

Meeting of the South Bank Academies Audit Committee

2.00 - 4.00 pm on Tuesday, 5 March 2019

in South Bank Engineering UTC - South Bank Engineering UTC, 56 Brixton Hill SW2 1QS

Agenda

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Date of next meeting
2.00 pm on Thursday, 20 June 2019

Members: Douglas Denham St Pinnock (Chair), Richard Flatman and Tony Giddings

In attendance: Michael Broadway, Clym Cunnington, Dan Cundy, Alexander Enibe and Nicole Louis

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**Minutes of the meeting of the South Bank Academies Audit Committee
held at 12.30 pm on Tuesday, 27 November 2018
South Bank Engineering UTC - South Bank Engineering UTC, 56 Brixton Hill
SW2 1QS**

Present

Douglas Denham St Pinnock (Chair)
Richard Flatman
Tony Giddings

In attendance

Nicole Louis
Michael Broadway
Clym Cunnington
Natalie Ferer
Anjali Kothari
Alexander Enibe

1. Welcome and apologies

The Chair welcomed everyone to the meeting, including the auditors from Kingston Smith and new Trust Business Manager.

2. Declarations of interest

No member declared any interest in any item on the agenda.

3. Minutes of previous meeting

The committee approved the minutes of the meeting held on 19 July 2018.

4. Matters arising

The committee noted the actions arising from the previous meeting.

An update on land valuation would be covered separately on the agenda.

Under item 8 of the previous meeting, it was noted that PWC had completed the internal audit and the report will be provided at the next Audit committee meeting on 5 March 2019.

The committee requested that the Business Manager review whether the scope of the internal auditor's work should be expanded to include the continuous audit of financial records.

5. External audit findings (to review)

The committee discussed the external audit findings in detail, which identified a number of high-risk findings.

The external auditors confirmed that despite the number of high-risk findings, the financial control environment has improved from the previous year. The committee noted the changes in-year to the governance and management structures.

The committee noted the management responses to the findings.

The Business Manager confirmed that training of staff had already commenced and new management tools have been put in place.

The committee discussed the accounts treatment for the value of the two sites for the UAE and the UTC. It was noted that the lease for UTC site was being negotiated with Trinity Academy, whose site is adjacent to the UTC, and the DFE.

It was agreed to remove the c£14M adjustment to account for the funding paid to Trinity regarding UTC occupied premises.

An updated external audit report would go to the Board meeting on 11 December 2018.

6. Going concern statement (to approve)

The committee reviewed the evidence behind the going concern statement in the annual report and accounts.

The committee agreed that it is appropriate to prepare the accounts on going concern basis and approved the statement for inclusion in the annual report and accounts.

7. System of internal control report (to discuss)

The committee discussed the internal control report.

The statement recognised the concerns raised by the auditors around the internal control environment and the progress made during the year in addressing control failings during the previous financial year.

8. Governance statement (to review)

The committee noted the corporate governance statement for inclusion in the annual report and accounts.

9. Land valuation update

The committee noted the land valuation update.

The Business Manager confirmed that SBA had requested the ESFA to conduct a valuation of the UAE site.

It was anticipated that this would be completed and ready for next year's accounts.

An update would be provided to the next meeting.

10. **Annual value for money report (to note)**

The committee noted the annual value for money statement for inclusion in the annual report and accounts.

The Business Manager confirmed that the Trust has processes in place to help achieve value for money across the schools within the requirements of the Academies Financial Handbook.

11. **External audit letter of representation (to approve)**

The committee reviewed the external audit letter of representation which was recommended to the committee by the Executive, and noted the representation Specific to SBA in the letter. The committee recommended the letter to the Board for approval.

The committee noted that provision for £186, 914 for the UAE light and heat, which has not been invoiced by the supplier.

12. **SBA Annual Report and Accounts (to recommend to the Board)**

The committee reviewed the draft annual report and accounts for the year ending 31 August 2018. The audit for the year ending 31 August 2018 is almost complete.

The committee noted that the company reserves policy is being reviewed.

The committee noted some planned changes to the narrative sections and the c£14M adjustment agreed at minute 5. Final amended accounts would be circulated to committee members ahead of the Board meeting.

The auditors confirmed that the previous assumptions are not out of line with the benchmark.

The external auditors confirmed that the regularity report is being drafted and would be the same as last year's. The report would recognise the identified issues and would be similar to the previous year.

The committee recommended the draft accounts to the Board, subject to the amendments noted earlier.

13. **Risk register**

The committee reviewed the current risks to the business and the proposed new template for the risk registers.

The committee requested that direction of travel of risks is included in the new risk registers.

14. **Audit of personnel files**

The committee reviewed the findings of the audit of personnel files.

The committee was briefed on the gaps identified in the HR processes and systems and the steps being taken to address these gaps. The interim CEO confirmed that there were no major gaps in the processes in the UTC. The identified gaps at the UAE are being addressed and would be recorded by the next meeting of the committee.

15. **Student data returns**

The committee reviewed the student data returns.

The committee requested that the final return is circulated to committee members for information.

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

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

No attempted fraud or reported incidents of bribery or corruption had been identified since the last committee meeting in July 2018.

17. **Speak up report**

The committee noted the Speak up report.

There have been no reports made in-line with the Speak up policy since the last committee meeting on 19 July 2018.

**Date of next meeting
12.30 pm, on Tuesday, 5 March 2019**

Confirmed as a true record

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**SOUTH BANK ACADEMIES AUDIT COMMITTEE - TUESDAY, 27 NOVEMBER 2018
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
4.	Matters arising	<p>The committee requested that the PWC internal audit report be provided at the Audit committee meeting on 5 March 2019.</p> <p>The Business Manager to review whether the scope of the internal auditor's work should be expanded to include the continuous audit of financial records.</p>	<p>5 Mar 2019</p> <p>5 Mar 2019</p>	<p>Clym Cunnington, Natalie Ferer</p> <p>Clym Cunnington</p>	<p>on agenda</p> <p>update at meeting</p>
5.	External audit findings (to review)	<p>The committee requested to remove the c£14M adjustment to account for the funding paid to Trinity regarding UTC occupied premises.</p> <p>The committee requested that the updated external audit report go to the Board meeting on 11 December 2018</p>	<p>11 Dec 2018</p> <p>11 Dec 2018</p>	<p>Natalie Ferer</p> <p>Natalie Ferer</p>	<p>completed</p> <p>completed</p>
9.	Land valuation update	SBA expects ESFA to have completed the UAE land valuation and ready for next year's accounts. An update on this to be provided at the Audit committee meeting on 5 March 2019.	5 Mar 2019	Clym Cunnington	update at meeting

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
12.	SBA Annual Report and Accounts (to recommend to the Board)	The Audit committee noted that the company reserves policy is being reviewed and expects an update at a later Audit committee meeting.	20 June 2019	Clym Cunnington	on plan
13.	Risk register	The Audit committee requested that direction of travel of risks is included in the new risk registers.		Clym Cunnington	on agenda
14.	Audit of personnel files	The Audit committee requested that the identified gaps at the UAE currently being addressed to be recorded by the next meeting on 5 March 2019.	5 Mar 2019	Nicole Louis	verbal update
15.	Student data returns	The Audit committee requested that the final student data returns is circulated to committee members for information.		Clym Cunnington	To do

Agenda Item 6

	CONFIDENTIAL
Paper title:	Kingston Smith Annual Yearend Audit Progress Report
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	5 March 2019
Author:	Clym Cunnington, Trust Business Manager
Purpose:	To update on progress made with implementing recommendations made by Kingston Smith following their audit of the 2017/18 accounts.
Recommendation:	The committee is asked to note the attached report

Background

Kingston Smith reported on the audit of the accounts of South Bank Academies (SBA) for the year ending 31 August 2018 at the SBA Audit committee meeting of December 2018. The purpose of this paper is to update the audit committee on progress with implementing these recommendations.

Summary

14 recommendations were made, mostly relating to improving financial procedures, accounting entries and routines. Implementation is being monitored closely by the Group Financial Controller, with help from the University's Financial Accounting team. The team are also now undertaking much of the monthly accounting activities.

The attached action tracker lists progress against individual actions.

Recommendation

The Committee is asked to note the report.

Risk level and progress rating	Narrative	Agreed actions and progress
1. High Amber	<p>Reconciliation of Reserves</p> <p>The Chart of Accounts has been adapted so that management of the Capital Grant income is separated out in its own nominal code and income sector. The cost code has also been specifically designated within the Chart of Accounts so that the income is not put into the expenditure code and therefore does not net off.</p> <p>A proposal will be submitted to the SBA Board to move an agreed amount of funds once the bank accounts have been amalgamated. The proposal will be to put the designated reserves into an easy access, low risk business savings account.</p> <p>The LSBU Financial Accountant is currently sorting out the depreciation so that it can again be posted monthly. The TBM and LSBU FA have been working together on this.</p> <p>A variation report has been put together and will be set up on PSF so that a printed report can be produced showing that Capital Grants have been processed separately through the income and expenditure.</p>	<p>Adjustments should not be posted to reserves except for reallocations between reserve balances</p> <p>Progress: in place</p>
2. High Amber	<p>Use of Capital Grant Funding</p> <p>The Trust pays its Capital Expenditure for UTC purchases through the UAE bank account as there is insufficient cash flow for such large amounts to go through the UTC Bank account. This is why the amounts were capitalised on the UAE accounts when they should have been sorted out at year end and transferred back to the UTC.</p> <p>When the new Finance Manager is appointed, the first project will be to migrate all bank accounts in to one Trust bank account from which all payments will be centralised. This will not only ensure cash flow for all sections of the Trust but also avoid any misunderstandings on where items should be posted. In addition, the TBM has been in contact and has correspondence with the ESFA representative, Linda Boal, who has confirmed that given the engineering equipment's size that it is acceptable to keep equipment at the UAE as it is part of the Trust for students at the UTC to use.</p> <p>The TBM and the LSBU FA have been working together on this in order to ensure that costs for the UTC are assigned appropriately.</p>	<p>Funding should be spent in line with the terms of agreement unless prior approval received from ESFA</p> <p>Progress: in progress</p>
3. High Green	<p>Monitoring of Capital Expenditure</p> <p>Capital Expenditure has been assigned to the Trust Admin Officer (TAO) who has gone through each capital claim to ensure compliance with processing and conditions of grant. Any queries have been raised with Linda Boal the ESFA representative – emails are on file.</p> <p>This has resulted in a report "The Capital Projects Historical Procurement Process Report" outlining the previous process.</p> <p>Previously the Schedule 21 code was for funding handed over to the UAE by Southwark Council for set up works at that School when the SBA Trust took over. Previous SBMs parked Capital Expenditure funding from the ESFA in this coding on the basis that this would be sorted out prior to year end. It is clear this did not happen resulting in this management letter point.</p> <p>A new coding has been set up as mentioned in point 2 above to ensure this does not happen again. The current TBM is liaising regularly with the LSBU FA to ensure transactions are processed to the correct coding with the Finance Team in the schools. Incorrectly coded income is being recoded to the newly set up</p>	<p>Capital funds received and sent should be reconciled as part of the month end process and reported in the monthly management accounts.</p> <p>At year end grants spent but not received will be accrued</p> <p>Progress: in progress</p>

	<p>codes so that income is clearly posted in line with the remittance advice schedule. As a result, it is much clearer to see straightaway if all income, not just capital expenditure and income has been correctly accounted for. It also gives an at-a-glance view if any income has not been paid by the relevant authority.</p>	
<p>4. High Amber</p>	<p>Other Creditors (Including Salary Advances and Payroll Control) The LSBU FA now processes the Trust's payroll journals, salary control account as well as reconciling other relevant control accounts; Salary advance are now tracked using the SBA salary payroll cross checker with any anomalies being raised with the payroll provider prior to authorisation. The Finance Team processing the monthly salary now record salary advance on the relevant monthly crosscheck sheet. Advances are agreed in advance by the Trust HR Manager by email correspondence and this is not only kept by the Finance Team to process but a copy is also kept at the Trust in the relevant month end file. The payroll processing is then double checked by the TBM with reference to the Trust HR Manager and the outsourced payroll provider to ensure that all advances are accounted for. Season ticket loans have now been accounted for and are being processed correctly with all costs being recovered.</p>	<p>Review of creditors will take place as part of the month end process and checked when checking payroll reports before payroll is approved</p> <p>Payroll control accounts reconciled and reconciling items investigated as part of the month end process</p> <p>Progress; in place</p>
<p>5. High Green</p>	<p>Bank Mandate The TBM now has the Bank Mandate on file both in soft and hard copy after it was reviewed in November 2018. Regular once termly reviews have been scheduled so this is kept up to date. Termly Reviews will take place in the Spring Term (April) and in the Summer Term (June - prior to year end).</p>	<p>All important documents filed correctly so they can be easily retrieved</p> <p>Bank mandate kept up to date</p> <p>Progress: in place</p>
<p>6. High Amber</p>	<p>Trade Creditors Reconciliations The LSBU FA now reconciles all control accounts as outlined above. The Finance Team has been trained by the TBM on what needs to be completed prior to month end closure. All invoices must have a purchase order unless it falls into one of the categories stipulated in the SBA Trust Financial Procedures and Policy as agreed with the Group Financial Controller. Analysis of the outstanding amounts show that a large number of the purchase orders date back to the period between 2014 and to date which have not previously been sorted or deleted. The TBM has had discussions with the LSBU FA resulting in action being taken to remove all outstanding, outdated purchase orders. Previously, as a result of system difficulties, payments were made via the bank without PSF processing and this lead to a number of these discrepancies. The TBM double checks any payment run which must be produced using the PSF Software so that it does not circumvent the procurement process. This provides a double check to ensure all POs are produced and matched while at the same time allows recognition of potential duplication of payments. Statements are requested to check payment against PSF. All purchase orders on the system have to be checked at the month end with non-matched POs being removed. Given the scale of POs to work through, which date back to 2014 this is an ongoing item. Going forward, POs are being matched up with the introduction of</p>	<p>Requested assistance from PSF in correcting historical differences.</p> <p>Going forward PL will be reconciled to General Ledger as part of month end process</p> <p>Progress: in progress</p>

	a barcode printer so that invoices, POs and delivery notes are collated when they are uploaded to the system.	
7. High Amber	Payroll Documentation Student employees are zero hours' workers and do not have employment contracts. Exact start dates can be confirmed as there are starter forms and a paper trail. These students also work on a term by term basis and work an absolute maximum of 2 hours per week, although in reality it is far less.	Consider issuing contracts to casual student workers Progress: matter still under consideration
8. High Green	Bank Reconciliations Bank reconciliations have been prepared by University staff since January 2018 but some reconciling items have not been correctly allocated. A robust month end process ensures that all reconciling bank items are followed. See also previous comments on this point above.	Ensure all reconciling items are followed up Progress: complete
9. High Green	Timely Posting of Transactions The TBM has introduced a payment schedule for the payment runs that are processed in both schools and in the MAT. These are for the 15th and 30th of each month with some variation on payment dates around School holiday dates. The TBM and LSBU FA communicate with the team each month to remind them about the timescales for Month End processing to ensure all invoices are processed appropriately in a timely manner. This also relates to the point addressed above.	A timeline for posting sales and purchase items will be agreed. General Ledger Posting and reconciliation within 10 working days. Progress: complete
10. High Amber	Depreciation of Assets The TBM and LSBU FA have been working together on this point and have been in contact with PSF to set up a manageable way of keeping this information up-to-date by creating a report to be able to run a monthly depreciation charge. The team is following up a number of solutions that require PSF input, following a visit by the Account Manager on 2019-02-07.	Fixed asset register maintained throughout the year, calculating depreciation and identifying grant funded assets. Progress: in progress
11. Medium Amber	LGPS Pension The TBM has emailed the LGPS in the relevant borough to obtain contact details to ensure that reports are sent to the correct email address to ensure that these are in place ready for the next annual audit. Payroll has also been contacted to verify LGPS reporting of the MAT staff member, although this member will logically be reported as part of the Southward LGPS Scheme as that is where the Trust is based. Confirmation has been requested.	Actuarial reports reviewed and reconciled to HR and accounting records Progress: at year end.
12. Medium Amber	Local Authority Income The TBM and the LSBU FA work closely together on the income and expenditure reporting and nominal income codes now reflect more accurately the remittance advice sheets and annual payment schedule. Rates Relief looked to be unclaimed for the past 4 years and this has now been claimed online by the current TBM. Potential income to come from the rebate amounts to £239k of previously unclaimed funds. As a result, income is now being monitored closely with appropriate, timely action being taken to recover outstanding Local Authority Income.	Income received after year end should be accrued Progress: in progress

<p>13.</p> <p>Medium Amber</p>	<p>Building Occupied by UTC</p> <p>The Trust has been in extensive correspondence with the ESFA representative Linda Boal. The building the UTC occupies was originally built as one main school and has been subdivided into 3 sections to house Trinity Academy, the SBA UTC and Lambeth College. The main occupier was therefore Trinity Academy with agreements on how this would operate between the individual educational establishments.</p> <p>Recent email confirmation shows that the matter is still in the hands of Linda Boal and her team as she has stated the legal team needs to follow up on drawing up and finalising a separate lease for the UTC. There has been no further progress despite emailing for updates.</p>	<p>A license or lease is obtained to correctly reflect the status of agreements between the UTC and Trinity Academy</p> <p>Progress: in progress</p>
<p>14.</p> <p>Low Green</p>	<p>Accruals</p>	<p>Consider minimum threshold for recording an accrual and put in place controls to ensure larger amounts are accrued at year end</p> <p>Progress: at year end</p>

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Agenda Item 7

	CONFIDENTIAL
Paper title:	PWC Internal Audit Report
Board/Committee	South Bank Academies Audit Committee
Date of meeting:	5 March 2019
Author:	Clym Cunnington, Trust Business Manager
Purpose:	To update on progress with implementing Internal Audit actions agreed with PWC as a result of their recent audit work.
Recommendation:	The committee is asked to note the attached report.

Summary

The PWC Audit took place in the Autumn Term 2018 and a number of actions were agreed, as detailed below. PWC are following up on progress with these actions at the end of March and will report to Audit Committee following that visit.

Recommendation

The Committee is asked to note this report

Risk level and Action status	Narrative	Agreed action, timescales and progress
High Green	<p>AP1 Supplier Due Diligence Following a review, the New Supplier form was reformatted. These forms are now submitted and stored on the first payment run on which they appear. The Finance Team has had further training to update the supplier processes, showing them what they need to look out for when processing invoices or setting up new suppliers, with due diligence being performed by consulting the Companies House Beta database. The TBM receives requests from the Finance Team to set up a new supplier. This is then agreed that the Finance Officer sets up the account with the details provided by the supplier. When this is agreed the account is set up and reviewed on the first payment run the first invoice appears on. This function will be taken over by the Finance Manager (FM) when appointed. Recent communications are on file in the first payment run in which the new consultant or self-employed person is first paid.</p>	<p>A new supplier form has been put in place which should be authorised at trust level</p> <p>Due: Sept 2018</p> <p>Progress: complete</p>
High Green	<p>AP2 Supplier Set Up Please see the point above</p>	As above

High Green	<p>AP3 Supplier Changes</p>	<p>As above plus:</p> <p>A list of supplier changes will be maintained and checked by Trust staff when supplier payments are authorised.</p> <p>Due: Sept 2018 Progress: In Place</p>
High Amber	<p>AP5 PO Authorisation</p> <p>Discussion have taken place between the FC and TBM to define when a PO is required and this process will be formalised in the draft Financial Scheme of Delegation. This is the same for the approval limits. This is submitted to the Audit Committee, although it is quite clear what should and should not have a PO. This has already been made clear to the Finance Team and has now been formalised in the draft SBA Financial Regulations and Process.</p>	<p>A list of purchases not requiring a PO will be clarified and set out in the Trust Financial Procedures. Approval limits will be confirmed annually in letters of delegation issued to school Head Teachers and other senior staff within the Trust:</p> <p>Due : 30 November 2018</p> <p>Progress: list of purchases not requiring a PO in place. Letters of delegation to be issued for 2019/20</p>
High Amber	<p>AP6 Invoice Receipt and Authorisation</p> <p>New licenses for web-portal access for budget holders has been ordered from the software provider, a list of budget holders for each section of the P&L has been established with the main named final authoriser being the School Principal. Authorisation limits have been discussed and approved by the SBA Executive Team ready for comments by the Group Financial Controller prior to submission to the Audit Committee.</p> <p>Following collaboration with the Group Financial Controller on a defined PO policy and when a PO is required, this has been established and again appears in the SBA Financial Regulations for approval.</p> <p>Manual POs are commonly used in schools, particularly for approving purchases on the internet, as schools are not permitted to have credit in any shape or form. It also allows for purchases to be made on the internet which few accounting systems are able to process. As a result, manual POs are acceptable practice provided they have both levels of signatures. However, historic issues of one school only being able to produce manual invoices</p>	<p>Finance officers retrained to ensure POs matched against invoices</p> <p>Investigating automation of process through PSF</p> <p>Scheme of delegation for approval of POs clarified and confirmed in annual letters of delegation</p> <p>Due: 30 April 2019</p>

	<p>and the other operating a different system are now being addressed across the Trust.</p> <p>All POs are (whether manual or on the system) are authorised by the budget holder with the invoice being signed by the Principal when the payment run is processed. All payment runs are then double checked by the TBM (or the Finance Manager when appointed) for POs, proof of self-employment or provision of relevant contracts. In addition, the payment runs are checked to see if they require POs before being signed off by the TBM. BSOs are not permitted to upload the payment run prior to the TBM double-checking the payment run. Only payment runs processed on the PSF software can be uploaded to the bank for payment.</p>	<p>Progress: in progress</p>
High Amber	<p>AP7 Goods Receipt</p>	<p>Finance Officers have been retrained to ensure that goods receipt notes are matched against POs and this process is documented by entering the PO number of the goods receipt note as well as the invoice</p> <p>Due: 30 April 2019</p> <p>Progress: in progress</p>
High Green	<p>AP8 Payment Processing</p>	<p>The Trust Business Manager will check the payment run and the Group Financial Controller, when asked to authorise a payment, will check this review has taken place and can request sight of specific payments</p> <p>Due: Sept 2018</p> <p>Progress: complete</p>
High Amber	<p>AR1 Income and AR” Debt Monitoring</p> <p>Analysis of Parentpay debt has started and an approach to recovering outstanding debt is being put in place in discussion with the Principal and his PA at the UAE and with the BSO at the UTC. The TBM has put the PA and the BSO in touch with each other to share knowledge and approaches. Once the FM is in</p>	<p>A process is being put together, ensuring that amounts received are clearly documented,</p>

	<p>place, this will be a regular month end requirement working closely with those mentioned above.</p> <p>Analysis of Parentpay and how it is set up has shown that it allows a debt level to be accumulated up to £400. A plan has been formulated as to the best way to recoup the outstanding debt as there has been little reference to those eligible for Free School Meals (FSM) which may reduce the overall amount. Moving forward, recommendations have been made to the Principal that no debt levels should be permitted as the software can be programmed to ensure this. Catering Services is due to be re-tendered and I recommend that management of payments for food is one of the specifications of the tender. This is common and best practice across schools.</p>	<p>recorded on the accounting system and reconciled to parent pay. A process will be put in place to chase up and take action when a payment is not received as expected.</p> <p>Due: 31 May 2019</p> <p>Progress: in progress</p>
High Amber	AR2 Debt monitoring	<p>As above. In addition, the Trust Business Manager will review all debts with school staff and agree action when amounts remain unpaid</p> <p>Due: 31 May 2019</p> <p>Progress: not yet implemented</p>
High Amber	AR3 Debt Reporting	<p>An updated month end check list has been introduced which includes an aged debtors which will be reported as part of the management accounts</p> <p>Due 31 May 2019</p> <p>Progress: not yet implemented</p>
High Green	C1 Bank Reconciliations This service is provided on a temporary basis by the LSBU Financial Accountant who performs the bank reconciliations in addition to reconciling the all the other control accounts.	<p>Bank reconciliations will continue to be reviewed monthly by members of the University Finance team to ensure appropriate segregation of duties</p>

		Due: 30 November 2018 Progress: complete
High Amber	C2 Posting Access This service is provided by the FA at the LSBU. There is now in place a process to review user access to the accounting system with PSF having provided details of users. The TBM has reviewed these access levels with the PSF account Manager. The FC and TBM have also had discussions around this point to ensure the right levels of access are given to the Finance Team. With the introduction of department budget holders, the Financial Scheme of Delegation and the sorting out of the PSF software issues, this point is being addressed, though it often is dependent on chasing the supplier.	A periodic review of system access will be put in place Due: 31 January 2019 Progress: review taking place as users change but still to be formalised
High Green	C4 Bank Mandate The TBM now has the Bank Mandate on file both in soft and hard copy after it was reviewed in November 2018. Regular once termly reviews have been scheduled so this is kept up to date. Termly Reviews will take place in the Spring Term (April) and in the Summer Term (June - prior to Year End).	A list is kept of staff listed on the bank mandate and set up as users on Lloyds detailing their access, roles and signing limits Due: 31 Dec 2018 Progress: complete
High Green	GL1 General Ledger Review The TBM performs a review this at month end while the FA produces monthly management accounts where all control accounts are reconciled. Posting to the General Ledger is reviewed at the end of the month to ensure correct posting.	The month end check list will be reviewed at each month end Due: 30 November 2018 Progress: complete
High Green	GL2 GL Posting Access Review of access to the banking system has been reviewed and is now being kept up-to-date. It is reviewed on the same timescales as the Bank Mandate.	Same as C4
High Amber	GL3 Journal Posting Review This is part of the function performed by the Group Financial Controller and the LSBU FA.	The feasibility of automating journal approval on PSF will be investigated. In the meantime a monthly list of journals will be produced and reviewed as part of the month end process

		<p>Due: 31 January 2019</p> <p>Progress; monthly list of journals now being reviewed. Progress with investigating automation of journals in progress</p>
Medium Amber	<p>Control Design 1 Budget Setting Process</p> <p>There are formal timescales dictated by the Academies Financial Handbook with a deadline for reporting to the ESFA. The budget is set with the cooperation of the Principals and has recently been reviewed by the TBM to address issues raised in the internal audit. A letter of delegation is signed by each of the Principals once the budget has been uploaded and this forms part of the budget review. The new budgeting cycle commences with notification to the Trust by the ESFA at the end of February. The budget is then overseen by the CEO prior to being submitted to the SBA Board for approval. The TBM has been working with the relevant people in LSBU to make the budgeting process digital for the 19-20 and subsequent financial years to produce accurate timely 3-5 year plans. As a result, there is a formal approval process that is outlined in the AFH. The new SBA Financial Regulations also outline this process.</p>	<p>A formal cycle of budget setting, approval, monitoring and forecasting will be put in place.</p> <p>We are in the process of setting up live budget information on PSF as well as establishing monthly management information for managers</p> <p>Due: 28 February 2019</p> <p>Progress: in progress</p>
Medium Amber	<p>Control design 2 Budget Monitoring</p> <p>Variation reports are now provided to both Principals and the Executive Principal and are discussed monthly. PSF is working with the TBM to setup more fully and regularise any issues that still need to be addressed. These are currently on spreadsheets and there are ongoing discussions with PSF to set these up on the accounting system so that relevant and timely reports can be produced. Management Accounts are currently produced by the LSBU FA and are shared with the Principals and Executive Principal and provided to the Local Advisory Boards. The Trust Senior Executive (CEO, Exec Principal) are also co-cooperating to schedule regular monthly meetings primarily to review the accounts, plan any ongoing spending and to discuss capital expenditure items.</p>	<p>Live budget information and monthly management information</p> <p>Due: 28 February 2019</p> <p>Progress: in progress</p>
Medium Amber	<p>Budget 3 Management Accounts</p> <p>These are now produced at Month End by the LSBU FA. They are stored on the SBA Trust Hawk drive in month end folders where all accounts or documentation relevant to month end processing is stored. This means all necessary documentation is quickly to hand</p>	<p>Monthly management information for budget managers</p>

	and in an easily accessible place with hard copies being kept in newly created month end files. The Executive Team has monthly meetings with relevant management accounts being provided to the Board.	Due: 29 February 2019 Progress: in progress
Low TBC	Control Design 4: Safeguarding	Safeguarding policies are currently being updated and will include an annual reporting requirement Target date: 30 November 2018 Progress: TBC
Advisory Amber	Control Design 5: Wider Governance	The board is looking to introduce the right level of reporting and scrutiny and will tie into appointment of independent chairs at Trust and School level Target date: 28 Feb 2019 Progress: in progress

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Internal Audit Report 2018/19

South Bank Academy Trust

*London South Bank
University*

November 2018

Final

▶ Click to launch


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Executive summary

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Background and scope

2 

Findings

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Appendices

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

Distribution list

For action: Natalie Ferer (Financial Controller)

For information: Richard Flatman – Chief Financial Officer
John Baker (Corporate & Business Planning Manager)
Audit Committee



Executive summary (1 of 3)

Report classification

High Risk



Trend

N/A – We have not performed a review of this area previously.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	16	3	1	1
Operating effectiveness	0	0	0	0	0
Total	0	16	3	1	1



Summary of findings - Common Themes

For key financial controls, we identified 16 control design gaps (67%) out of 24 expected controls, across 4 of 5 key financial control areas. The exceptions relate to both Academies and wider Trust oversight by the University. This is a significant number of control gaps and exceptions, which results in this area classified as *high* risk.

Three *medium* risk findings were identified for Budgeting and Financial Monitoring where;

- The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process;
- Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted;
- Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust for ongoing visibility of financial performance.

One low risk and one advisory findings were identified for Safeguarding, relating to policies and procedures, and wider governance of the measures in place by the Trust.

We note that these findings reflect the absence of a Trust Business Manager to act as a bridge between LSBU and the Trust, which has created a gap in the overall governance and oversight structure. The vacancy has now been filled during our fieldwork.

Executive summary (2 of 3)



Good practice noted















Staff safeguarding responsibilities and accountabilities are well defined and effective controls are in place to ensure any Safeguarding issues are reported and escalated in a timely manner.

An overview of the number of findings and their risk rating is summarised in a table on the next page.

Our detailed findings are set out in Findings section of this report, starting on page 9. Our rating criteria are set out at Appendix A.

Executive summary (3 of 3)

The table below summarises the number of control design exceptions identified from our review. A total of 16 control design exceptions have been identified across 4 of 5 key financial control areas. Three exceptions have been identified in Budgeting and Financial Monitoring across both the Academies and the University. Safeguarding two exceptions that are low risk and advisory.

Scope areas	University Academy of Engineering South Bank in Southwark (UAESB)	South Bank Engineering UTC	Total control design issues identified
1. Key Financial Controls – Control design			
Payroll	 Green (0)	 Green (0)	-
Accounts Payable	 Red (5)	 Red (6)	6
Accounts Receivable	 Red (4)	 Amber (2)	4
Cash	 Red (3)	 Red (3)	3
General Ledger	 Red (3)	 Red (3)	3
2. Budgeting and Financial Monitoring	 Amber (3)	 Amber (3)	3
3. Safeguarding	 Green (2)	 Green (1)	2

Background and scope



Background

The South Bank Academies' Trust is a Multi-Academy Trust was established in January 2016 and sponsored by London South Bank University (LSBU). The Trust has two Academies, the University Academy of Engineering South Bank in Southwark (UAESB) and the South Bank Engineering UTC (UTC) in Lambeth. There are operational boards for each academy that report into the Trust's audit committee.

There have been concerns raised by LSBU on the internal control environment at the Trust and LSBU Management want to improve the current level assurance in place, focussing on the highest risk areas facing the Trust. A New Business Manager will be starting in October 2018, to coordinate and manage the reviews.

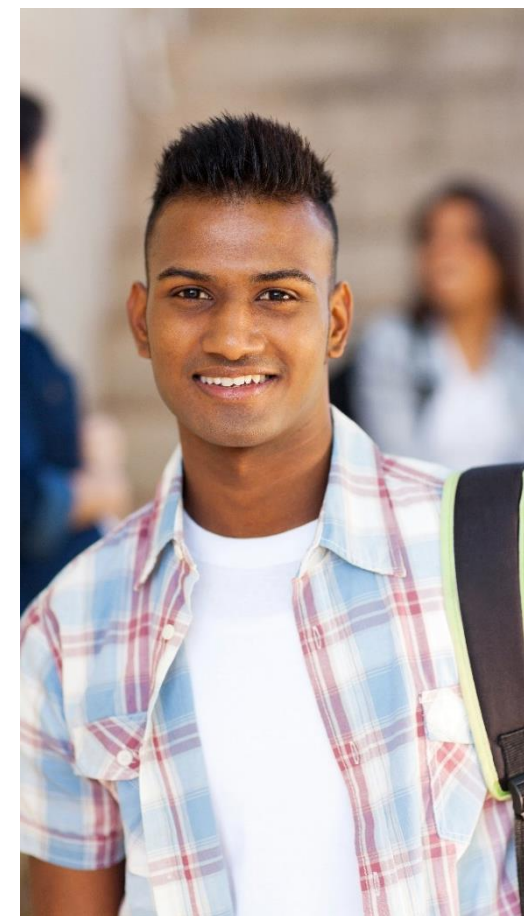
This internal audit will review the controls in place for Key Financial Controls. Additionally, we will review the controls and processes in place for Budgeting and Financial Monitoring and Student Safeguarding. For Safeguarding, we are will previous consultancy reports as part of our walkthrough and background understanding. We will not comment on the subject matter itself.

We believe our work will touch upon the following areas of our annual report to Audit Committee :Our work touched upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
15	x	x	x	x	x

x = area of primary focus

x = possible area of secondary focus



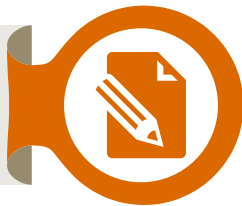
Detailed Findings – Key Financial Controls – Control Design

1. Payroll (1 of 2)

Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>P1 Starters:</p> <p>Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system (or equivalent).</p>	●	●	N/A
<p>P2 Leavers:</p> <p>Documentation, including evidence of line manager approval, is received from HR upon notification of resignation or redundancy.</p>	●	●	N/A
<p>P3 Payroll Changes:</p> <p>Variation forms, with supporting documentation, are received prior to any changes being made to standing data.</p>	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

1. Payroll (2 of 2)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>P4 Payroll Payment Processing:</p> <p>The BACS payment run is reviewed by FC / FD and a Payment Release Form completed (or equivalent)</p>	●	●	N/A
<p>P5 Payroll System Access:</p> <p>Access to the payroll system is restricted to appropriate and authorised personnel.</p>	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (1 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP1 Supplier Due Diligence:</p> <p>Prior to approval, new suppliers are properly vetted through supplier due diligence checks.</p>	●	●	<ul style="list-style-type: none"> Both Academies do not have a formalised approach to supplier due diligence. There is no defined minimum level of checks required to be performed prior to supplier set up. <p>Management response:</p> <p>A supplier request form has been put in place which should be authorised at Trust Level.</p> <p><u>Responsibility for action:</u></p> <ul style="list-style-type: none"> Clym Cunnington, Trust Business Manager Sharlyn Villamayor, School Finance Officer, UAESB Natasha Padmore, School Finance Officer , UTC <p><u>Date:</u></p> <p>In place since fieldwork finished.</p>

Detailed Findings – Key Financial Controls – Control Design

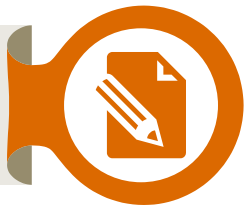
2. Accounts Payable (2 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP2 Supplier Set up:</p> <p>Documentation must be reviewed with authorisation prior to creating a new supplier record.</p>	●	●	<ul style="list-style-type: none"> Where supplier details have been obtained via email or a call, there is no independent sign off from the supplier to confirm the accuracy and completeness of details provided. The Finance Officer can set suppliers up in the accounting system and can also raise PO's, therefore an segregation of duties issue arises. <p>UAESB</p> <ul style="list-style-type: none"> New Supplier Form' is not required to be completed for 'one-off' suppliers. No monitoring controls are in place to ensure where a 'one-off' supplier is used again, the 'New Supplier Form' process is initiated, completed and approved. <p>SBE UTC</p> <ul style="list-style-type: none"> There is no documentation to define the individuals responsible for approving 'New Supplier Forms'. This is particularly important for when the Principal is absent.

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (3 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP2 Supplier Set up:</p> <p>Documentation must be reviewed with authorisation prior to creating a new supplier record.</p>	●	●	<p>Management response:</p> <p>A new supplier form is required for all suppliers, even if it is expected that they will only be used once. The form should be approved at Trust level.</p> <p>The issue around segregation of duties is addressed by a) new supplier and amendments to existing suppliers should be authorised at Trust level, and b) while the Finance Officer can raise a requisition, it should be approved inline with letters of delegation before a PO is created.</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunnington, Trust Business Manager Sharlyn Villamayor, School Finance Officer, UAESB Natasha Padmore, School Finance Officer , UTC</p> <p><u>Date:</u></p> <p>In place since fieldwork finished.</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (4 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP3 Supplier Changes:</p> <p>Documentation must be reviewed with authorisation prior to amending a new supplier record, especially for bank account changes</p>	●	●	<ul style="list-style-type: none"> • There is no process in place to approve supplier changes, by an authorised individual, prior to the change being reflected directly in the accounting system. • Finance Officers can amend supplier details in the accounting system and also raise PO's, which is segregation of duties issue. • There is no process to log or maintain evidence of the calls made by either Academy with the supplier to confirm and validate the changes to be processed. <p>UAESB</p> <ul style="list-style-type: none"> • Email documentation of the supplier change being requested is not maintained for all supplier change requests processed. • No listing is maintained of all supplier changes processed and this therefore gives rise to a completeness issue. <p>Management response:</p> <p>Same as AP2. In addition a list of supplier changes will be maintained and checked by Trust staff when supplier payments are authorised.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st January 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (5 of 9)

Key Control	UAESB	SBE UTC	Details on Control Design issues
AP4 UAESB Purchasing Policy/Scheme of Delegation: Defined Purchasing policy and criteria that is reviewed at least annually.	●	●	N/A
AP5 PO Authorisation: Purchases are pre-approved either through a PO or manually before purchase.	●	●	<ul style="list-style-type: none"> No defined PO policy exists to outline the types of spend where PO's are required/not required and the approval limits in place for PO authorisation.

Management response:

The list of purchases that do not require a PO will be clarified and set out in the Trusts financial procedures. Approval limits, in line with the Trust Scheme of delegation, will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 30th November 2018



Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (6 of 9)





Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP6 Invoice Receipt & Authorisation:</p> <p>Invoices are approved for payment by an appropriately authorised individual.</p> <p>Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.</p>	<p>●</p>	<p>●</p>	<ul style="list-style-type: none"> • There is no documented evidence of the 3 way match process. Once invoices are received, they are manually matched to the corresponding POs but there is no evidence of this being performed and PO numbers are not recorded on the invoices. Therefore there is limited assurance on the invoice being matched to the correct pre-approved spend. • There is no formalised documentation in place to outline who is authorised to approve invoices and the limits/thresholds set. <p>Management response:</p> <p>Finance officers in the schools have been retrained to ensure that POs are matched against invoices and this process is documented by entering the PO number on the physical invoice. Going forward we are investigating automation of this process through the accounting system, PS Financials.</p> <p>The scheme of delegation for approval of POs and purchase invoices will be clarified in written financial procedures and will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust, as mentioned in AP5 above.</p> <p><u>Responsibility for Action:</u> Clym Cunningham, Trust Business Manager</p> <p><u>Date:</u> 30th April 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (7 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP7 Goods Receipt: Goods receipt notes are approved by either the requestor or the finance officer.</p>			<p>SBE UTC</p> <ul style="list-style-type: none"> No evidence exists of the physical goods receipt note to PO matching process, which is performed outside of the accounting system. <p>Management response:</p> <p>Finance officers in the schools have been retrained to ensure that goods receipt notes are matched against POs and that this process is documented by entering the PO number on the goods receipt note as well as the invoice.</p> <p><u>Responsibility for Action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30th April 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (8 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP8 Payment Processing (BACS):</p> <p>BACS payment runs are reviewed by the appropriate individuals and properly approved prior to release of Academy funds.</p> <p>Cross checks are made back to vendor masterfile data in the accounting system to ensure supplier payment details are accurate and complete.</p>	<p>●</p>	<p>●</p>	<ul style="list-style-type: none"> Unauthorised changes made to supplier details in the accounting system, these will also be live in the banking system. <p>SBE UTC</p> <ul style="list-style-type: none"> There is no alternative authoriser for the physical payment listing in the absence of the principal. <p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> The Financial Controller of LSBU does not receive the physical invoices when making her secondary approval of the payment listing. The completeness of her approval is therefore limited. <p>Management response:</p> <p>This process has now been changed so that the Trust Business Manager checks each payment batch include matching of PO to invoice, scrutiny of expenses and authorisation limits. The Financial Controller, when she is asked to authorise a payment, will check that this review has taken place and can request sight of specific payments that she request.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (9 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
AP9 Payment Processing (Cheque): Cheque book is maintained in a secure location in a locket cabinet. Access to the cheque book is restricted to those with appropriate authority, in line with the Trust's internal authorisation matrix and bank mandate.	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

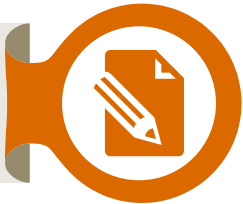
3. Accounts Receivable (1 of 3)





Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AR1 Income:</p> <p>Any income received by the Academy is properly and appropriately recorded, logged and monitored to ensure the collectability and the appropriate follow up on any significant overdue balances.</p> <p>Accurate and detailed records are maintained by finance staff to track amounts committed and amounts recovered for example, school trips or school dinners (inside or outside of applicable systems).</p>	<p>●</p>	<p>●</p>	<p>UAESB</p> <ul style="list-style-type: none"> • There is no formalised or documented approach to debt collection and monitoring of ParentPay overdrawn balances- this is where students have been charged for school meals, but parents have not loaded funds to the online system to pay for this. • There is no formalised process in place to ensure that amounts committed for school trips by students are reconciled back to both cash balances subsequently received or funds loaded onto the ParentPay system online. • No controls exist or are in place to regularly monitor ParentPay balances on a student by student basis to ensure the appropriate follow up on any negative (credit) balances on ParentPay accounts. <p>Management response:</p> <p>A process is being put together and will be formalised, ensuring that amounts received are clearly documented, recorded on the accounting system and reconciled to Parent Pay. A process will also be put in place to chase up and take action when payment is not received as expected.</p> <p>Responsibility for action: Clym Cunningham, Trust Business Manager</p>

Detailed Findings – Key Financial Controls – Control Design

3. Accounts Receivable (2 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AR2 Debt (AR) Monitoring: Debts are regularly monitored by finance staff to ensure appropriate chasing and follow up on any significantly overdue balances.</p>			<p>UAESB</p> <p>There is no defined process in place for the ongoing monitoring of debt balances, particularly those relating to school dinners on the ParentPay system.</p> <p>Management response:</p> <p>Same as AR1 for Parent Pay receipts. In addition the Trust Business Manager will review all debts with school staff and agree action when amounts remain unpaid.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st May 2019</p>

Detailed Findings – Key Financial Controls – Control Design

3. Accounts Receivable (3 of 3)

Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AR3 Debt (AR) Reporting:</p> <p>Debt balances are adequately reported on, in sufficient detail, to give senior finance staff required visibility and oversight on such balances.</p>	●	●	<p>There is no regular process in place for both Academies to accurately report debt balances to the Trust, for inclusion in the management accounts reporting process.</p> <p>This decreases visibility and understanding on the source of such balances, thus not enabling Trust management or the Trust Board to make effective decisions on the follow up and investigation of Academy debt.</p> <p>Management response:</p> <p>An updated month end checklist has been introduced which includes an Aged Debtor and which will be reported as part of the management accounts.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st May 2019</p>

Detailed Findings – Key Financial Controls – Control Design

4. Cash (1 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C1 Bank Reconciliations:</p> <p>Bank reconciliations are performed on a regular, periodic basis to reconcile ledger balances to bank balances. These are reviewed by the appropriate authority and there is sufficient follow up on any discrepancies/reconciling items.</p>	●	●	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> • Two segregation of duties issues exist: <ul style="list-style-type: none"> ○ Bank reconciliations are prepared by staff who have journal posting access in the accounting system. ○ The reviewer of bank reconciliations also has journal posting access in the accounting system. • Bank reconciliations may get signed off and approved by inappropriate staff that do not have knowledge on Academy bank account balances and movements. <p>Management response:</p> <p>Bank reconciliations will continue to be reviewed monthly by members of the University Finance team to ensure appropriate segregation of duties.</p> <p><u>Responsibility for action:</u> Natalie Ferer, Financial Controller</p> <p><u>Date:</u> 30th November 2018</p>

Detailed Findings – Key Financial Controls – Control Design

4. Cash (2 of 3)



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Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C2 GL Posting Access:</p> <p>Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).</p>	●	●	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> The Trust does not have a process in place to regularly review user access to the accounting system to ensure the appropriate people have the appropriate access rights, in line with their specific roles & responsibilities. <p>Management response:</p> <p>A periodic review of system access will be put in place to ensure that access is appropriate and up to date and that staff who have left or moved roles have their access removed or changed.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st January 2019</p>

Detailed Findings – Key Financial Controls – Control Design

4. Cash (3 of 3)

Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C3 Physical Cash Balances:</p> <p>Physical cash received by the schools is properly accounted for and there is a clear log of any such cash balances.</p>	●	●	N/A
<p>C4 Bank Mandate:</p> <p>An up to date bank mandate is maintained by Trust management to outline who is responsible for approving payments in the banking system.</p>	N/A	N/A	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> An up to date bank mandate is not maintained by Trust management and there is therefore lack of documentation available to show the authorised individuals responsible for approving payments in the banking system.

Management response:

Since this review took place, Lloyds have confirmed the bank mandate they hold. Going forward a list will be kept of staff who are listed on the bank mandate and those set up as users on the Lloyds online banking system as well as their access, roles and signing limits.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 31st December 2018

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (1 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>GL1 General Ledger Review:</p> <p>An overall review of the GL is performed on a regular (monthly/quarterly) basis by someone of the appropriate authority and seniority.</p>	N/A	N/A	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> The month end checklist review of all balance sheet and income statement accounts of the Trust is not performed regularly by the Financial Controller. Therefore no assurance of GL balances was obtained before reporting. <p>Management response:</p> <p>The month end check list has been updated . It will be completed and reviewed at each month end.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30th November 2018</p>

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (2 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>GL2 GL Posting Access:</p> <p>Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).</p>	●	●	<ul style="list-style-type: none"> There is no regular review of user access to the banking system to ensure that individuals have the right access levels in the system based on their roles and responsibilities within each Academy. <p>Management response:</p> <p>As with control C4, a list will be kept of staff who are set up as users on the Lloyds online banking system as well as their access, roles and signing limits. This will be reviewed as and when staff changes take place.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st December 2018</p>

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (3 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>GL3 Journal Posting Review:</p> <p>All journals posted in the accounting system are subject to review and approval at month end, to ensure accuracy and completeness of journal postings, and by extension, ledger balances.</p>	N/A	N/A	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> No evidence of journal reviews are kept by the Finance team at LSBU. Journals are not physically signed off and approved prior to posting in the accounting system. There is no month end journal review performed, by someone independent who does not have posting access in PS Financials. As such, completeness of monthly journal postings cannot be assured. As no secondary action is required in the system to approve individual journals, the risk surrounding this issue is further enhanced.

Management response:

The feasibility of automating Journal approval on PS financials will be investigated. In the meantime a monthly list of journals will be produced and reviewed as part of the month end process.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 31st January 2019 (for update on current process and system automation)

Budgeting and Financial Monitoring
Budget Setting and Approval
Control Design **1**

Page 51

Finding rating

Rating	Medium
---------------	---------------

Findings

The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process.

At the time of our audit, the recruited Trust Business Manager had not started and this had presented a communication and reporting gap between the Trust and the Academy for a number of months.

Implications

The budget set by the Academy does not provide an accurate representation of Academy spend for the upcoming academic year.

Comparison of actual spend to budgeted spend has significant variances due to lack of review by the Trust or LSBU. This leaves significant under or over spend for each Academy.

Agreed action

- a) A formal cycle of budget setting , approval , monitoring and forecasting will be put in place. In addition we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

28th February 2019

Reference number:

1

Budgeting and Financial Monitoring

Budget Tracking and Monitoring

Control Design

2

Page 52

Finding rating

Rating

Medium

Findings

Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted.

Due to this, there has been no monitoring in place due to system ability and the inaccuracies on the system.

Implications

The Academy does not have ongoing visibility of spend and budgets set may therefore not be managed appropriately.

Comparison of actual spend to budgeted spend varies significantly and therefore the Academy may under or over spend.

Agreed action

- a) As with Control Design 1, we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunningham, Trust Business Manager

Target date:

28th February 2019

Reference number:

2

Budgeting and Financial Monitoring

Management Accounts reporting

Control Design

3

Page 53

Finding rating

Rating

Medium

Findings

Regular monthly management accounts should be produced to give both the Academies and the Trust ongoing visibility of financial performance.

Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust.

Implications

The Academy and the Trust have no oversight on financial performance and monitoring, which may impact the decision-making process.

Agreed action

- a) As with Control Designs 1 and 2, we will establish a routine of issuing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

29th February 2019

Reference number:

3

Safeguarding at UAESB
Policies and Procedures

Control Design

4

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Finding rating

Rating

Low

Findings

The policies and procedures available for Safeguarding at UAESB have not been kept up to date and in line with their annual review and update as stated for January – February 2017.

There is a lack of overall governance in place for the Academy’s policies and procedure documents to be reviewed, ratified and for any changes to be approved.

Implications

Both staff and students at the Academy are not aware, knowledgeable or comfortable with the area of Safeguarding and therefore do not know how to handle and manage Safeguarding issues in the required manner.

Agreed action

- a) Safeguarding policies at the Trust are currently being updated. This will include an annual requirement for staff training .

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

30th November 2018

Reference number:

4

Safeguarding
Wider Governance
Control Design

5

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Finding rating

Rating **Advisory**

Findings

Although safeguarding measures are embedded at both Academies, we would recommend that the overall Trust considers implementing a wider governance structure for this subject matter.

This will allow for a more strategic overview of the safeguarding measures in place at both Academies and to provide wider support and assurance on, for example, the Academies' alignment with wider government requirements and regulations.

Implications

N/A – Advisory only

Agreed action

- a) The Board is looking to introduce the right level of reporting and scrutiny at Trust level and this is likely to tie in with the appointment of independent chairs at Trust and school level.

Responsible person/title:

Michael Broadway,
Governance Manager

Target date:

28th February 2019

Reference number:

5



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**




Appendices

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Appendix A: Basis of our classifications

System summary ratings

The finding ratings in respect of each financial sub-process area are determined with reference to the following criteria.

Rating	Assessment rationale
 Red	A high proportion of exceptions identified across a number of the control activities included within the scope of our work; or Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.
 Amber	Some exceptions identified in the course of our work, but these are limited to either a single control or a small number of controls; or Control failures which, individually or in aggregate, have resulted in the misstatement of the organisations financial records, but this misstatement is not significant to the University
 Green	Limited exceptions identified in the course of our work Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.

Control design improvement classifications

The finding ratings in respect of each financial sub-process area are determined with reference to the following criteria.

Critical

A finding that could have a:

- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact £5m; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £500k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

Appendix A: Basis of our classifications

High

A finding that could have a:

- **Significant** impact on operational performance resulting in significant disruption to core activities; or
- **Significant** monetary or financial statement impact of £2m; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences over £250k; or
- **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.

Medium

A finding that could have a:

- **Moderate** impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or
- **Moderate** monetary or financial statement impact of £1m; or
- **Moderate** breach in laws and regulations resulting in fines and consequences over £100k; or
- **Moderate** impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.

Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or
- **Minor** monetary or financial statement impact of £500k; or
- **Minor** breach in laws and regulations with limited consequences over £50k; or
- **Minor** impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendix B: Terms of reference

South Bank Academy Trust

To: Richard Flatman – Chief Financial Officer
From: Justin Martin – Head of Internal Audit

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Background and audit objectives



This review is being undertaken as part of the 2018/19 internal audit plan approved by the Audit Committee.

Background and audit objectives

The South Bank Academies' Trust is a Multi-Academy Trust was established in January 2016 and sponsored by London South Bank University (LSBU). The Trust has two Academies, the University Academy of Engineering South Bank in Southwark (UAESB) and the South Bank Engineering UTC (UTC) in Lambeth. There are operational boards for each academy that report into the Trust's audit committee.

There have been concerns raised by LSBU on the internal control environment at the Trust and LSBU Management want to improve the current level assurance in place, focussing on the highest risk areas facing the Trust. A New Business Manager will be starting in October 2018, to coordinate and manage the reviews.

This internal audit will review the controls in place for Key Financial Controls. Additionally, we will review the controls and processes in place for Budgeting and Financial Monitoring and Student Safeguarding. For Safeguarding, we are will previous consultancy reports as part of our walkthrough and background understanding. We will not comment on the subject matter itself.

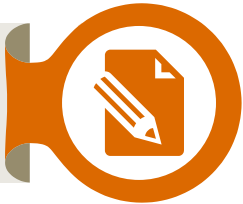
We believe our work will touch upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
15	X	x	x	X	x

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 3)

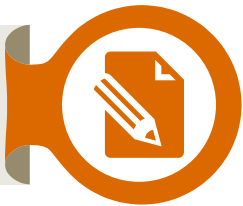


Scope

The sub-processes and related control objectives included in this review are:

Sub-process	Control Objectives
Key Financial Controls (Control Design only)	Review whether the key controls are in place for the following processes: Accounts Payable <ul style="list-style-type: none"> • Expenditure commitments are made with prior budgetary approval. • Payments are made only following the satisfactory receipt of goods or services. • Payments are made only to valid suppliers. Accounts Receivable <ul style="list-style-type: none"> • Debts due are collected promptly. • Fee income is collected on a timely basis. Cash <ul style="list-style-type: none"> • Cash ledger balances are accurate and complete. • Cash is not lost or misappropriated. General Ledger <ul style="list-style-type: none"> • Ledger balances are valid and accurate Payroll <ul style="list-style-type: none"> • Accurate payments are made to valid employees of the organisation.

Audit scope and approach (2 of 3)



Scope

The sub-processes and related control objectives included in this review are:

Sub-process	Control Objectives
<p>Budgeting and Financial Monitoring</p>	<p>Review whether the key controls stated within Sections 2.1 and 2.3 of the Academies' Financial Handbook 2018 are in place and appropriate. We will focus on the areas below:</p> <ul style="list-style-type: none"> • Financial oversight (<i>reference 2.1.1. – 2.1.5. of the Handbook</i>); • Budgeting including budget setting and budget monitoring (<i>reference 2.3.3 of the Handbook</i>).
<p>Safeguarding</p> <p><i>(We will review the previous consultancy reports on the subject matter as part of the walkthrough)</i></p>	<p>Policies, procedures, roles and responsibilities are in place to ensure the Academies' safeguarding duties are clear and operating.</p> <p>There is regularly updated guidance and training that is available and understood by staff, who follow the process to ensure appropriate support is provided, where needed, in a timely manner.</p> <p>There is appropriate oversight and upward reporting to ensure Safeguarding issues and all incidents are captured and timely actions are put in place to address them.</p> <p>Staff accountabilities are defined and in place to ensure action is taken by those responsible, to alleviate poor performance, resolve incidents and rectify issues in a timely manner.</p>

Audit scope and approach (3 of 3)



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Limitations of scope

The scope of our work will be limited to those areas outlined on page 3.

Our review will be performed in the context of the information provided to us. Where circumstances change the review outputs may no longer be applicable. In these situations, we accept no responsibility.

This audit will not confirm compliance with the Academies Financial Handbook and will only provide assurance of the key controls in place. We will not test the operating effectiveness.

For Key Financial Controls part of the scope, we will be performing a walkthrough to understand the controls that are designed in place. We will not be testing its operating effectiveness.

We note that for Safeguarding, there has been a recent review performed by the Local Authority for UTC and Ofsted inspections take place for UAESB. These are focused on the subject matter, whilst we will focus on whether key controls and processes are in place. We will not comment on the appropriateness of the Safeguarding measures.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the process through discussions with key personnel, review of methodology and procedure notes and walkthrough tests;
- Identify the key risks relating to the process;
- Evaluate the design of the controls in place to address the key risks;
- Test the operating effectiveness of the key controls.



Internal audit team and key contacts (1 of 3)



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269 Email: justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	Telephone: 07843 330 912 Email: amy.chiu@pwc.com
Sanjay Thakrar	Internal Audit Supervisor	Telephone: 07841 467436 Email: sanjay.thakrar@pwc.com
Nafis Seyam	Internal Auditor	Telephone: 07718 981 010 Email: nafis.seyam@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting
Natalie Ferer	Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Nicole Louis	Chief Executive Officer, South Bank Academy Trust	TBC	Receive draft and final terms of reference Receive draft report Receive final report

Internal audit team and key contacts (2 of 3)



Key contacts for Key Financial Controls scope

Name	Title	Contact details	
Michael Okelola	Interim Financial Accountant, LSBU	okelolam@lsbu.ac.uk	Part of the LSBU team overseeing South Bank Academy Trust
Sharlyn Villamayor	School Finance Officer, UAESB (University Academy of Engineering South Bank)	Sharlyn.Villamayor@uaesouthbank.org.uk	For all Finance queries including Payroll
Natasha Padmore	School Finance Officer , UTC (South Bank Engineering University Technical College)	Natasha.Padmore@southbank-utc.co.uk	For all Finance queries excluding Payroll
Jacqui Collins	Marketing Manager, UTC	Jacqui.Collins@southbank-utc.co.uk	Payroll queries

Key contacts for Budgeting and Financial Monitoring scope

Name	Title	Contact details	
John Taylor	Head Teacher, UAESB (University Academy of Engineering South Bank)	John.Taylor@uaesouthbank.org.uk	For all Finance queries including Payroll
Dan Cundy	Head Teacher, UTC (South Bank Engineering University Technical College)	Dan.Cundy@southbank-utc.co.uk	For all Finance queries excluding Payroll

Internal audit team and key contacts (3 of 3)



Key contacts for Safeguarding scope

Name	Title	Contact details	
Rob Harding	Safeguarding lead - UAESB	TBC	Safeguarding Lead for University Academy of Engineering South Bank
John Taylor	Head Teacher, UAESB	John.Taylor@uaesouthbank.org.uk	Additional Safeguarding contact
Dan Cundy	Head Teacher, UTC	Dan.Cundy@southbank-utc.co.uk	To confirm Safeguarding Lead for South Bank Engineering University Technical College

Timetable



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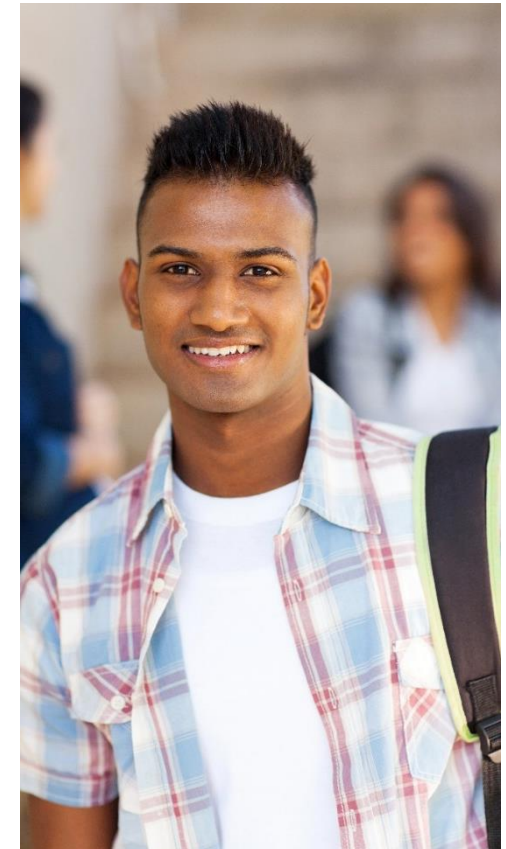
Timetable

Fieldwork start	26 September 2018
Fieldwork completed	5 October 2018
Draft report to client	19 October 2018
Response from client	2 November 2018
Final report to client	9 November 2018

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if the University requests the audit timing to be changed at short notice (2 weeks before fieldwork start) and the audit staff cannot be deployed to other client work, the University may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.



Information Request



Ahead of the audit fieldwork date, please provide:

- Any policies or process notes covering the areas set out on page 3.

This listing is not exhaustive, additional items may be asked for on request.

We understand that the above contains sensitive information, please speak to PwC to determine the best method of sharing the requested items.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

In the event that, pursuant to a request which London South Bank University has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), London South Bank University is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. London South Bank University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, London South Bank University discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Agenda Item 9

	CONFIDENTIAL
Paper title:	Asbestos Report Update
Board/Committee:	South Bank Academies Audit Committee
Date of meeting:	05 March 2019
Author(s):	Clym Cunnington Trust Business Manager
Sponsor(s):	Nicole Louis Chief Executive Officer
Purpose:	For Information
Recommendation:	To review the Asbestos verbal reports for both UAE and UTC for information

Executive Summary

The asbestos verbal are submitted to the Audit Committee meeting for information and review. These are for the UAE and the UTC.

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	CONFIDENTIAL
Paper title:	Safeguarding Report
Board/Committee:	South Bank Academie Audit Committee
Date of meeting:	05 March 2019
Author(s):	Dan Cundy, Executive Principal John Taylor, Principal
Sponsor(s):	Nicole Louis Chief Executive Officer
Purpose:	For Information
Recommendation:	To review the Safeguarding Reports for information

Executive Summary

The Safeguarding Report is one document that encapsulates both schools' safeguarding information as updated January 2019.

This data allows the Audit Committee to see the number of students who are at risk, and splits this out into the levels of risk, Level 1 (low risk) to Level 4 (high risk), and whether the school has worked with external agencies.

It also states if there have been any major incidents relating to safeguarding within either of the schools.

This is presented to inform and update the Audit Committee.

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Safeguarding update February 2019

South Bank Engineering UTC

No. of cases at level 1: Universal	12
Change since previous report (October 2018)	0
Commentary	

No. of cases at level 2: Child in need of early help	0
Change since previous report (October 2018)	0
Commentary	

No. of cases at level 3: Child in need of targeted or specialist support	1
Change since previous report (October 2018)	+1
Commentary One case moved from level 4 to level 3 following a Child Protection Conference in Nov 2018	

Number of cases at level 4: Child at risk of significant harm	2
Change since previous report (October 2018)	-1
Commentary	

Work with external agencies:
Continued work with Schools Police Service on gangs, criminal activity of one pupil
Work with Lambeth Safeguarding Children Board on 1 pupil referral
Plan to set up a weekly drop in session with School Police Service
Weekly sessions runs with nurse.

Significant safeguarding issues in school since last report:
One pupil excluded for the possession of drugs on site.
One pupil has disclosed an incident of domestic sexual molestation. This is being handled by the police service.

Education and Health Care Plans. Update since last report:
None

University Academy of Engineering South Bank

No. of cases at level 1: Universal	11
Change since previous report (October 2018)	10
Commentary	

No. of cases at level 2: Child in need of early help	9
Change since previous report (October 2018)	6
Commentary	

No. of cases at level 3: Child in need of targeted or specialist support	6
Change since previous report (October 2018)	8
Commentary	

Number of cases at level 4: Child at risk of significant harm	10
Change since previous report (October 2018)	5
Commentary	
This will be adjusted once contact has been made with individual social workers.	

Work with external agencies:
We are currently working closely with the schools police service. We have started to work with a service called Brook, who help identify young girls that may need additional help with period poverty.
We have created a list of agencies that we want to work with to widen the amount of safeguarding agencies we will work with.

Significant safeguarding issues in school since last report:
We have had 2 significant incidences:
1. A grandparent was stalking her granddaughter for several days and speaking to other students, encouraging them to get into her vehicle. This was reported to the police. The police spoke to all the students and have the grandmother has been warned/spoken to by the police.
2. A group of males (5) came to the school to attack a year 11 student. We increased the amount of staff outside of school and have had police presence on Monday and Friday.

Education and Health Care Plans. Update since last report:
None

	CONFIDENTIAL
Paper title:	Risk Registers
Board/Committee:	South Bank Academies Audit Committee
Date of meeting:	05 March 2019
Author(s):	Clym Cunnington Trust Business Manager
Sponsor(s):	Nicole Louis Chief Executive Officer
Purpose:	To Review/Approve
Recommendation:	To review/approve the Risk Registers

Executive Summary

The Risk Registers identify the areas of risk within the Schools and the Trust. These are separated out into School and further into category of risk: Financial, Operational, Compliance, Strategic and Reputation.

These have been completed for the UTC, the UAE and the MAT, and are presented as separate documents, in accordance with the agreed updated format from the last Audit Committee Meeting.

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South Bank Academies UAE
Strategic and Reputational Risks

Risk No.	Risk Description	Risk Consequences	Likelihood	Probability	Overall Risk Rating	Existing Internal Controls and Evidence	Residual Risk Level	Assessment of Control Quality/Action Needed (Strong, Moderate, Weak)	Person Responsible	Direction of Travel	Next Review Date
1	Failure of the School to recruit sufficient learners especially in Y7 and Y12 to make it viable	Significant financial risk Risk that the confidence of stakeholders is diminished Cash flow problems Long term financial problems	1	3	3	Admissions Policy Parent/Carer Communication Marketing Strategy Integrated Financial Curriculum Planning Effective Networking	2	Stong	Executive Principal Principals Marketing Team	→	2019-09-30
2	Failure to ensure that the objectives for the School are met	Risk that the School fails to operate within the strategic objectives agreed by the Local Advisory Body Risk that the School's strategic objectives become out of date or no longer appropriate Risk that the School receives an unfavourable Ofsted Report Risk that the objectives of the School are seen as controversial	2	2	4	Experienced Senior Leadership Team Principals' performance management with internal and external assessors Active and experiences Trustees and Local Advisory Body Stakeholders who take an active role in the operation of the School Regular HT and Operations Meetings External Advisors Ofsted Action Plan T&L focus of the Governors Principals' Report	2	Strong	Executive Principal Principals Marketing Team	↓	
3	Poor Student outcomes	Poor examination results could cause a reputational and financial risk. Detrimental to student futures/careers. Academy's reputation at risk.	2	3	6	Teaching and Learning constantly monitored and reported. Termly attainment reporting sent to management and pupils Incoming students assessed for suitable attainment levels Executive Principal educational oversight School Improvement Partnership External consultants to improve Teaching and Learning Regular staff appraisals Trust HR Manager to advise on Staffing and issues. Principal reports to Local Advisory Body	3	Moderate	Executve Principal Principial SLT Trust HR Manager	→	
4	Failure to monitor and react according to the requirement of our stakeholders	Risk that stakeholders and beneficiaries do not consider the School service to be valuable and high quality	2	2	4	Reports to Trustees Reports to School Local Advisory Body Parent/Carer Communication School Council Open Day Questionnaires Parent, Student, Staff surveys	3	Moderate	Executive Principal Principals SLT	→	
5	Failure to monitor and react according to the requirement of our stakeholders	Risk that competitors make more attractive offer to stakeholders Risk that stakeholders fail to differentiate between the School and its competitors Risk of competition or the same share of the market	2	1	2	Marketing Strategy Effective Networking Post 16 Investments and Improvements Post 16 SDP Strong Family Links to the School	1	Stong	Executive Principal Principals SLT Local Advisory Board	↓	
6	Failure to assess and review alliances and partnership with other organisations	Risk that an alliance or partnership is no longer appropriate Risk to the integrity of the School	1	1	1	Networking Visits to other schools Principal Meetings Schools' Forum	0	Stong	Chief Executive Officer Executive Principal Principals SLT	→	
7	Failure to ensure Information Technology in the School is maintained to the highest standard	IT security risk Risk to the corruption or loss of data Risk that IT equipment and services are outdated and no longer fit for purpose Financial risk Risk of Litigation	2	1	2	Outsourced IT service Regular back up of information on outsourced servers	1	Stong	Executive Principal Principal Vice Principal Outsourced IT Services Provider SLT Trust Business Manager	→	
8	Failure to monitor the effect of risks over which the School has little or no control such as economic or natural disaster	Financial Risk Risk of Litigation Reputational risk	1	1	1	Part of School Insurance Review process organised by Trust Business Manager Fixtures, Fittings, Employer, Public Liability held by the School Disaster Recovery Plan ICT Disaster Recovery Plan Temporary building replacement scheme with insurers PREVENT strategy used in School Medical Reviews PHSE program in School	0	Stong	Executive Principal Principals SLT Trust Business Manager	→	
9	Failure of the School to recruit Governors who have the appropriate profile	Risk that a Governor could attract negative publicity Risk that stakeholders view Governors merely as extension of SLT Risk that stakeholders lose confidence in the Local Advisory Body School receives a set of Unqualified Accounts from its annual audit. Fines from the ESFA Potential Financial Notice to Improve issues from the ESFA Financial Risk, Risk of Litigation, Reputational Risk, Risk to the future of the School, Risk of poor moral affecting staff and stakeholders Risk that committees fail to operate effectively Risk that committee delegation is poor Risk that Local Advisory Body does not delegate enough or delegates too much to the Principal or SLT. Risk that the Terms of Reference are inadequate and/or unfit for purpose Risk to the day-to-day operation of the school	2	2	4	Governor training and induction and recruitment process, formal application process Regular Governors' skills audit Monthly management accounts, budget monitoring Reports to SLT and Local Advisory Body Awareness of Financial Regulations Effective Internal and External Audit Monthly management accounts, internal; controls, daily reconciliations for real time data. Read only banking to all finance staff. Review of monthly accounts by Chair of FGP, robust financial policies and procedures, disseminated to staff Robust organisational monthly HT/AD month-end review Risk Assessment process, Health and Safety policy, guidance on Data Protection, annual Governors' review and Terms of Reference, clear guidance on senior staff roles and clear cover arrangements Active Local Advisory Body membership, access to SLT for guidance and support External Advisors: Judicium	2	Stong	SBA Board Local Advisory Boards LSB Governance Team Chief Operating Officer Executive Principal Principals	↓	

10	Failure to comply with legislative requirements.	Financial Risk Reputational Risk risk of Litigation Risk of poor morale affecting staff and stakeholders Risk to the future of the School and Trust	2	1	2	Clear policies disseminated to all staff Risk Assessment Process Health and Safety Policy Guidance on Data Protection External consultants and experts used Regular external and internal review of legislative areas in School	1	Stong	Executive Principal Principal SLT Trust Business Manager	→	
11	Failure of The Academy and the Local Advisory Board to have procedures in place to cover the absence of the Principal or other members of the Senior Leadership Team	Financial Risk Reputational Risk Risk of poor morale affecting staff and stakeholders Risk to the day to day operations of the School Risk that Terms of Reference are inadequate or not fit for purpose	2	2	4	Clear guidance on Senior Staff roles clear cover arrangements Regular Local Advisory Board meetings CEO and Executive Principal meetings Access to SLT for guidance and support External Advisors Judicium, Local Authorities, LSBU Sponsor Regular meetings with the Executive Principal	2	Stong	Executive Principal Principal Local Advisory Board	↓	
12	High profile event in the school affects Trust overall and its reputation.	Risk to reputation nationally and locally to the school and the trust. Risk to the Sponsor's reputation.	1	3	3	Academy has a Critical Incident plan which is regularly assessed listing a delegation of duties in the event of an emergency situation. Advice abnd Expertises of the sponsor LSBU to advise in difficult circumstances Access to LSBU Sponsor legal expertise and advise	2	Stong	Executive Principal Principals SLT	→	
13	Safeguarding incident at one of the schools.	Risk to reputation locally and nationally DfE and HSE intervention depending on scale of the event. Risk of drop in numbers of enrollments	2	3	6	Experienced SENDCO employed at School All staff and governors are given safeguarding and prevent training annually All students and staff complete e-safety training and firewalls are in place to secure all ICT networks.	4	Moderate	Executive Principal Principal SLT	↓	

South Bank Academies
Operational Risks

Risk No.	Risk Description	Risk Consequences	Likelihood	Probability	Overall Risk Rating	Existing Internal Controls and Evidence	Residual Risk Level	Assessment of Control Quality/Action Needed	Person Responsible	Direction of Travel	Next Review Date
1	Failure to ensure that the quality of Management information produced by the School is of a high quality, timely and aids decision-making.	Risk that the financial and non-financial performance of the School cannot be managed or reviews by SLT Risk that the financial and non-financial performance of the School cannot be challenged or reviewed by the Trust or SBA Board Risk to the School of receiving poor audits and inspections	2	2	4	Regular reporting and review of performance against targets for recruitment SIP and Self Evaluation Trustee and Local Advisory Body reports and Minutes Support from the School's administration team Outsourced Data platforms	2	Strong	Executive Principal Principals SLT	→	
2	Failure to ensure that the quantity of Management Information produced by the School is good enough to aid decision making	Risk that the SLT cannot take informed decisions Risk that the Local Advisory Body cannot make informed strategic decisions Risk that the Local Advisory Body has no financial expertise Risk that the individual Governors' play a 'passive' role on the Local Advisory Body Risk that leadership does not have the capability or experience within the sector, risk that the SLT do not have the integrity required. Risk that succession planning is ignored, risk that too much emphasis is placed on entrepreneurial work and strategic objectives of the School are ignored. Risk to staff and stakeholders of low morale, risk of poor recruitment of learners to School, risk of poor retention and success rates. Risk of recruiting unsuitable staff, risk of poor appraisal, CPD processes and the need to instigate costly disciplinary procedures, tribunals etc. Financial Risk, Risk of Litigation, Risk to the achievement of the School's Strategic objectives	2	1	2	Regular reporting and review of performance against target for recruitment SLT review process Trustee and SBA Board and Local Advisory Board reports and minutes School Recruitment and Selection policy and procedures, continuing professional development, appraisal, Staff Development strategy ESFA Handbook Active Senior Team Membership Continuing Professional Development Active Local Advisory Body membership	1	Strong	Executive Principal Principals SLT TBM	→	
3	Failure to implement a Risk Management Strategy	Failure to optimise educational opportunities Non-compliance with ESFA requirements Exposure of the School to unnecessary risk Increased cost, eg. insurance	1	1	1	Risk Strategy Risk Register and Action Plans Risk Management Group Executive Principal Oversight Local Advisory Board reporting mechanisms Oversight of content and timescales by the Trust Business Manager and CEO	0	Strong	Executive Principal Principals SLT Local Advisory Board TBM	↓	
4	Failure to ensure the managers of the school possess the skills and experience required to manage the School	Risk that the leadership does not have the capability or experience within the sector Risk of poor recruitment of learners to the school Risk of poor retention and success rates Risk of recruiting unsuitable staff Risk of poor appraisal, CPD processes and the need to instigate costly disciplinary procedures	2	1	2	School Recruitment and selection policy and procedures Active Senior Leadership Membership Continual professional development Staff development strategy INSET Training Days Trust Finance Manager	1	Strong	Executive Principal Principals SLT Trust HR Manager Trust Finance Manager Trust Business Manager Chief Executive Officer	↓	
5	Staff Recruited to the Schools have the required skills and expertise to meet the strategic objectives of the School.	Risk to staff and stakeholders of low morale risk of poor recruitment of learners to the school risk of poor retention and success rates Risk of recruiting unsuitable staff Risk of poor appraisal CPD processes and need to instigate costly disciplinary tribunals.	2	3	6	School recruitment and selection policy and procedures Active Senior Team involvement in Recruitment Advice and support from the Trust Business Manager Continuing professional development	3	Moderate	Executive Principal Principals SLT Trust HR Manager	↓	

6	Failure to recruit key teaching and support staff posts. Inadequate competency of staff within the School.	Staff not able to carry out their duties Poor management and decision making Poor quality of teaching and learning leading to poor student outcomes Inadequate Ofsted grading leading to reputational risk.	2	3	6	Thorough recruitment programme with all relevant staff trained Comprehensive professional development Strong Appraisal system Competitive remuneration and career development.	4	Moderate	Executive Principal Principals Trust HR Manager	→	
7	Inadequate number of teaching and support staff within the Academy.	Inadequate teaching and learning and student support leading to poor student outcomes. Unsatisfactory Ofsted grading leading to poor outcomes	1	3	3	Integrated Financial Curriculum Planning Monthly monitoring of staffing Exit interviews Timely recruitment processes Experienced Trust HR Manager in place	2	Strong	Executive Principal Principals SLT	↓	

**South Bank Academies
Compliance Risks**

Risk No.	Risk Description	Risk Consequences	Likelihood	Probability	Overall Risk Rating	Existing Internal Controls and Evidence	Residual Risk Level	Assessment of Control Quality/Action Needed	Person Responsible	Direction of Travel	Next Review Date
1	Failure to ensure the School complies with employee legislation	Risk that legislative requirements are not known or complied with Risk that Equal Opportunities legislation may not be complied with or discrimination in the work place may occur Risk that Data Protection legislation may not be complied with Risk that Human Rights legislation will not be complied with Risk that employee contract legislation may not be complied with Risk that employee Pension legislative requirements are not known or complied with Risk that Health and Safety legislative requirements are not known or complied with Fines for not ensuring right to work in the UK	2	2	4	Support of HR Advice and the associated policies and procedure Support of school Data Protection Officer and supporting policy and procedure Health and Safety Policy First Aid Policy Fire Safety Policy Support from the School's external Health and Safety Officer External Advisors – Judicium Safeguarding policy	2	Strong	Executive Principal Principals Trust HR Manager	↓	
2	Failure to ensure the School complies with environmental legislation	Risk that UK legislative requirements are not known or complied with	1	1	1	Reporting to SLT and Local Advisory Body Utilisation of School Sustainability Policies [as Landlord of building] Support of the School Site Manager Monthly Management Accounts Reports to Audit Committees Committee and the Local Advisory Body Budget monitoring Awareness of Financial Regulations and AFH Effective External Audit 3 year financial forecasts Support from the Responsible Officer Recycling program both teachers and students IT disposal policy Members of JBH carbon monitoring program	0	Strong	Executive Principal Principals Trust Business Manager SLT	→	
3	Failure to ensure the Financial reporting requirements of the School are met	Risk that the legislative requirements relating to the production and reporting of the Statutory Accounts are not known or complied with Risk that the legislative requirements relating to Accounting Standards are not known or complied with Risk that the Charities Statement of Recommended Practice [SORP] legislative requirements are not known or complied with	3	2	6	Monthly Management Accounts Reports to Audit Committees Committee and the Local Advisory Body Budget monitoring Awareness of Financial Regulations and AFH Effective External Audit 5 year financial forecasts Support from the UHY internal Audit Governors Annual Audit against financial handbook. Governors Control document	4	Moderate	Executive Principal Principals Local Advisory Board Chief Executive Officer Trust Business Manager	→	
4	Failure to ensure that the School ensures that Data Protection systems, procedures and processes are adequate	Risk that the legislative requirements relating to the protection of data are known and complied with Financial risk Litigation risk	2	2	4	Support of outsourced School Data Protection Officer and supporting policy and procedure Data Audit by external consultant Trust has an updated GDPR Policy All Trust and School staff have received GDPR training	2	Strong	Executive Principal Principal SLT	→	
5	Failure to ensure that the School is compliant in respect of Welfare issues	Risk that the legislative requirements relating to disability are not known or complied with Risk that the legislative requirements of the Child Protection Act are not known or complied with	2	1	2	Support of HR Manager and the associated policies and procedures Parent/Carer Communication DBS Policy Citizenship Policy Personal, Social, Health Education Policy Reporting mechanisms to the Local Advisory Body Safeguarding Officer and ongoing training RESPECT procedures Epidem Training	1	Strong	Executive Principal Principal SLT	→	
6	Failure to ensure that the school is compliant in respect of the requirements of the school sector	Risk that the legislative requirements relating to the National Curriculum are not known or complied with Risk that the legislative requirements relating to mental health are not known or complied with	1	1	1	Reporting mechanisms to the Local Advisory Body Government Website and advice External website subscriptions – The Key Exam entries Subscriptions to professional bodies Curriculum leaders meeting and regular review	0	Strong	Executive Principal Principals SLT	↓	
7	Failure to ensure that the School is compliant in respect of the requirements of the Government and other relevant Authorities	Risk that the terms and conditions relating to the payment of any grant is not known or complied with Risk that the legislative requirements relating to licensing are not known or complied with	1	1	1	Reports to SLT and the Local Advisory Body Ofsted Inspections Internal and External Audit Networking Visits to other schools Principals' Meetings External subscriptions – The Key (Schools and Governors)	0	Strong	Executive Principal Principals SLT	→	
8	Inadequate level of expertise and challenge on Local Governing Body leading to ineffective local governance.	Failure to achieve mission and objectives of the School/Trust. Poor decision making and information flow.	1	3	3	Appropriate recruitment process for governors. Representation of the Trust on local governing bodies Annual review of local governing bodies including skills audit.	2	Strong	Executive Principal Principal Local Advisory Board	→	

9	Serious breach of health & safety regulation or disability legislation occurs	Risk of litigation and Reputational risk.	1	3	3	Policies and procedures consistent with relevant legislation. Independent audit on Health and Safety and Policies Regular reports to the board Oversight of Trust Business Manager Adequate insurance cover through Govt recommended RPA Scheme	2	Strong	Executive Principal Principal	→
10	Land and Buildings are fit for purpose	Damage to property due to poor maintenance could cause disruption to business continuity and cause damage to pupils learning and School reputation	1	3	3	Maintenance programme in place assessed and monitored by Principal and forwarded to Trust Adequate budgets for building maintenance are provided Regular site checks by facilities team and external audits Appointment of skilled, qualified Premises Manager and team Funding by the Trust for Capital Expenditure on Buildings Access to CIF bid expertise and consultants.	2	Strong	Executive Principal Principal Trust Business Manager Vice Principal	→
11	Failure to safeguard Trust or Academy Assets from thefor or damage by a third party.	Damage to building and assets Health and safety risk to students and staff Reputational damage and poor learning outcomes.	1	2	2	Academy has adequate security systems Budgetary allowance for upkeep and maintenance Asset registers at each establishment are monitored and auditted regularly Adequate insurance is provided.	1	Strong	Principal Vice Principal Premises Manager	→

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

Agenda Item 12

	CONFIDENTIAL
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee:	South Bank Academies Audit Committee
Date of meeting:	05 March 2019
Author(s):	Clym Cunnington Trust Business Manager
Sponsor(s):	Nicole Louis Chief Executive Officer
Purpose:	For Review
Recommendation:	For the Committee to review any incidences of Fraud, Bribery or Corruption

Executive Summary

There are no cases of Fraud, Bribery and Corruption to report.

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	CONFIDENTIAL
Paper title:	Speak Up
Board/Committee:	South Bank Academies Audit Committee
Date of meeting:	05 March 2019
Author(s):	Clym Cunnington Trust Business Manager
Sponsor(s):	Nicole Louis Chief Executive Officer
Purpose:	For information
Recommendation:	For information if there has been any incidents

Executive Summary

Since the previous Audit Committee there have been no incidences that have gone through the Speak Up policy.

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