



Meeting of the South Bank Academies Board

3.00 - 5.00 pm on Thursday, 8 December 2016
in South Bank Engineering UTC, 56 Brixton Hill SW2 1QS

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
16.	Policies	3 - 10	RB, DS
	- Financial Control		

Date of next meeting
4.00 pm on Thursday, 30 March 2017

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

In attendance: Michael Broadway, Dan Smith, Pervena Singh and Shivani Kothari

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	CONFIDENTIAL
	PAPER NO:
Paper title:	Policy on financial controls
Board/Committee:	South Bank Academies Board
Date of meeting:	8 th December 2016
Author:	Dan Smith, Business Manager
Purpose:	To approve
Recommendation:	The meeting is requested to approve the policy on financial controls.

Executive Summary

The purpose of this policy is to provide a framework of financial control and probity across the Trust. The information shown will form the basis of a larger report/financial handbook which will include all processes, procedures and forms. This will be available at all sites across the Trust.

The report covers the business cycle of the Trust and the authority levels of budget setting, procurement and payments, Department for Education returns and submissions, and the reporting requirements to LGBs and the Trust.

The system of controls will be reviewed annually as the schools grow in size and will be designed to mitigate and minimise risk and not eliminate it completely. The delegated authority levels will not be automatic and may be linked to the length of employment, e.g. an Assistant Vice-Principal may have to pass their probationary period before being allowed to authorise orders or payments.

External auditors have reviewed the policy and additional sections from the last board meeting are on Risk and Value for Money (external auditors review attached appendix 1). A review of the current Whistleblowing Policy will be completed before the next board meeting.

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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.

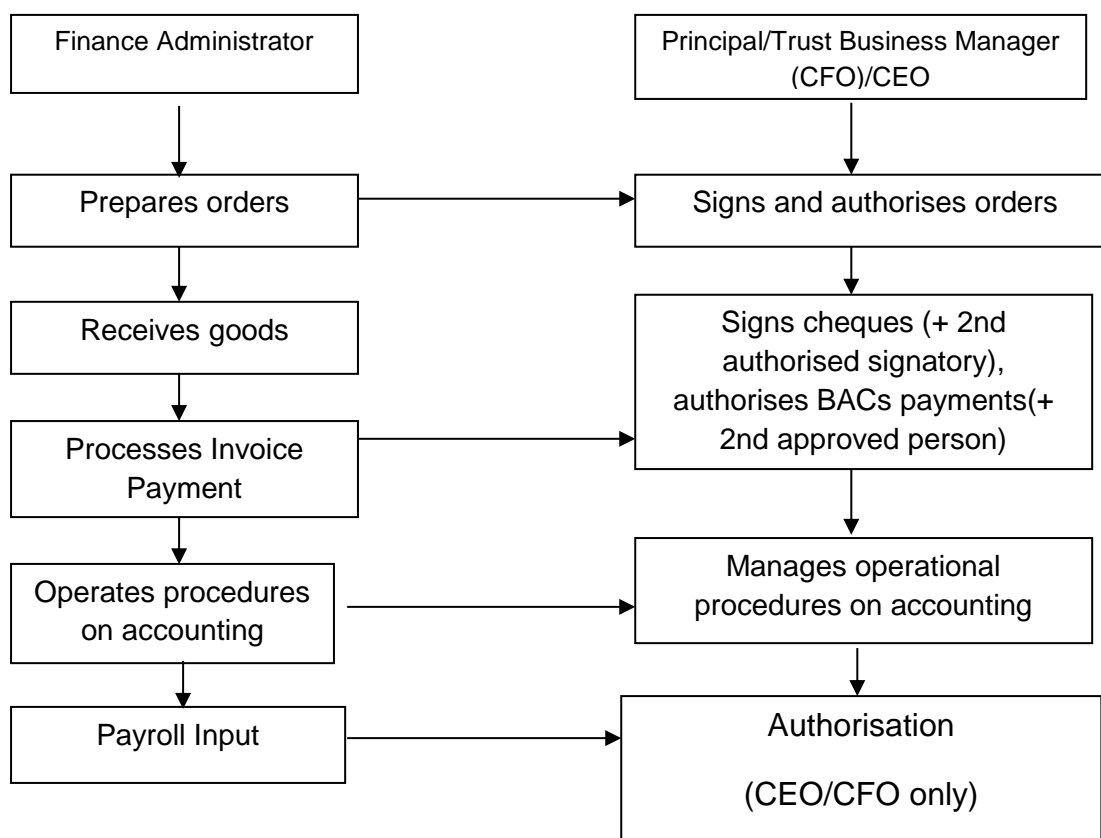
The Trustees must approve the Trust's annual budget, the CEO must sign the approved plan, a copy of which must be sent to the Department for Education (DfE) before the end of July each year.

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.

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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.

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

£3,001 to £10,000

Category A – CEO, Trust Business Manager

Category B – Principal

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£10,001 to £200,000

Category A – CEO, Trust and Business Manager

Category B – Trustee

(All orders above £10,000 should include three comparative quotes)

Above £200,000

Trust should contact the Education Funding Agency 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;

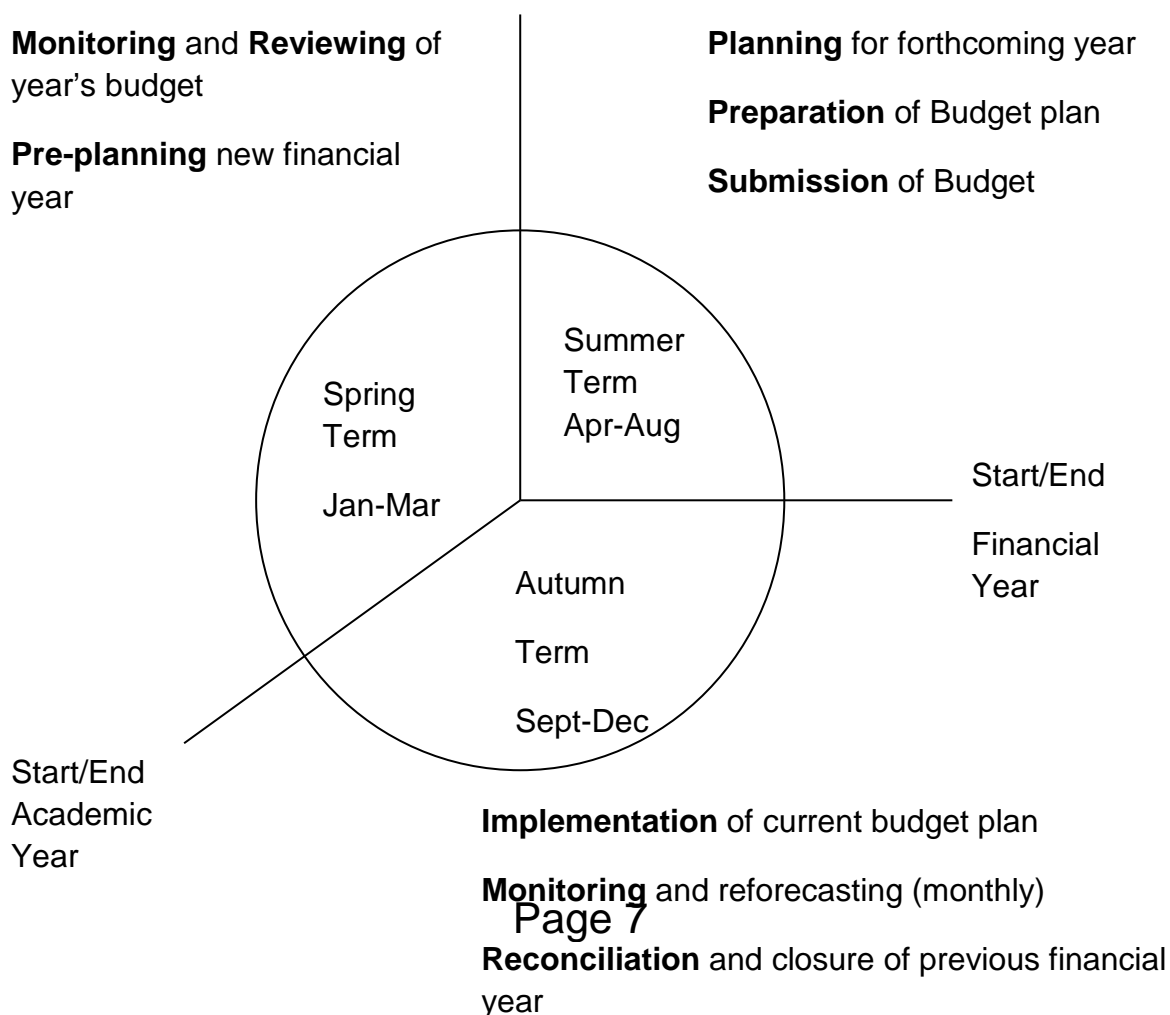
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- Effective purchasing – Reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.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



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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

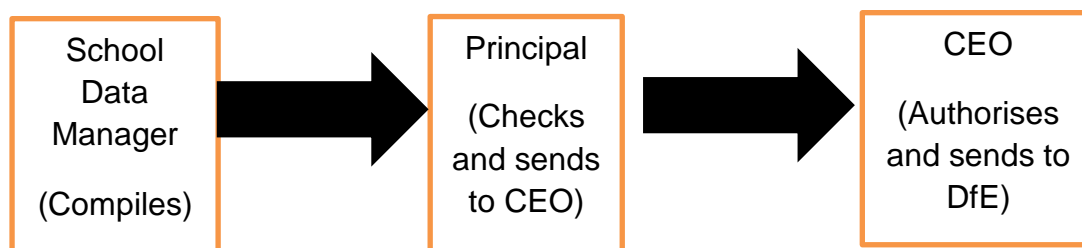
The register calculates the risk level associated to each risk by combining the probability of the risk and the impact of the risk. Also listed are the actions that have been taken to mitigate each risk. Each risk will have an 'Owner' to take responsibility for the risk and ensure the mitigating actions 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 1

Prepared by Kingston Smith

We have reviewed the financial controls documents and have the following comments:

In addition to the matters noted, the following matters should be considered:

- The report does not make any reference to control policies around fraud. Academy Trust's internal control framework must include policies for reducing the risk of fraud and theft. The report could benefit from a description of such policies and controls implemented by the trust.
- Trust should also have appropriate procedures in place for whistleblowing, so that staff are aware as to whom they can report to if they have concerns of wrongdoing in the trust. The report could benefit from the inclusion of a paragraph on the whistleblowing procedures in place.
- Academy Trust should make a considered choice about its desired risk profile, taking account of its legal obligations, business objectives and public expectations. The trust must recognise and manage present and future risks to ensure its effective and continued operation. These risks must be maintained in a risk register. The report should perhaps include a summary of how risks are identified and mitigated, making reference to the risk register.
- Internal controls framework should include a section relating to effective planning and oversight of any capital projects and the management and oversight of assets
- Internal controls framework should specify how the Trust ensures efficiency and value for money in the organisation's activities

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