

Meeting of the South Bank Academies Audit Committee

4.00 - 6.00 pm on Tuesday, 6 March 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"> • 6 July 2017 • 12 January 2018 (joint Audit / Board) 	3 - 10	RF
4.	Matters arising <ul style="list-style-type: none"> • 6 July 2017 • 12 January 2018 (joint Audit / Board) 	11 - 14	RF
Items to discuss			
5.	External audit report - actions update	15 - 24	NF, CV
6.	Internal audit update and plan	25 - 34	NF
7.	Finance system action plan update	35 - 42	NF
8.	Financial controls policy update	43 - 52	NF
9.	Safeguarding report <ul style="list-style-type: none"> • Schools • DfE report 	To Follow	RB
Items to note			
10.	Risk registers <ul style="list-style-type: none"> • MAT • Schools 	To Follow	RB
11.	Anti-fraud, bribery and corruption report	To Follow	RB
12.	Speak up report	53 - 54	MB
13.	Any other business		

No. Item

Pages

Presenter

**Date of next meeting
4.00 pm on Thursday, 21 June 2018**

Members: Richard Flatman (Chair), Adam Crossley and Tony Giddings

In attendance: Claire Viner, Rao Bhamidimarri, Michael Broadway, Joe Kelly and Natalie Ferer

**Minutes of the meeting of the South Bank Academies Audit Committee
held at 4.00 pm on Thursday, 6 July 2017
1A13 - Technopark, SE1 6LN**

Present

Richard Flatman (Chair)
Tony Giddings

Apologies

Adam Crossley
Rao Bhamidimarri

In attendance

Michael Broadway
Anjali Kothari (External Auditor, Kingston Smith LLP)
Dan Smith
Pervena Singh (Clerk)

1. Welcome and apologies

The Chair welcomed members to the meeting, and apologised for the rescheduling of the meeting.

The above apologies were noted.

2. Declarations of interest

No members declared a conflict of interest in any item on the agenda.

3. Minutes of previous meeting

The Committee approved the minutes of the meeting of Thursday, 9 March 2017.

4. Matters arising

The Committee discussed the pending matters from the previous meetings below:

Apprenticeship Levy - The Business Manager gave a verbal update which confirmed that the Apprenticeship Levy was not an immediate matter that would affect the MAT at this stage. The Committee agreed that a plan should be included within the 2018/2019 budget.

All other matters arising were completed.

5. **Internal audit function**

The committee noted the internal audit functions and controls report, and were informed of the latest analysis of control on student recruitment, health and safety, teaching observations and student numbers.

The committee reviewed the internal controls table, which illustrated the areas of control for the audit committee and local governing bodies to analysis. The committee requested the headings in the table be amended to show correct level of authority.

The committee discussed the student recruitment numbers at both schools, and noted that an update on recruitment will be provided at the upcoming Board meeting.

The committee were concerned to hear that some members of staff had not completed their health and safety e-learning module, and requested the completion of the module before the new academic year.

The committee discussed the key areas covered in the internal audit report and requested that finance is included.

The committee requested an internal audit book report as a standing agenda item for future meetings.

The committee were informed that there have been no control breakdowns since the last meeting.

6. **External audit plan**

Anjali Kothari joined the meeting

The committee were presented with the external audit plan by the audit partner (Kingston Smith LLP). The committee noted that the audit will be risk based, with specific focus on the key risks of income recognition and management override.

The committee approved the external audit plan and the proposed timetable.

The committee requested that the external audit partner is invited to attend the Board meeting of 7 December 2017, to sign the accounts.

The committee noted that the external audit partner would comment on internal control when delivering the external audit report.

The auditor confirmed that the Education and Skills Funding Agency will be overseeing governance more closely.

7. **Anti-fraud policy**

The committee approved the anti-fraud policy subject to a few typographical amendments. No issues of fraud had arisen since the last Audit Committee meeting.

8. **Speak up policy**

The committee approved the Speak up policy. No new issues had been raised since the last meeting.

9. **MAT risk register**

The committee noted the MAT risk register and were informed of the significant change to the risk register for staffing, which had reduced from a high risk level to a low level.

The committee discussed the remaining high level risks, which include health and safety due to the temporary building, the new fair funding formula, and student recruitment numbers.

It was noted that the dates for the most recent review of the risk register, and the date for the next review, need to be amended as the information shown is out of date.

10. **Schools' risk registers**

The committee discussed the schools local risk registers, which were reviewed in detail by the local governing bodies.

11. **Assurance report**

The committee noted the assurance report. The committee suggested that the assurance report included in the committee papers would be better placed as part of the internal audit controls report.

12. **Any other business**

The committee were informed of the departure of the Business Manager and thanked him for his contribution to South Bank Academies.

Date of next meeting
2.30 pm, on Wednesday, 15 November 2017

Confirmed as a true record

..... (Chair)

**Minutes of the joint meeting of the South Bank Academies Audit Committee
and Board of Directors
held at 10.00 am on Friday, 12 January 2018
1B16 - Technopark, SE1 6LN**

Present

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

Apologies

Adam Crossley
Richard Parrish
Lesley Morrison

In attendance

Claire Viner
Michael Okelola (external accountant)
Michael Broadway
Joe Kelly
Anjali Kothari

1. Welcome and apologies

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

2. Declarations of interest

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

3. Minutes of previous meeting

The minutes of the following meetings were approved:

- Board meeting, 7 December 2017
- Joint Audit Committee and Board meeting, 20 December 2017

4. Matters arising

Joint Audit Committee and Board meeting, 20 December 2017:

- Academies Accounts Return (AAR): the meeting noted that the AAR data would be reviewed by LSBU's Planning, Performance and Assurance team on Monday 15 January 2018. It would then be reviewed by the auditors and submitted to the ESFA by the deadline, 19 January 2018.

- Internal audit: the meeting noted that a meeting with PwC, LSBU's internal auditors, has been arranged for 17 January 2018 to discuss a group wide internal audit function for South Bank Academies.
- The external auditor confirmed that the Letter of Representation would be circulated by the end of the day.

5. **External audit findings**

The meeting discussed the draft external audit findings report.

The meeting noted the auditor's confirmation that the accounts would be unqualified, with irregularities noted, and the auditor's view that management responses were accurate and appropriate.

The meeting noted that the number of operational failures, highlighted in the report, was unacceptable and required immediate attention. The meeting requested the Audit Committee to monitor the identified risks and ensure timely resolution, to review governance and management structures and the roles and responsibilities of the management team.

The meeting noted that the value of the 125 year lease for land and buildings on the site of the University Academy of Engineering must be recorded on the balance sheet with appropriate depreciation. The auditor confirmed that the insurance valuation of £23M was adequate. For future years the meeting agreed that the ESFA valuation would be used. The auditor informed the meeting that the ESFA has its own valuation system and that the figure could be reviewed once the ESFA had conducted its valuation. The meeting instructed the CEO to arrange the ESFA valuation. The meeting requested that a note be included in the accounts to this effect.

The meeting noted the timeline of interaction between the auditor and the management team.

The final audit findings report would be circulated to the directors prior to filing with the ESFA.

6. **Going concern statement**

The meeting discussed the Going Concern statement and noted that the figures needed updating to reflect changes to the accounts. The meeting approved the Going Concern statement pending amendments in line with the accounts and was satisfied that the accounts should be prepared on a going concern basis.

7. **System of internal control report**

The meeting discussed the system of internal control report.

The meeting noted that the Audit Committee had already begun to review arrangements for internal controls including internal audit arrangements

(meeting with PwC, 17 January 2018). The Board would also review governance and management structures, and the roles and responsibilities of the management team.

8. External audit letter of representation

The meeting noted that the Letter of Representation was not yet available. The meeting requested that the Letter of Representation be circulated to members by the end of the day.

Directors requested that before approval of the letter, the CEO confirm that all material matters had been disclosed to the auditors and that the representations were true, accurate and reasonable.

The Board delegated approval of the Letter of Representation to the Chair of the Board, Chair of the Audit Committee, and the CEO.

The final Letter of Representation would be circulated to all directors for comment prior to approval.

9. South Bank Academies Annual Report and Accounts

The meeting discussed the Annual Report and Accounts.

The meeting noted the surplus was now £496k after appropriate treatment for income, and clawback by ESFA relating to the previous year's student recruitment. Ongoing work to reconcile the remaining non-material differences do not prevent the Board from approving and signing the accounts.

The meeting noted the wording of the auditor's Regularity Statement and that the auditor had raised matters in the report by exception. The meeting agreed that SBA's statement on regularity should be consistent with the auditor's. The auditor confirmed that the nature of a limited assurance engagement prevents them from expressing a positive opinion.

The Board approved the accounts subject to finalisation of figures relating to the land and buildings lease. The Board agreed that the final version of the accounts could be approved and signed by a sub-committee consisting of the Chair of the Board, the Chair of the Audit Committee, and the Chief Executive. The final accounts, along with a tracked changes version, would be circulated to the full Board.

The Board instructed the CEO to upload the signed accounts to the ESFA website by 19 January 2018.

The Academies Accounts Return (AAR) would be finalised by SBA management, LSBU's Planning, Performance and Review Team, and the auditors, and would be uploaded to the ESFA website by the deadline, 19 January 2018.

10. **Finance System action plan**

The meeting discussed the Finance System action plan.

The meeting noted that the Audit Committee would monitor actions on the identified risks, appoint an internal auditor, and that the Board would review management roles and responsibilities. The meeting noted the need to bring the current year's records up to date, as soon as possible. The Board requested an update on progress in February 2018.

11. **Financial controls policy**

The meeting noted the current Financial Controls policy and update on the cleaning and catering contracts.

The meeting agreed that a new policy was required, as soon as possible, to address the concerns of the Board and Audit Committee, and to bring the current financial year up-to-date.

The meeting noted that LSBU plans for a new group structure would enable support for, and oversight of new financial controls from within LSBU.

The meeting requested that the delegated levels of authority for financial transactions be reviewed and brought to the meeting of the Audit Committee in March 2018.

12. **Any other business**

There was no other business.

Date of next meeting
4.00 pm, on Thursday, 22 March 2018

Confirmed as a true record

..... (Chair)

SOUTH BANK ACADEMIES AUDIT COMMITTEE - THURSDAY, 6 JULY 2017 ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	Internal audit function	Update on the completion of the health and safety e-learning module The committee requested the internal audit report to include finance controls. The committee requested an internal audit book report to a standing agenda item for future meetings.		Claire Viner Claire Viner Claire Viner	In Progress In Progress In Progress
6.	External audit plan	The external audit partner to be invited to attend the Board meeting of 7 December 2017, to sign the accounts.		Pervena Singh	Done
9.	MAT risk register	The dates for the last review of the risk register and the date for the next review to be amended.		Claire Viner	Done
11.	Assurance report	The committee requested greater assurance of the effectiveness of controls.		Rao Bhamidimarri	In progress

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**SOUTH BANK ACADEMIES AUDIT COMMITTEE - FRIDAY, 12 JANUARY 2018
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
5.	External audit findings	Arrange ESFA land valuation	Rao Bhamidimarri	Will take place in autumn 2018 with ESFA's valuation schedule
		Final audit findings report would be circulated to the directors prior to filing with the ESFA	Rao Bhamidimarri	Completed
7.	System of internal control report	Meeting with PwC re internal audit (17 January 2018)	Richard Flatman	Completed
		Review (i) governance & management structures and (ii) roles / responsibilities of management team	David Phoenix, Michael Broadway, James Stevenson	On agenda
8.	External audit letter of representation	Confirm that all material matters had been disclosed to the auditors and that the representations were true, accurate and reasonable	Rao Bhamidimarri	Completed
		Letter of Representation be circulated to members by the end of the day	Rao Bhamidimarri	Completed
		Final Letter of Representation would be circulated to all directors for comment prior to approval	Rao Bhamidimarri	Completed
		Approval of Letter of Representation	David Phoenix, Rao Bhamidimarri, Richard Flatman	Completed

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
9.	South Bank Academies Annual Report and Accounts	<p>Final accounts, along with a tracked changes version, would be circulated to the full Board</p> <p>Approval of accounts by sub-committee:</p> <p>To upload the signed accounts to the ESFA website by 19 January 2018</p> <p>Academies Accounts Return (AAR) to be uploaded to the ESFA website by the deadline, 19 January 2018</p>	<p>Rao Bhamidimarri</p> <p>Chair, Chair of Audit Com, CEO</p> <p>Rao Bhamidimarri</p> <p>Rao Bhamidimarri</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>
10.	Finance System action plan	Finance system action plan update	Claire Viner, Natalie Ferer	On agenda
11.	Financial controls policy	<p>New financial controls policy</p> <p>Delegated levels of authority for financial transactions be reviewed and brought to the meeting of the Audit Committee in March 2018</p>	<p>Natalie Ferer</p> <p>Claire Viner, Natalie Ferer</p>	<p>On agenda</p> <p>On agenda</p>

	CONFIDENTIAL
Paper title:	External audit report – Actions update
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	6 th March 2018
Author:	Natalie Ferer, University Financial Controller
Purpose:	For review by the Board
Recommendation:	The meeting is requested to review and note progress with implementing recommendations made following the audit of the Trust accounts by Kingston Smith

Background

Kingston Smith completed the audit of the accounts of South Bank Academies (SBA) for the year ending 31st August 2017. The auditors encountered significant difficulties during the course of the audit and 18 audit recommendations were made, 9 of which were rated as high risk. The purpose of this paper is to update the audit committee on progress with implementing these recommendations.

Summary

Most of the recommendations relate to improving financial procedures and strengthening financial control. Implementation is being monitored closely by the University Financial Controller with help from the University's Financial Accounting team and that team are also now overseeing the monthly financial control and reporting processes.

The attached action tracker lists progress against individual actions. Controls have already been strengthened including reviewing of the monthly payroll, independent review of bank reconciliations and improved control around supplier payments. A number of further recommendations are due at the end of February and a verbal update will be made at the meeting as to progress towards implementation.

Recommendation

The Committee is asked to note the report.

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South Bank Multi Academy Trust

Reference	Finding Number & Description	Priority	Responsible Person	Target Date	Committee Date	Recommendation Status	Agreed Actions	Action date	Action by	Action description	Action detail
JB/04a8/22118	<p>7: Land and Buildings</p> <p>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.</p> <p>Implication: 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.</p>	High	Natalie Ferer	31/10/2018	30/4/2018	open	<p>Recommendation: The Trust has a responsibility to ensure that there is no relevant audit information of which the external auditor is unaware.</p> <p>Agreed Management Action: We had already disclosed information regarding the lease to the auditors. We will obtain a professional valuation.</p>	19/2/2018	Natalie Ferer	Target date changed to: 31/10/2018	Target date changed to: 31/10/2018 Original target date: 30/04/2018
								19/2/2018	Natalie Ferer	Discussion with Kingston Smith	Anjali at Kingston Smith advised that it was not necessary to pay to engage a surveyor to value the school land and buildings, but rather wait for DFE to update their valuations. This takes place in the Autumn each year and should be available by the time the 2017/18 accounts are finalised
JB/14a5/22118	<p>2: 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> <p>Implication: 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>	High	Natalie Ferer	15/2/2018	31/1/2018	closed	<p>Recommendation: 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 Management Action: 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>	31/1/2018	Natalie Ferer	Target date changed to: 15/02/2018	Target date changed to: 15/02/2018 Original target date: 31/01/2018
								31/1/2018	Natalie Ferer	Bank reconciliations	Bank reconciliations have been prepared for the Academy but not yet for the UTC or Trust bank accounts. It is planned that these will be prepared in the first week of February and reviewed by a member of the Financial Control team
								6/2/2018	Natalie Ferer	Bank Reconciliations for September	A member of the University Finance team are now preparing reconciliations for September
								19/2/2018	Natalie Ferer	Closed the Recommendation	monthly bank recs are now being reviewed by the University Financial Accountant
JB/14bf/22118	<p>8: Unidentified provisions</p> <p>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.</p> <p>Implication: This indicates a lack of clarity and control over the expenditure recognised within the trust's financial statements.</p>	High	Natalie Ferer	28/9/2018	28/9/2018	open	<p>Recommendation: We recommend that proper controls are put in place around supplier invoices which would allow clear monitoring of transactions.</p> <p>Agreed Management Action: 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.</p>	6/2/2018	Natalie Ferer	Supplier payments	Supplier payments on Lloyds now must be linked to a report from PSF to evidence that invoices being paid are supported by an authorized invoice on the system

JB/2480/22118	<p>18: Central recharges</p> <p>Where internal bank transfers are made, there is not always supporting documentation available.</p> <p>Implication: If inter academy transactions are not being consistently monitored and recorded, then the risk of entity level reporting being inaccurate is increased.</p>	Low	Natalie Ferer	28/2/2018	28/2/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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). Inter-company 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.</p>					
JB/249a/22118	<p>12: Fixed asset register</p> <p>A complete fixed asset register was not available at the time of the audit</p> <p>Implication: 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>	Medium	Natalie Ferer	30/3/2018	30/3/2018	open	<p>Recommendation: 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>Agreed Management Action: 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>					

JB/24b3/22118	<p>16: Expenditure vs budgets</p> <p>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.</p> <p>Implication: 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.</p>	Low	Natalie Ferer	28/2/2018	28/2/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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.</p>				
JB/4494/22118	<p>4: Management information</p> <p>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.</p> <p>Implication: 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.</p>	High	Natalie Ferer	28/2/2018	28/2/2018	open	<p>Recommendation: A full set of management information should be made available and reviewed at least on a termly basis.</p> <p>Agreed Management Action: 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.</p>				
JB/44bf/22118	<p>15: Members and directors</p> <p>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).</p> <p>Implication: 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.</p>	Medium	Michael Broadway	31/1/2018	31/1/2018	closed	<p>Recommendation: We recommend that the Trust gets the information up to date and monitors this on a regular basis.</p> <p>Agreed Management Action: 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.</p>	19/2/2018	Michael Broadway	Completed.	The register is now up-to-date.
								19/2/2018	Michael Broadway	Closed the Recommendation	The register is now up-to-date.

JB/54b8/22118	<p>17: Payroll records</p> <p>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.</p> <p>Implication: 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.</p>	Low	Natalie Ferer	28/2/2018	28/2/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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).</p>				
JB/64b5/22118	<p>9: 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> <p>Implication: 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>	High	Michael Broadway	31/1/2018	31/1/2018	closed	<p>Recommendation: 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>Agreed Management Action: There is a formal register of related parties maintained by the University Governance team.</p>	23/1/2018	John Baker	Closed the Recommendation	This action has already been implemented by the Governance Team.
JB/9485/22118	<p>6: Supplier transactions</p> <p>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.</p> <p>Implication: 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.</p>	High	Natalie Ferer	30/3/2018	30/3/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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.</p>	21/2/2018	Natalie Ferer	Supplier payments	Supplier payments are now only made once posted to PSF and bank batches must be supported by a payments listing before authorization

JB/9495/22118	<p>3: Accounting system</p> <p>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.</p> <p>Implication: 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.</p>	High	Natalie Ferer	28/2/2018	28/2/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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.</p> <p>Roles and expectations of staff responsible for maintaining accounting records will be reviewed</p>	21/2/2018	Natalie Ferer	Training	some training has taken place. However, posting errors are continuing and further training will be arranged
JB/b4ab/22118	<p>1: Roles & Responsibilities</p> <p>It was noted that there is a lack of clarity over individuals' roles and responsibilities within the finance team, particularly in respect of the accounting system, once the former finance manager had left the Trust.</p> <p>Implication: 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>	High	Natalie Ferer	15/2/2018	31/1/2018	open	<p>Recommendation: 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.</p> <p>Adequate training must be given to all members of staff who are responsible for maintaining the accounting records.</p> <p>Agreed Management Action: 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>	31/1/2018	Natalie Ferer	Target date changed to: 15/02/2018	Target date changed to: 15/02/2018 Original target date: 31/01/2018
								31/1/2018	Natalie Ferer	roles and responsibilities	Staff at the Academy and the UTC have received training and it has been reported by the CFO that their work is now being more closely supervised. The monthly checklist will be tested in the first week of February and then issued to staff so they are aware of what tasks they are expected to complete.
								19/2/2018	Natalie Ferer	Financial Controls Policy	proposal for changes to the Financial Controls Policy including a table to clarify roles and responsibilities

JB/c494/22118	<p>5: Control accounts</p> <p>Control accounts are not being utilised properly, reviewed nor reconciled, such as net wages, PAYE/NI, pensions, trade debtors, trade creditors.</p> <p>Implication: 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.</p>	High	Natalie Ferer	28/2/2018	31/1/2018	open	<p>Recommendation: 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.</p> <p>Agreed Management Action: 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.</p>	31/1/2018	Natalie Ferer	review of January Payroll	the january payroll was reviewed by the Financial Controller. The Financial controller will review the February payroll input an output prior to it being finalised
								31/1/2018	Natalie Ferer	Target date changed to: 28/02/2018	Target date changed to: 28/02/2018 Original target date: 31/01/2018
								21/2/2018	Natalie Ferer	February Payroll	The Payroll reports for the Trust and UTC have been reviewed. It is planned that the Payroll input for both schools will be reviewed in the week following Pay day
								21/2/2018	Natalie Ferer	February Payroll	The Payroll reports for the Trust and UTC have been reviewed. It is planned that the Payroll input for both schools will be reviewed in the week following Pay day
JB/d4a5/22118	<p>10: 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> <p>Implication: There is a risk that incorrect financial information is presented to the board.</p>	Medium	Natalie Ferer	28/9/2018	28/9/2018	open	<p>Recommendation: 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>Agreed Management Action: 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>				
JB/d4a6/22118	<p>14: 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> <p>Implication: 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>	Medium	Natalie Ferer	30/6/2018	30/6/2018	open	<p>Recommendation: We recommend that the Trust reviews it's staffing position and prepares an action plan in respect of this area.</p> <p>Agreed Management Action: A staff budget and recruitment strategy will be prepared as part of the 2018/19 budget process.</p>				

JB/e4ba/22118	<p>11: VAT receivable</p> <p>Throughout the account period, we note that only 2 VAT 126 returns have been processed and submitted. The UTC VAT balance per PS Financials is £56k overstated compared to the draft claim workings. The VAT balances have not been reconciled during the period.</p> <p>Implication: 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>	Medium	Natalie Ferer	30/3/2018	30/3/2018	open	<p>Recommendation: 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 Management Action: 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>					
JB/f4a9/22118	<p>13: 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> <p>Implication: These discrepancies indicate potential error in the information used by the actuaries in preparing the LGPS pension report figures.</p>	Medium	Natalie Ferer	28/9/2018	28/9/2018	open	<p>Agreed Management Action: We will review the documentation received by the actuaries and reconcile contributions paid to internal records, with discrepancies investigated and resolved directly.</p>					

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	CONFIDENTIAL
Paper title:	Internal audit update and plan
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	6 March 2018
Author:	Natalie Ferer, University Financial Controller
Purpose:	To update the Committee on Internal audit
Recommendation:	The committee is asked to note the report and agree the internal audit plan proposed

Background

Following the difficulties encountered during the audit of the 2016/17 Financial Statements, the internal audit function at the Trust is being reviewed. ESFA publish in the Academies Financial Handbook guidelines and a suggested work programme for Internal Audit. The attached document 'handbook internal scrutiny' sets how the Trust should deliver assurance around its process for checking its financial systems, controls and transactions.

Responsible Officer

The attached document '2006 Handbook General Responsible Officer' sets out the role of the Responsible Officer (RO). The main duty of the RO is to provide the Governing body with independent assurance around financial controls and management of resources and to provide the Governing Body with a written report at each meeting.

Paragraph 2.15 sets out the requirement that the RO should be a Governor or an appropriately qualified and experienced individual who is not a member of staff at the Academies Trust and must be sufficiently familiar with the finances of the schools and the Trust to provide the Governing body with the required assurance. The guidance says that the Governing Body can engage a firm of auditors to aid the RO in this function.

The RO will not be required to carry out detailed work themselves but will need to see evidence that checks have taken place to ensure that correct procedures have been followed such as reviewing sample bank reconciliations, reviewing processes for checking payroll, checking authorisation of a sample of purchase invoices, reviewing external returns and checking procurement processes have been followed.

Proposed Internal Audit Process

Activity	Performed by	Reviewed by	When
Completion of all monthly accounting tasks including posting of transactions and balance sheet reconciliations	School or Trust Staff	University Finance Team	Monthly
Preparation and checking of Payroll	School or Trust Staff	University Financial Controller or Director of Planning and Funding	Monthly
Review of major contracts	School or Trust Staff	University Procurement team	When major contracts awarded
Internal Audit function	University Finance Team or firm of auditors	Responsible Officer	Termly

Recommendation

The committee is asked to note the attached ESFA guidance and

1. Designate an individual to the role of Responsible Officer
2. Consider appointment of a firm of auditors to provide assurance to the RO
3. Approve the internal audit process listed above

Appendix 1: Suggested Internal Audit Programme

Income:

Reconcile income to ESFA statement for the period being tested

Select 5 miscellaneous receipts and ensure that

The income has been recorded correctly in the accounting system

Supporting documentation agrees the amount received

Money received was banked promptly

Payroll:

Select 5 employees paid during the period and check salary details to personnel records

Select 5 amendments to pay and check that properly authorised source documentation exists

Select 2 months and check that bacs is properly authorised

Purchases:

Select 5 supplier payments made during the period and check that:

The payment is properly authorized

The invoice and payment is correctly recorded on the accounting system

The invoice has been authorised

The invoice agrees to the order

The order was authorised

There is evidence that the goods or services have been delivered

Obtain details of contracts beginning in the period with a value over £20,000 and review documentation to ensure correct procurement process has been followed

Review progress against any significant capital spend and ensure that payments made are appropriate and progress is satisfactory

Accounting:

Select 2 months during the period and review month end bank reconciliations for all bank accounts

Select 2 months and review 5 balance sheet reconciliations at each month end

Reports and returns:

Review all monthly returns submitted during the period to check they were submitted on time, were appropriately checked and agree to accounting records

Select 2 month's management accounts and check that figures agree to accounting records

Select 2 months management accounts and check that variances have been correctly calculated and forecasts have been updated.

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2.4 Internal scrutiny

The trust must have in place a process for checking its financial systems, controls, transactions and risks.

2.4.1 Audit committees

2.4.2 Academy trusts **must** establish a committee, appointed by the board of trustees, to provide assurance over the suitability of, and compliance with, its financial systems and operational controls. Taking into account the differing risks and complexity of their operations:

- all trusts with an annual income over £50 million **must** have a dedicated audit committee
- all other trusts have flexibility to establish either a dedicated audit committee, or to include the functions of an audit committee within another committee

2.4.3 Audit committee functions should be established in such a way as to achieve **internal scrutiny which delivers objective and independent assurance**, which means that:

- staff employed by the trust should not be members of an audit committee, but may attend to provide information and participate in discussions
- where the trust operates a combined finance and audit committee, staff may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions

The accounting officer and other relevant senior staff should routinely attend the committee in the capacity set out directly above.

2.4.4 The committee's work **must** focus on providing assurances to the board of trustees that all risks are being adequately identified and managed with particular regard to:

- **reviewing the risks to internal financial control at the trust**
- **agreeing a programme of work to address, and provide assurance on, those risks**

2.4.5 **In multi-academy trusts the audit committee's oversight must extend to the financial controls and risks at constituent academies.**

2.4.6 Oversight **must** ensure that information submitted to DfE and ESFA that affects funding, including pupil number returns and funding claims completed by the trust

and (in the case of a multi-academy trust) by constituent academies, is accurate and in compliance with funding criteria.

2.4.7 The outcome of the committee's work should inform the governance statement that accompanies the trust's annual accounts and, so far as is possible, provide assurance to external auditors.

2.4.8 Delivering assurance

2.4.9 Academy trusts should manage this programme of risk review and checking of financial controls in the way that they deem most appropriate to their circumstances. Options include:

- the appointment of an internal audit service (either in-house, bought-in or provided by a sponsor)
- the performance of a supplementary programme of work by the trust's external auditor
- the appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the trust's internal controls, who neither charges, nor is paid by the trust for their work. This appointment is not mandatory but is one way trusts are able to conduct their internal checks
- a peer review, with the work being performed by the chief financial officer, or a suitably qualified or experienced member of the finance team, from another academy trust, as an independent reviewer

2.4.10 The trust may wish to commission a programme of work that combines the above options. For example, a trustee appointed under the third bullet above to carry out checks can delegate some of the detailed checking to an external contractor or peer reviewer. The adequacy of the arrangements at each trust will be established as part of the process leading to the accounting officer's annual statement, and, where appropriate, through the self-assessment review of financial management and governance or other review of the governance arrangements.

2.5 Transparency

The trust must be transparent with its governance arrangements.

2.5.1 Publishing information about governance structures

2.5.2 In the interests of transparency, an academy trust **must** publish on its website up-to-date details of its governance arrangements in a readily accessible format. This **must** include:

- the structure and remit of the members, board of trustees, its committees and

guide the governing body on financial and administrative systems, audit and charity accounting matters. The DfES strongly recommends that the person appointed as Finance Director, or equivalent, should be a qualified CCAB accountant, or equivalent, with some experience in a senior position; charity experience would be valuable. An acceptable alternative, subject to the governing body themselves having significant financial experience and ability, would be a member of the Association of Accounting Technicians who has significant relevant experience in either a charity or educational institution.

Responsible Officer

- 2.12 The governing body will need to consider how it monitors and checks the operation of the financial management arrangements that have been established and are operated by officers of the academy. To assist in this they should appoint a person who will have specific responsibility for overseeing the financial arrangements on their behalf. The appointment of this Responsible Officer (RO) must be notified to the DfES (**see form 8 at annex 2a**).
- 2.13 The RO post is intended to provide an independent oversight of the academy's financial affairs. The main duties of the RO are to provide the governing body with on-going independent assurance that:
- the financial responsibilities of the governing body are being properly discharged;
 - resources are being managed in an efficient, economical and effective manner;
 - sound systems of internal financial control are being maintained; and
 - financial considerations are fully taken into account in reaching decisions.
- 2.14 The programme of checks to be performed should be agreed with the governing body or Finance & General Purposes Committee (as appropriate). After each checking session the RO should provide the governing body or the Finance & General Purposes Committee with a written report. The RO should not be a member of the Finance & General Purposes Committee, as he or she may find it necessary to criticise the workings of that Committee. Instead, the RO should report to the Finance & General Purposes Committee in an advisory capacity.
- 2.15 **The RO should be a governor (but not the chairman), or an appropriately qualified and experienced individual not on the academy staff, with the necessary financial interest and skills to be able to perform the role competently.** A recognised professional qualification is not necessary. However, the person selected must be able to show that the responsibilities being undertaken are fully understood and the importance of the role is fully recognised. The RO should have sufficient understanding to recognise any irregularities which may arise and sufficient authority to ensure they are addressed. The governing body should consider carefully who would make the most appropriate RO and if they are unable to appoint an RO who complies with the above guidelines they should discuss the appointment with the Department. Alternatively, the governing body can engage a firm of auditors to aid the RO in this function.
- 2.16 The RO function could be carried out by an individual or body associated with a governor – for example a business governor may arrange for his/her company's internal auditors to carry out the reviews and provide him/her (on behalf of the governors) with reports.
- 2.17 The RO will need to be sufficiently familiar with the finances of the academy to be able to provide the governing body, and hence indirectly the DfES, with the required assurance. The RO is not expected to do any detailed accountancy work, but will be required to check some transactions to ensure that the correct procedures have been followed. Suggested guidance for issue to ROs, together with details of the expected checks are shown in **annex 2b**, but the general areas for review should cover the following:
- Review that bank reconciliations have been carried out each month, including a review of validity of reconciling items;
 - Review of the monthly payroll to ensure that any changes have been appropriately authorised;
 - Check of a sample of orders to delivery notes and invoices to ensure that the

- documentation is complete and has been appropriately checked and authorised;
- Check of a sample of payments back to invoices, orders and delivery notes to confirm they are bona fide purchases;
 - Review of a sample of expense claims to ensure there is appropriate documentation to support the claim and that the claim is appropriately authorised;
 - Review the returns to the DfES to ensure the information supplied is consistent with the underlying accounting records and internal management reports;
 - Carry out spot checks of petty cash balances and supporting vouchers and
 - Review all major contracts and ensure formal tendering procedures exist and are being adhered to.

Annex 2b: Suggested Guidance for Issue to Responsible Officers (ROs)

The Role of the Responsible Officer

1. The role of the Responsible Officer (RO) is to provide the governing body (GB) with an on-going independent oversight of the academy's financial affairs. Most public sector organisations, and a growing number of private sector organisations, are required to have an internal audit service but due to the relatively small size of academies this requirement is thought to be too onerous. In the absence of an internal audit service it falls to the RO to provide the GB with independent assurance that:
 - the financial responsibilities of the GB are being properly discharged;
 - resources are managed in an efficient, economical and effective manner;
 - sound systems of internal financial control are being maintained and
 - financial considerations are fully taken into account in reaching decisions.
2. The RO should be a governor (but not the chairman), or an appropriately qualified and experienced individual not on the academy's staff, with the necessary financial interest and skills to be able to perform the role competently. The RO is not expected to do the detailed accounting work personally, but will be required to check some transactions to ensure that the correct procedures have been followed. The RO will need to be sufficiently familiar with the finances of the academy to be able to report to the GB, and hence indirectly to the DfES, that the above requirements have been met.

Performance of the RO Role

3. The conditions of DfES grant, and the financial procedures which the DfES expect the academy to follow, are described in the DfES Academies Financial Handbook, which expands upon the academy's funding agreement with the Secretary of State. Further details may be set out from time to time in financial circular letters, and in the annual funding letters. The main purpose of the RO role is to ensure that these requirements are followed.
4. Responsible Officers are often consulted before significant financial decisions are taken and provide a useful source of advice for academies. However, the RO should also perform a wider role by visiting the academy at least once a quarter and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are shown overleaf.
5. Written records of the checks performed by the RO should be maintained.

Suggested Systems Checks to be Undertaken by the RO Each Year**Payroll**

- Select 5 employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct;
- Check 5 amendments to the payroll to ensure that appropriately authorised source documentation exists;
- Review the final payroll print for one month to ensure it has been appropriately authorised.

Purchases

- Select 5 payments made within the quarter and ensure:
 - the payment is correctly authorised;
 - the payment is correctly recorded in the accounting system;
 - the invoice is correctly authorised;
 - the invoice agrees to the order;
 - that goods or services have been certified as received;
 - the order is correctly authorised;
 - that the order has been placed with an appropriate supplier.
- Obtain details of any contracts let with a value over a prescribed limit and review documentation to ensure correct quotation/tender procedures have been followed;
- Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory.

Income

- Review receipts from the DfES and sponsors and check that the amounts received agree to source documentation;
- Select one category of "miscellaneous receipts" and ensure:
 - appropriate action has been taken on any overdue amounts;
 - primary records of amounts due reconcile to records of monies collected;
 - monies recorded as collected have been banked promptly and in full;
 - ensure monies collected are correctly recorded in the accounting system.

Accounting System

- Review bank reconciliations to ensure that they have been correctly prepared and authorised;
- Review control account reconciliations to ensure that they have been correctly prepared and authorised;
- Review through sample checks the procedures used to prepare financial reports issued to governors and officers of the Academy and DfES financial returns to be satisfied that they are completed accurately and promptly.

	CONFIDENTIAL
Paper title:	Finance system action plan update
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	6 March 2018
Author:	Natalie Ferer, University Financial Controller
Purpose:	To update the Committee progress with bringing the 2017/18 accounting records up to date.
Recommendation:	The committee is asked to note the report.

Background

Due to a number of difficulties including poor staff supervision and training, unavailability of systems and the time taken to resolve matters relating to the year-end audit, there has been a delay in posting and reconciling financial transactions relating to the current financial year, 2017/18. The maintenance of financial records is now being closely monitored by University Finance staff. An interim accountant has been engaged to support the current Chief Financial Officer in bringing the accounts up to date.

Progress update

A schedule of tasks necessary to bring the accounts up to date is attached and a detailed monthly check list is being used to ensure that postings and reconciliations are completed each month.

The process of bringing the accounts up to date is taking longer than first anticipated. The main reasons being that a number of journals had not been posted and a considerable amount of time is being spent on correcting inaccurate accounting entries made during the early part of the year.

University Finance staff are now monitoring that monthly routines and reconciliations are being followed and that payroll and other payments and other payments are properly authorised. A number of measures have already been put in place to reduce the number of posting errors taking place, including ensuring that supplier payments are recorded on the Finance system before payment and restricting which staff can post journals, but the Trust will continue to have difficulty maintaining accurate accounting records until a time when staff processing transactions until properly trained and supervised staff are in place in the schools.

It is planned to bring the accounts up to date to enable the Trust Board to consider January management accounts at its meeting on 22nd March. It is still hoped that this target will be met and a further update will be verbally given to the committee at the meeting.

Recommendation

The committee is asked to note progress with bringing the 2017/18 accounting records up to date.

Action	15 Jan	22 Jan	29 th Jan	5 th Feb	12 th Feb	19 th Feb	26 th Feb	5 th Mar	12 th Mar	19 th Mar	26 Mar	2 Apr	30 Apr	31 May	30 Jun
close 2016/17 ledger			✓												
Month end process Sept 17					✓										
Month end process Oct 17							x								
Month end process Nov 17								X							
Update for SBA board and SBA Audit Committee (6 th March). Papers and update for board both by 22 nd Feb							✓								
Month end process Dec 17									X						
December management accounts									X						
Month end process Jan 18									X						
January management accounts (going to March 22 Board). Papers Wed 14 th March									X						
Month end process Feb 18										X					
February Management Accounts										x					
Month end process Mar 18													X		

Dates have not yet been agreed for the following actions

Action	15 Jan	22 Jan	29th Jan	5th Feb	12th Feb	19th Feb	26th Feb	5th Mar	12th Mar	19th Mar	26 Mar	2 Apr	30 Apr	31 May	30 Jun
Switch to single bank account															
Consolidated payroll control accounts															
Configure payroll journal import file															
Review all purchase ledger accounts and recover overpayments															
Update PSF bank reconciliation															

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	CONFIDENTIAL
Paper title:	Financial Controls Policy Update
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	6 March 2018
Author:	Natalie Ferer, University Financial Controller
Purpose:	For information
Recommendation:	The committee is asked to note updates to the Financial Controls Policy.

Executive Summary

The Financial Controls policy is in the process of being updated and progress to date is recorded via tracked changes in the attached document.

Further work is required in the light of the proposed governance review, as well as consultation with school principals and other stakeholders.

The committee is asked to note updates to the Financial Controls Policy.

Financial Controls policy (progress to date)

The main changes to date are:

- Requirement that purchase invoices are processed on PS Financials and marked as paid before payments are transmitted through Lloyds online banking
- Added duty for the Finance Administrators in the Schools to prepare some balance sheet reconciliations
- Requirement that the Trust Business Manager reviews reconciliations prepared by the Finance Administrators
- Clarify that the payroll should be authorised prior to staff being paid
- Clarify that the scheme of delegation refers to commitment to expenditure
- Addition of a section on the bank mandate
- Requirement that the Schools Business Manager should approve new suppliers before orders are raised and funds committed
- Requirement that Management Accounts include a balance sheet and a reconciliation to the trial balance on PS Financials
- Addition of the responsibility of the CFO around the audit process
- Addition of a requirement of the Trust to approve and monitor an Internal Audit Programme
- Requirement to maintain a fixed asset register
- Addition of table setting out financial roles and responsibilities for financial administration

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.

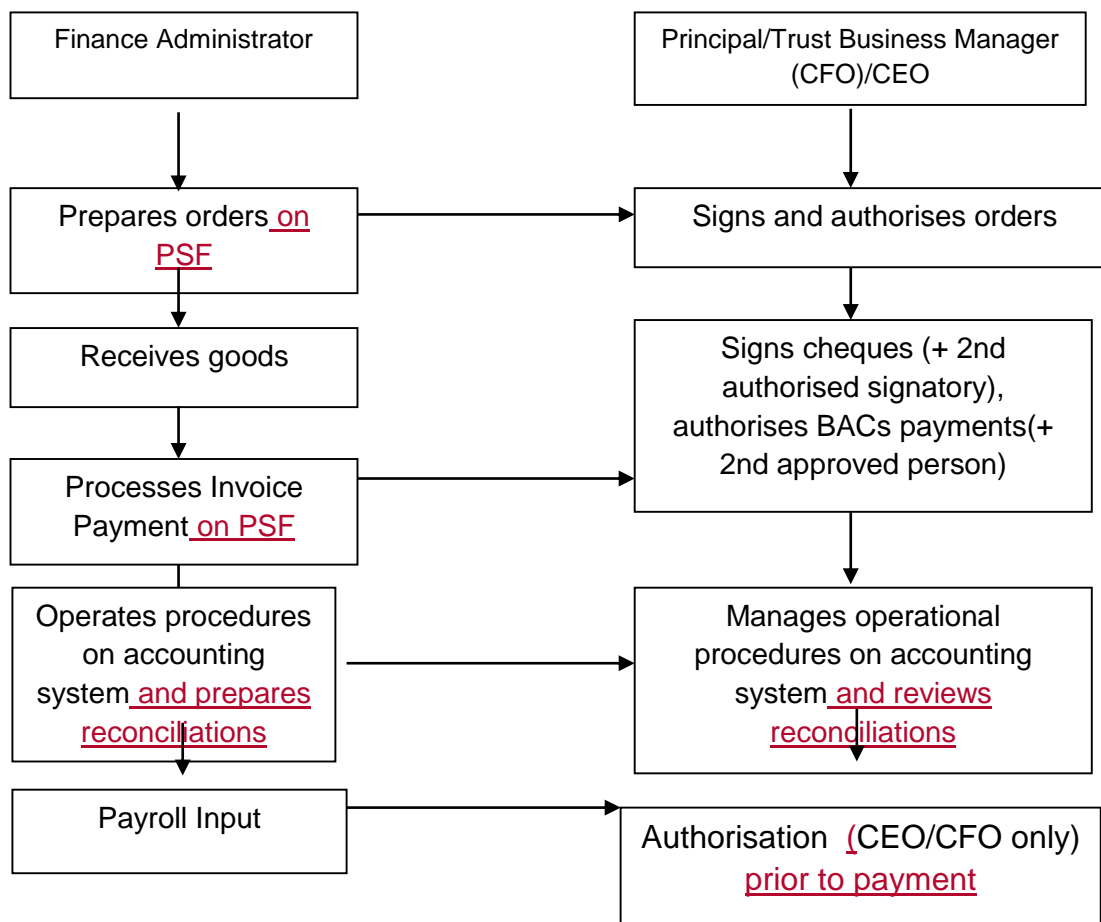
All trustees, governors, senior staff and finance staff should, on an annual basis, complete a form stating their business interests. These forms constitute the Trust's Register of Business Interests.

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 but before orders are placed.

{All orders above £10,000 should include three comparative quotes} and the Trust should contact the EFA for advice on the procedures.

The following shows levels of authorisation in each Trust school for Purchase Orders and Payments, all orders and payments will need two signatories. {Payment signing authorities relate to individual payments not the total batch value.

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 commitments (orders) and expenditure 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

Above £200,000

~~Trust should contact the EFA for advice on the procedures.~~

Bank mandate

The following list of post holders can be included on the bank mandate:

Chief Operating Office

Chief Financial Officer

Trust Directors

University Financial Controller

All payments, including cheques, bacs and other electronic payments require the authorisation of any two signatures from the above list.

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. Management accounts must also include a balance sheet and reconciliation to the trial balance on PSF. 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 or review the Financial Statements of the Trust and also examine and report on the transactions, systems and procedures of the Trust. The CFO is responsible for managing the audit process on behalf of the Trust, including preparation of the audit file and all schedules and evidence requested by the Auditors.

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 is responsible for approval of an independent internal audit programme in line with the Academies Handbook and reports on the outcome of this process should be reported to the Trust audit committee. 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;

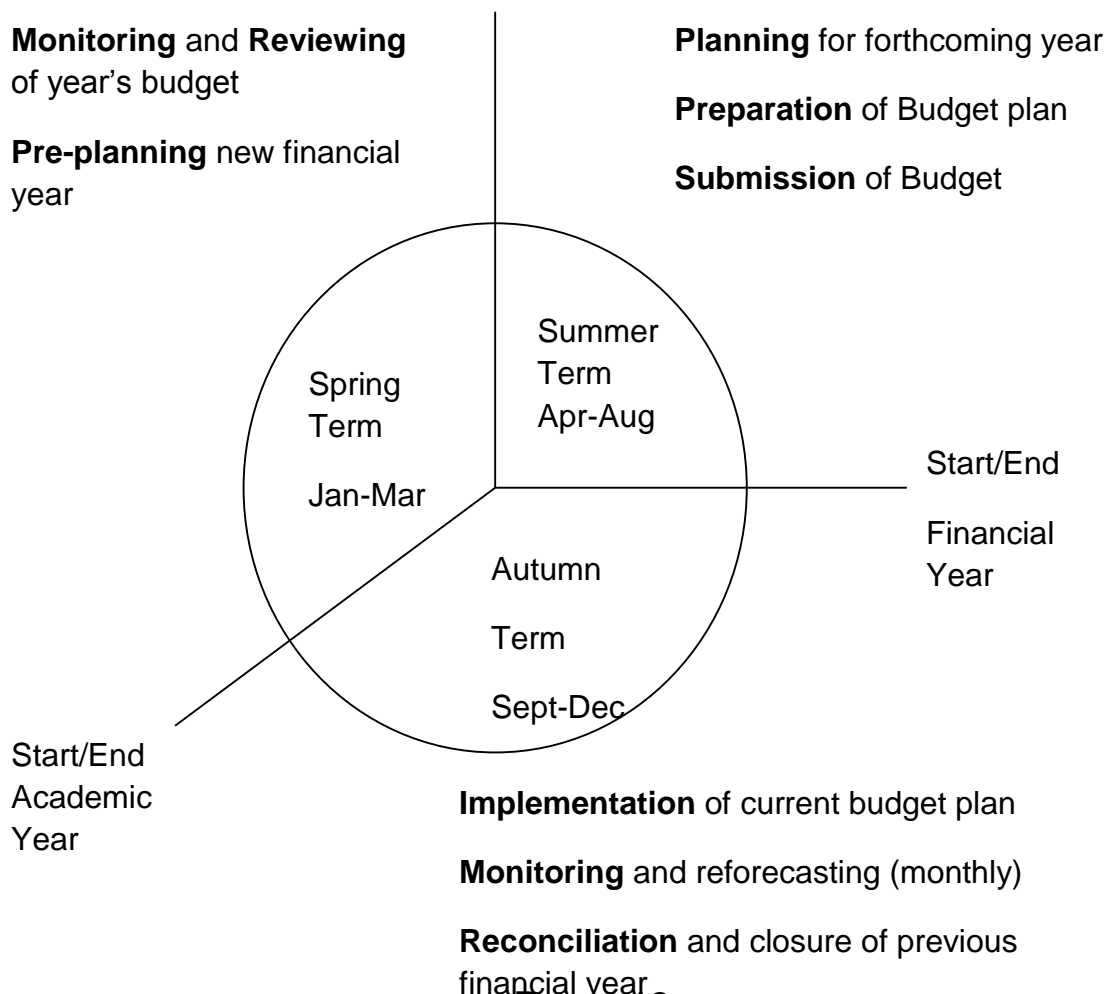
- Effective purchasing – Reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.

- 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 – maintenance of a fixed asset register and Rregular 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, and local governing bodies before ~~who will then~~ putting 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



by both the Trust and Local Governing Bodies and their committees.

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

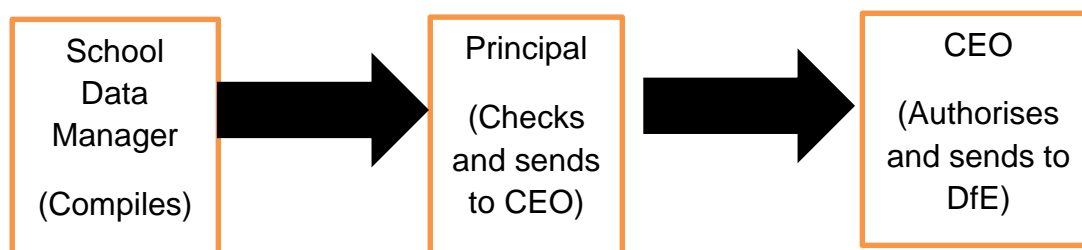
been taken to mitigate each risk. Each risk will have an 'Owner' to take responsibility for the risk and ensure the mitigating actions are undertaken and deployed.

Risk Calculation	Probability		
	1 low	2 medium	3 high
Impact			
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.



Appendix: Summary of Roles and Responsibilities for Financial Administration

<u>Area</u>	<u>CEO</u>	<u>CFO</u>	<u>School Finance Administrator</u>	<u>University Finance Team</u>
<u>Payments</u>	<u>Authorises payments in line with scheme of delegation</u>	<u>Authorises payments in line with scheme of delegation</u>	<u>Prepares payments on PSF</u>	
<u>Planning and budgeting</u>		<u>Prepares budget</u>		
<u>Maintaining financial records</u>		<u>Process correcting journals</u> <u>Prepares bank and balance sheet reconciliations</u>	<u>Maintains sales and purchase ledgers, posts bank transactions</u>	<u>Reviews bank and balance sheet reconciliations</u>
<u>Payroll</u>		<u>Review</u>	<u>Prepare payroll input</u> <u>Posts payroll to PSF</u>	<u>Authorise prior to payment</u>
<u>Procurement and purchasing</u>		<u>Maintain list of approved suppliers</u> <u>Ensure compliance with procurement procedures</u> <u>Approve orders</u>	<u>Raise orders</u>	

			<u>Checks receipt of goods and services</u>	
<u>Management accounts</u>	<u>Reviews accounts</u>	<u>Prepares accounts</u>		
<u>Internal audit</u>				<u>Internal audit checks</u>
<u>External audit</u>		<u>Prepares audit file and co-ordinates on behalf of the Trust</u>		
<u>Pupil numbers return</u>	<u>Approves</u>	<u>Prepares</u>		

	CONFIDENTIAL
Paper title:	Speak Up report
Board/Committee:	South Bank Academies Audit Committee Meeting
Date of meeting:	6 March 2018
Author:	Michael Broadway
Purpose:	To update the committee on any speak up matters raised since the last meeting.
Recommendation:	To note the speak up report.

Executive Summary

The purpose of this report is to inform the Audit Committee of any reports relating to the speak up policy.

No speak up matters have been reported since the last standard Audit Committee meeting in July 2017.

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