.

The system of financial control is an ongoing process designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Board Meetings and Committee

The Trust should set and review the terms of reference for all sub-committees and agree annually on the Scheme of Delegation of financial powers to all staff, indicating roles and responsibilities for the leadership teams and finance department.

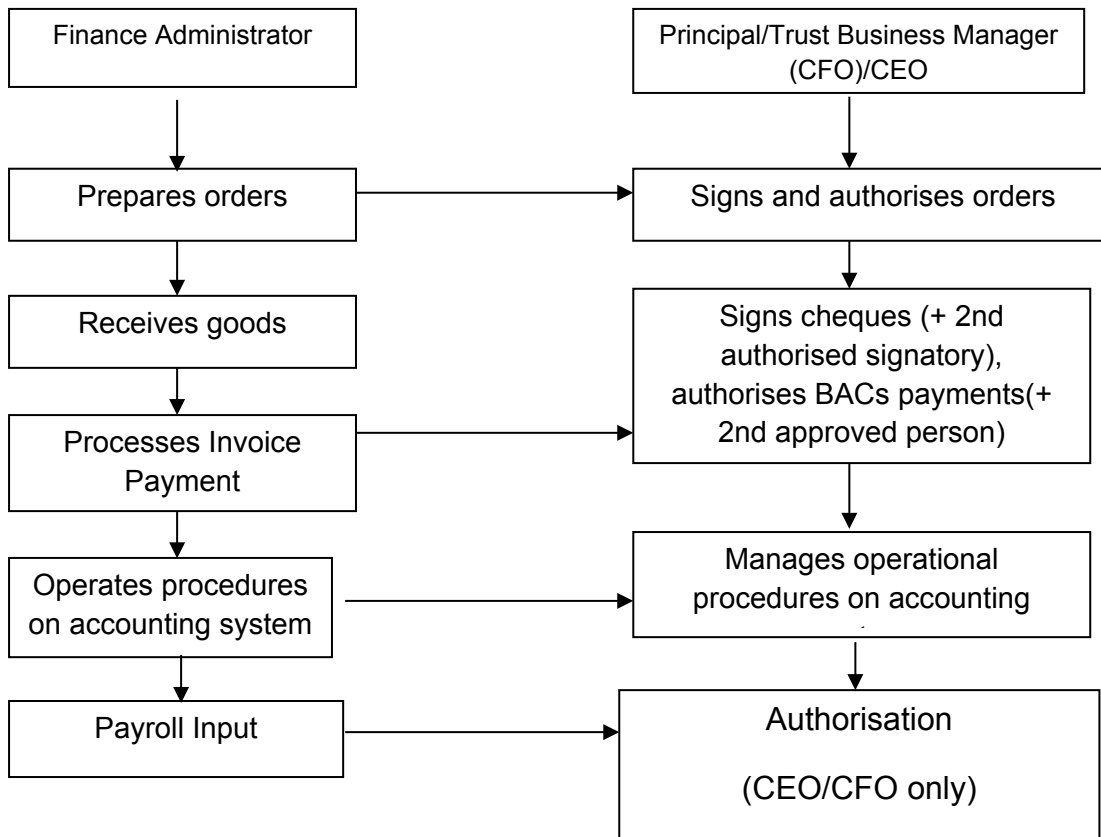
All trustees, governors, senior staff and finance staff should, on an annual basis, complete a form stating their business interests. These forms constitute the Trust's Register of Business Interests.

The Trustees must approve the Trust's annual budget, the CEO must sign the approved plan, a copy of which must be sent to the Department for Education (DfE) before the end of July each year.

The CEO must review and monitor returns to the Education Funding Agency; it is good practice that copies of the returns should be signed by the CEO to acknowledge that the Trustees have had sight of the returns.

Segregation of Duties

The size and type of schools in the Trust and staffing arrangements will affect the segregation of duties. However in all cases one person should process and record various finance functions, whilst another person/persons authorise the processes. Each school will have a designated finance administrator who will not be able to authorise any payments.



Procurement Authority Levels

The Trust keeps a list of approved suppliers and any new suppliers are signed off by the Trust Business Manager once checks are completed.

The following shows levels of authorisation in each Trust school for Purchase Orders and Payments, all orders and payments will need two signatories.

There are two categories of Authoriser A and B. **In all cases an order or payment must have at least one authoriser from category A.**

The table below shows the levels of authorisation for each category of authoriser.

Amount	CEO	Trust Business Manager	Principal	Vice Principal	Trustee
£0 to £500	A	A	A	B	
£501 to £3,000	A	A	A		
£3,001 to £10,000	A	A	B		
£10,001 to £200,000	A	A			B
Above £200,000	A				A

Up to £500

Category A – CEO, Trust Business Manager and Principal
Category B – Vice Principal

£501 to £3,000

Category A – CEO, Trust Business Manager and Principal
Category B – None

£3,001 to £10,000

Category A – CEO, Trust Business Manager
Category B – Principal

£10,001 to £200,000

Category A – CEO, Trust Business Manager
Category B – Trustee
(All orders above £10,000 should include three comparative quotes)

Above £200,000

Trust should contact the EFA for advice on the procedures.

Management Reports

To allow the Trustees to monitor and challenge the financial performance quarterly management reports will be sent to the Trust Board, while the CEO monitors monthly management reports.

Included in each report will be the current forecast showing any variance against budget with commentary, a cash flow statement and additional narrative detailing any concerns or upcoming needs. Similar reports will be provided to the Finance and General Purposes Committees of LGBs for their review.

External Audit

External Auditors are appointed to prepare the Financial Statements of the Trust and also examine and report on the transactions, systems and procedures of the Trust.

The South Bank Academies Trust Audit Committee is tasked with advising South Bank Academies Board on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor. At present the auditors are Kingston Smith LLP.

Internal Audit

The Trust Business Manager will conduct termly audits of each school.

These audits will include the following;

- A selection of payments to be examined for correct authorisation
- Bank Reconciliations to be checked
- Sample of Control Accounts to be checked
- Spot Check of Fixed Assets

Value for Money

The Trust understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

Annual benchmarking is reported to the board and the Local Governing bodies in relation to expenditure including staffing costs.

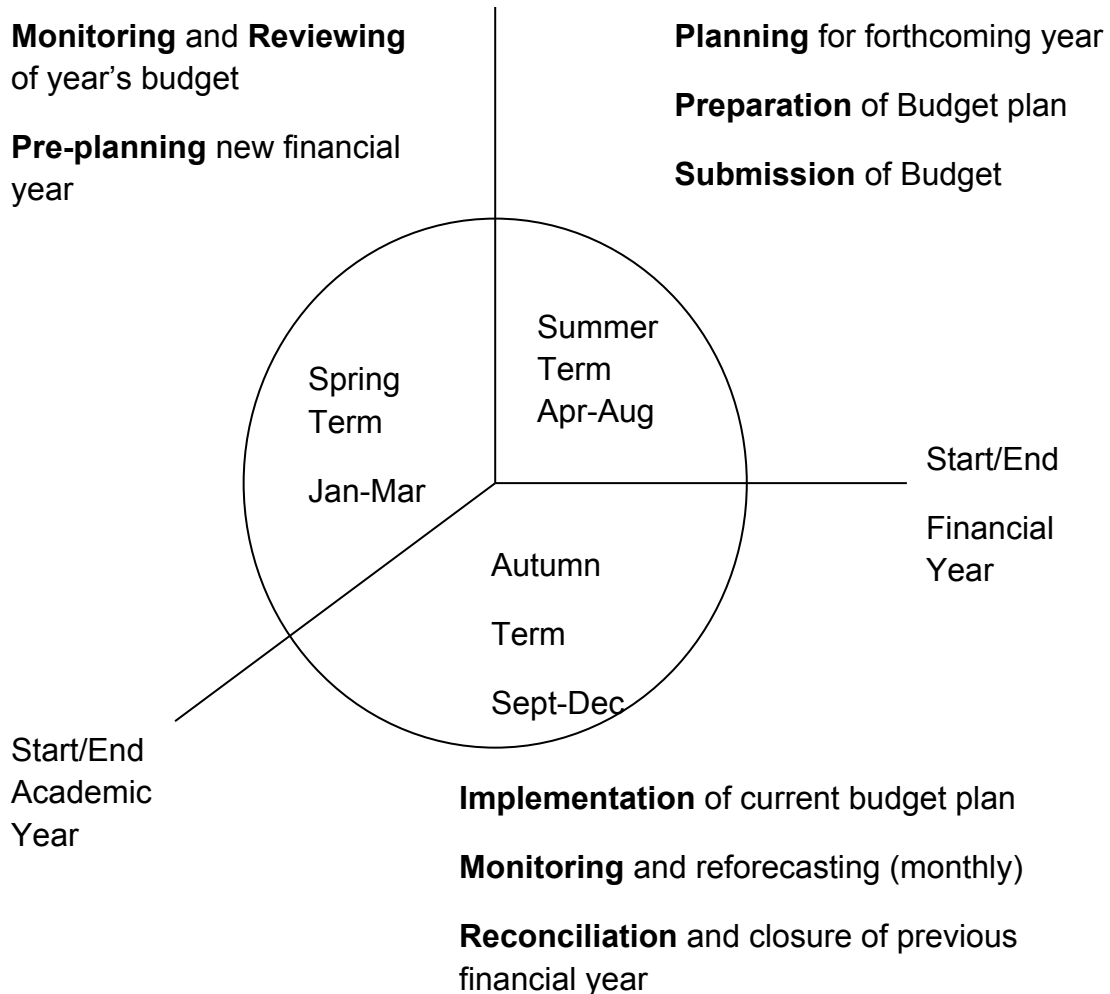
The Trust delivers value for money by;

- Effective purchasing – Reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.
- Economies of Scale – Where possible taking advantage of increased economies of scale by entering into joint contracts (UTC and Academy) for services such as catering and cleaning and by sharing resources including equipment and staff.
- Income generation – Hiring of facilities to community groups during periods of non-Academy use.
- Asset Checking – Regular monitoring of asset registers and assets ensuring tracking of asset and condition of asset.

Budgeting

Each school will submit a budget proposal to the CEO. This will be compiled by the Principal with support from the Trust Business Manager and reviewed by the CEO, who will then put forward a Trust-wide budget proposal for consideration and approval by the Trust Board. Once approved the budget will then be submitted to the Department for Education (DfE) by the deadline, 31st July.

The Budgetary Cycle



Risk Register

A risk register agreed by the board is the subject of careful and frequent monitoring and is reviewed at each board meeting.

The Risk Register highlights the key risks for South Bank Academies under six key categories;

- Compliance
- Finance
- Staffing
- Pupil Levels
- Infrastructure
- Reputation

The register calculates the risk level associated to each risk by combining the probability of the risk and the impact of the risk. Also listed are the actions that have been taken to mitigate each risk. Each risk will have an 'Owner' to take responsibility for the risk and ensure the mitigating actions are undertaken and deployed.

Risk Calculation Impact	Probability		
	1 low	2 medium	3 high
1 low	1	2	3
2 medium	2	4	6
3 high	3	6	9

Each school within the Trust will have its own Risk Register that is aligned to the schools' operations.

Census and Pupil Number Submissions

Income from the DfE is based on the forecasted pupil numbers submitted by the school via the Pupil Number Estimate form in the autumn for the following year and the termly Census checks that are submitted to the DfE. It is important that these numbers are checked for accuracy to avoid being underfunded or for income to be recovered at a later date after it is discovered that pupil numbers have been over estimated.

