

Meeting of the South Bank Academies Board

4.00 pm on Thursday, 5 December 2019
in South Bank Engineering UTC, 56 Brixton Hill SW2 1QS

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
6.	Education update	3 - 8	DC
11.	External audit findings	9 - 52	AK
12.	External audit letter of representation	53 - 58	HA
13.	Annual report and accounts (to approve)	59 - 100	NF
16.	Corporate risk update	101 - 112	HA

Date of next meeting
4.00 pm on Thursday, 26 March 2020

Members: Richard Flatman (Vice-Chair), Hitesh Tailor (Chair), Tony Giddings, Nicole Louis, Hilary McCallion, Fiona Morey, Lesley Morrison and David Phoenix

Apologies: Chris Mallaband

In attendance: Helena Abrahams, Michael Broadway, Dan Cundy, Alexander Enibe, Natalie Ferer and Om Parkash

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**South
Bank
UTC**

Term Dates/Work hours Proposal

Alter term dates to be more in line with industry norms for directed time and total hours of teaching delivered. By changing term dates we can fall in line with UTC, college and private school norms for term dates and elevate our attractiveness as a place of work in a hugely competitive market. Making use of opportunity to attract staff and consider staff well being whilst having a positive impact on student outcomes.

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South
Bank
UTC

Direct Time Consideration

UTC currently directs **1711** hours of staff time
Compared to the **1265** union agreed industry norm
This is **446 hours above**

More directed hours doesn't lead to higher quality work or student outcomes

Whilst we are not obliged to stay within the 1265 we are **35% or 54 working days over** the standards set by LA schools.

A focus on outcomes and quality of T & L more important. Less directed time will lead to more time for planning and marking and feedback which sits outside directed time

Directed time is all the time that staff are contracted to be at the UTC and should include lessons, some PPA time and supervision, meeting, training and other events. Marking and Planning should not come out of this time.



**South
Bank
UTC**

Working Day

Part of the UTC vision is to provide a longer working day in line with a standard industry day. However this requires balance with the flexibility of the modern work place and balancing with the recruitment landscape (of teaching staff).

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We would like us to consider the following:

1. Keep the extended school day (8:30am to 4pm) with students receiving in excess of 6 hours teaching per day (5 hours is standard for schools)
2. Not direct staff time after 4.15pm (therefore reducing by 146.25 hours)
3. Extend holidays to reflect extended day and learning hours (20 additional days holiday, 160 hours)
4. Build high value student experiences (Work Experience, interventions) into 'holiday' time
5. Less working days (in line with norms for private schools)



**South
Bank
UTC**

Extend holiday Dates

Proposal

1. Start earlier: 24th August (Induction, quick start to term, no time to lose)
2. 2 week October half term (Time to moderate, reading week, WEX opportunity)
3. 3 Week Christmas break: (Staff and Student well being, Avoids key absentee weeks, In line with private sector and colleges)
4. Early break up for summer holidays: July 2nd (Staff recruitment tool, Student WEX opportunity, Least productive time of year due to end of exams)

See proposed date excel sheet



**South
Bank
UTC**

Benefits

- Staff are working weeks that have most impact on students outcomes (early start in August)
- Staff working closer to optimum capacity due to carefully considered holiday times (At their best not tired, anticipated reduction in absenteeism)
- Extended UTC day retained
- Flexibility for teachers to mark and plan away from the UTC built in
- Total lesson time higher at UTC than mainstream school over whole year (1170 hours VS 975)
- Staff recruitment and retention significantly boosted with holiday incentives, we would significantly stand out from other state schools and therefore attract staff
- Staff well-being and work load issues addressed
- Students have built in flexibility for WEX and employer opportunities are to take place outside of term time
- Early break up for summer happens at least productive time for a UTC with over 50% of students finishing at end of exams

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	INTERNAL
Paper title:	External Audit Findings
Board/Committee	SBA Board
Date of meeting:	4 th December 2019
Author:	Moore Kingston Smith
Purpose:	To present draft findings from the external audit for the year ending 31 st August 2019.
Recommendation:	The Committee is requested to note the report and its findings

Summary:

More Kingston Smith present here the draft findings from their audit of the South Bank Academies accounts to 31/8/19. The findings document is being finalised by Moore Kingston Smith and will be issued as final in due course.

Recommendation:

The Board is requested to note this report.

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Commitment
Page 11
Enterprising
Enhancing
Fresh
Potential
Empowering
Business building

South Bank Academies

Post Audit Management Report

Year Ended 31 August 2019

Post Audit Management Report – South Bank Academies

We have completed the audit of South Bank Academies (SBA) for the year ended 31 August 2019 and whilst we expect to issue an unqualified audit opinion we have modified the conclusion on the regularity report due to the control deficiencies identified which have been identified throughout his report.

As part of our audit work and in accordance with the reporting requirements outlined in the regularity report we have identified irregularities in relation to the maintenance of the books and records and the management information being reported to the Board. This report has registered improvements during the year, reported back on the progress of the issues that continue to persist and includes points that have been raised in the current year. We have highlighted key areas of concern in Section 2, Section 3, Section 4, and Section 5 of this report, with further details outlined in the appendices.

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

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

Yours faithfully

.....
Moore Kingston Smith LLP

.....
Date

Section 1	Audit Approach
Section 2	Significant findings from the Audit
Section 3	Regularity Conclusion
Section 4	Operation of the Accounting and Internal Control Systems
Section 5	Operation of the Accounting and Internal Control Systems – follow up on prior year points raised for the year ended 31 August 2018
Section 6	Sector update
Appendix 1	Corrected Misstatements and Reclassifications
Appendix 2	Other matters

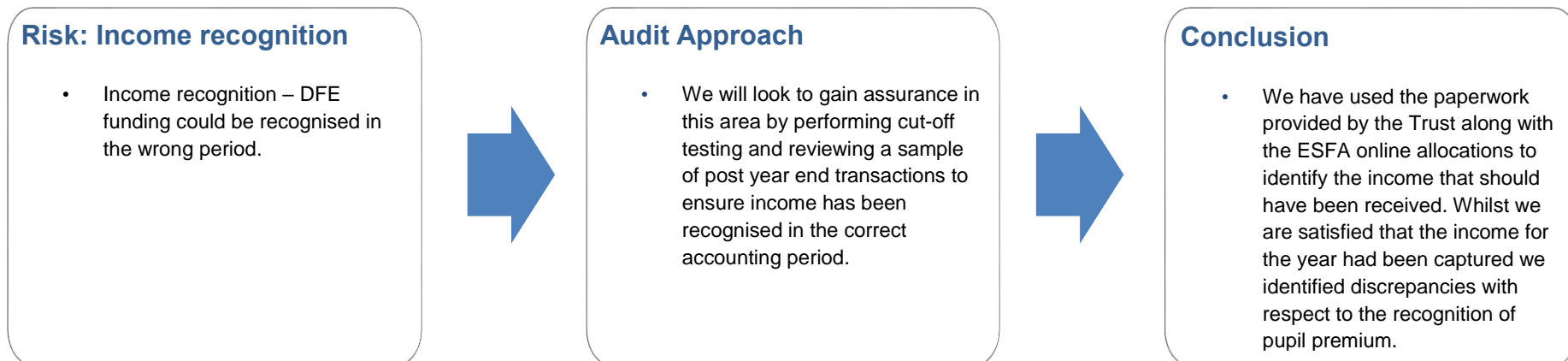


This report has been prepared for the sole use of the board of South Bank Academies and must not be shown to any third parties without our prior consent. No responsibility is accepted by Moore Kingston Smith LLP towards any third party acting or refraining from action as a result of this report.

Section 1: Audit Approach

As outlined in our pre-audit letter dated 27 June 2019 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

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



Section 1: Audit Approach

Risk: Books and Records

- Mispostings, adjustments and journal entries could lead to inaccurate financial data and analysis within the primary books and records.



Audit Approach

- We will review all control accounts to ensure that they have been reconciled properly.



Conclusion

- At the audit planning stage it was agreed that the Trust would use this financial year to clean up their accounting ledgers to ensure the closing positions per the ledgers accurately reflected the actual closing position.
- Whilst we appreciate an effort has been made to do this we have still identified mispostings during the course of the audit and would therefore refer you to the body of this report.

Risk: Management override

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



Audit Approach

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



Conclusion

- Transactional testing did not identify any instances of management override
- Due to the number of historical errors that were identified in previous years as a result of management override the decision was made at the planning stage to write off these balances.

Section 2: Significant Findings From The Audit

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

Corrected material misstatements and reclassifications

Included as Appendix 1 are the corrected, material misstatements identified during the course of our audit work which have been discussed and agreed with you.

Observations concerning the operation of the accounting and control systems

The Trust has made a number of improvements in the year which can be evidenced by the downgrading of a number of last year's risk categories and a number of the points that were cleared.

However, we detail in section 3 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention, which were identified during the course of our audit and limited assurance regularity work. Each of these observations has been given a risk rating around the potential impact of the issue identified and includes management responses.

In Section 4 we have also included an assessment of the extent to which, our previous recommendations have been implemented.

Due to the nature of an audit and limited assurance assignment, we may not have identified all weaknesses within the accounting and internal

control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Reporting on the Significant Difficulties that were identified in the previous year

At the audit planning stage it was agreed that the following ledgers and control accounts would be reconciled with approved write offs by the audit committee:

1. Bank accounts and associated bank reconciliations
2. Trade creditors
3. Trade debtors
4. Salary advances

Our audit work registered improvements in the management and the maintenance of the accounting ledgers at the year-end. The audit committee, as agreed at the planning stage, agreed a number of write offs in order to draw a line under the historical differences that existed.

In light of the outcome of the prior year audits we were engaged to perform an interim audit to provide assurance over the financial records. The interim work was undertaken in July 2019 and we identified the issues needed to be resolved before the final audit was undertaken. Section 4 and 5 describes the extent to which the underlying issues have been resolved and continues to identify the work that the Trust needs to undertake in order to improve its Financial Controls.

Section 2: Significant Findings From The Audit

We believe that the Trust has suffered again this year from staff changes and as a result it is not always clear as to where certain records may be held and sometimes who is responsible for certain areas.

Significant matters

The audit committee have taken the decision to provide for potentially irrecoverable parent pay debts across the Trust amounting to £112,121 subject to approval from the ESFA which they will seek.

In the week commencing 18th November, we were made aware of an invoice amounting to £175k dated 12 March 2019 in relation to an ICT managed services contract. There is currently no process in place to track the omission of invoices as a result of previously highlighted weaknesses in controls. The Trust needs to appoint a person to undertake a thorough review of all supplies and services to identify the source of supply, outstanding invoices and ongoing contracts. This should be monitored on an ongoing basis.

Other matters

We have noted that there are a number of services provided by the University to the Trust in relation to staffing. Appropriate disclosures should be made to ensure that the Trust fully understands the nature of the services provided by the University. This may potentially have an impact on the key management remuneration disclosure in the accounts.

As agreed with the Trust, they will continue to evolve their Trustee's report to ensure they expand on areas which could benefit from the inclusion of further details. For example, the financial review.

The audit of the TPS EOYC has a deadline of 30 September 2019. Due to delays in the Trust presenting the year end EOYC and supporting documentation, the TPS audit report has not been submitted within the 30 September 2019 deadline. This is the second year that these issues have occurred.

Management Representation Letter

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

Point 7 – This we only refer to material transactions as opposed to all transactions

Point 8 – This has been expanded to refer to donated services and South Bank University

Point 9 - This has been included to capture the transactions with South Bank University which have been disclosed within the related party note of the accounts and that the Trust believes the transactions have taken place at arm's length

Section 2: Significant Findings From The Audit

Point 14 – We have sought further confirmation that we have all the information we need in respect to the notional rent for South Bank Engineering UTC

Point 16 – We have asked for you to confirm the accrual of £213k for light and heat is valid based on the information available to you at the time of signing this letter.

Point 30 – The point has been expanded to take note of the additional wording relating to the Regularity audit report in the financial statements

Section 3: Regularity Conclusion

In addition to our audit opinion we are also required to perform a limited scope assurance engagement, reporting to both you and to the Education and Skills Funding Agency (ESFA).

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken is detailed in our Independent Reporting Accountant's Assurance Report on Regularity.

Areas under review

Our regularity opinion was formed from conclusions formed under the following headings:

- Delegated authorities – consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- Transactions with connected parties – consideration and review of connected party transactions, ensuring they took place at no more than “cost”.
- Governance – review of budgeting procedures and consideration of instances of irregular activities.

- Internal control – review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- Procurement – identify policies, review their effectiveness and test their operation
- Income – consider if specialist grants have been spent as the purposes intended

Findings relating to regularity

We detail in section 4 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention, which were identified during the course of our audit and limited assurance regularity work. Each of these observations has been given a risk rating around the potential impact of the issue identified.

Points arising which relate to regularity issues have been marked with the following icon:



Conclusion


We have issued a modified regularity report on the financial statements on the basis that we have identified 3 issues in relation to regularity which have been listed within section 4 of this report as point 1 and outstanding matters from the previous year listed as points 1 and 2.

Section 4: Operation of the Accounting and Internal Control Systems

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

RISK RATING FOR MANAGEMENT REPORT POINTS		
	Risk rating	Explanation
	Low	Issues that relate to minor control deficiencies or enhancements in control efficiency. These should be addressed within an agreed timescale.
	Medium	Issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These should be addressed soon.
	High	Issues where there is a risk of significant financial impact on the business that must be addressed immediately.

Section 4: Operating of the Accounting and Internal Controls Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
<p>1</p> 	<p>Compliance</p> <p>We have noted that the communication between the separate teams involved with the day to day operations of the Trust e.g. finance, HR and governance may not be as robust as it should be for example it was unclear between the departments who maintained certain information for the payroll audit.</p> <p>The trust needs to ensure that they have individuals at the right levels of experience in the correct posts to ensure that the Trust remains compliant with the evolving ESFA regulations and guidelines. In addition there needs to be more transparency and communication between the</p>	<p>HIGH</p>	<p>There is a danger that the Academy may not be compliant with the regularity requirements issued by the ESFA and the Academies Financial Handbook. This could result in the ESFA clawing back income or taking further action against the Trust.</p> <p>The audit information request issued in advance of the audit identifies all the information needed for the statutory accounts. Any omissions give rise to potential management letter points or non compliance with the accounts.</p>	<p>We understand that some of the issues have arisen due to lack of clarity as to who is ultimately responsible for certain areas of the Academy. We believe the Trust would benefit from a detailed review of the roles and responsibilities for each job description with particular emphasis on compliance with the Academies Financial Handbook, regularity and the Accounting officers role.</p> <p>Requirements under regularity should be communicated to the relevant staff so that processes and controls can be put in place to ensure the Academy is compliant.</p>	<p>Communication between the separate teams involved with the day to day operations of the Trust e.g. finance, HR and governance was, in some cases, not as robust as it should be. Roles and responsibilities are clearly defined in the job descriptions of all Trust staff and there is a clear scheme of delegation in place. However, there were some gaps identified in execution of responsibilities which relate to specific staff members who were still developing in role, as well as the wider context that this is still a relatively new start-up Academy Trust in the process of evolving and growing. Going forward the Trust will ensure that there is greater focus applied by senior colleagues to oversee the work delivery of staff whose roles have a particular impact on compliance related matters.</p>

Section 4: Operating of the Accounting and Internal Controls Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
	<p>departments to ensure they are aware of the compliance needs and who is responsible for maintaining relevant data to support on going compliance and information for audit purposes.</p> <p>Potential areas for consideration specifically in relation to regularity include the following:</p> <p>We were not able to see evidence of procurement policies being carried out in line with the ESFA requirement.</p> <p>There is no evidence to confirm that directorships declared on Trustees registers of interest have been highlighted to the Finance Team who would be expected to monitor these transactions.</p>				<p>The Trust has always been compliant with ESFA regulations relating to procurement but in some cases evidence that procedures have been followed have not been retained and steps are being taken to improve record retention.</p> <p>Whilst good progress made in recording these they have not been communicated to those processing transactions who are therefore unable to monitor & report appropriately.</p>

Section 4: Operating of the Accounting and Internal Controls Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
	<p>Registers of interest for Trustees were not available on the Trust website.</p> <p>There was no evidence to confirm that the Trust has complied with the at cost requirements in accordance with the academies handbook for the transactions taking place with the University.</p>				<p>Registers of interest have now been uploaded to the Trust website http://www.southbankmat.org.uk/our-trust/governance</p> <p>In our view we have complied with the at cost requirements in accordance with the academies handbook and the majority of services are at less than cost donated. In the case of exam invigilators where a small uplift was applied this was to cover administration costs. Our existing invoicing methodology will be updated to reflect this</p>

Section 4: Operating of the Accounting and Internal Controls Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
2	<p>Salary overpayments During the audit it was noted that two employees were continued to be paid via the payroll after leaving the Trust</p>	MEDIUM	This has resulted in financial loss the Trust and the lack of controls in place increases the risk of fraudulent transactions taking place.	Month end payroll reports prepared by the payroll provider should be reviewed, checked and authorised internally against necessary amendments to ensure they have all been captured.	Agreed. Our proposed action to prevent similar overpayments is for a senior person in the schools, such as the Head Teacher and the HR Manager to check that they recognise all the staff being paid and that leavers do not continue to be paid.
3	<p>Income recognition – Pupil premium From the audit work performed, we noted that Pupil Premium income has not been recognised on an accruals basis. The payment received for the QE July 2019 had been deferred where an amount for August and September period should have been accrued</p>	MEDIUM	This has resulted in the material misstatement of income and a material audit adjustment being raised.	We recommend that cut off of pupil premium at the year end is reviewed and appropriate adjustments made to ensure income has been recognised in line with the relevant accounting standards going forward.	Agreed. We had accounted for this as relating to 2019/20 but had misunderstood that the funding letter/remittance advice related to the fiscal year rather than the SBA financial year.
4	<p>Employee contracted pay For a number of employees we were unable to reconcile contracted pay per employment contract/latest salary review letter to amounts paid via payroll for a sampled month.</p>	MEDIUM	There is a risk that employees are not being paid in line with contracts in place. This could result in financial loss to the Trust.	We recommend that an exercise is undertaken to ensure employees basic pay is in line with contracted amounts. Any changes should be reviewed and reconciled to expectation in the month in which the amendment becomes effective	Agreed. The process of communicating changes to the payroll provider and checking these have been processed has been reviewed. A new payroll check list, reviewed and signed by the Trust Finance Manager and HR Manager is now in place and a timetable for


Section 4: Operating of the Accounting and Internal Controls Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
					<p>processing the monthly payroll will be put in place.</p> <p>Responsibility for Action – Trust Business Manager</p> <p>Date – 31st December 2019</p>
5	<p>Unpaid creditors On review of the trade creditors listing it was noted that a number of older invoices remained unpaid.</p>	LOW	<p>This could result in late payment charges applied by the suppliers or litigations being undertaken.</p>	<p>The creditors listing should be reviewed on a regular basis to identify those balances which require payment based on supplier payment terms.</p>	<p>Agreed. We will put in place a monthly process of reviewing trade creditors to ensure that old balances are investigated and if necessary paid. In addition we establish routines and timelines for posting invoices to ensure they are entered on the accounting system in a timely manner</p> <p>Responsibility for action – Trust Business Manager</p> <p>Timeline - TBC</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	ORIGINAL RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019	Management comment
1	<p>Use of Capital Grant Funding On review of the assets funded via the UTC ESFA capital grant it was noted that £83k worth of these assets had been capitalised within the UAE fixed asset register. The Trust believes that they have received prior agreement concerning the use of shared assets across both academies however we have not been provided with evidence of approval. Therefore we were unable to see evidence that the funding was spent in line with the grant conditions.</p>	<p style="background-color: red; color: white; text-align: center;">PRIOR YEAR HIGH</p> <p style="background-color: #90EE90; text-align: center;">DOWNGRADED LOW</p>	<p>As we have not been provided with evidence to agree that the funding can be spent on UAE assets, we are led to conclude that this may have resulted in UAE benefiting from the use of assets for which UTC has funded and thus not in accordance with the terms of the grant.</p>	<p>Where funding has been granted, it should be spent in line with the stipulated terms of the agreement unless prior approval has been received from the ESFA. Where prior approval has been granted we recommend that evidence of this is kept and is readily available should it be required.</p>	<p>We understand that the use and location of assets are now reflected in the correct school however, the assets are still currently shown within the UAE accounting ledger. We have been informed that the respective accounting ledgers will be updated to reflect this.</p>	<p>These assets are and have always been used by both the UTC and UAE. All assets have now been moved to the UTC. We will do an accounting entry to formally transfer these assets to reflect funding. UTC in the 2019/20 financial year in the fixed asset register. We consider the matter now complete.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	ORIGINAL RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019	Management comment
2 	<p>Timely posting of transactions</p> <p>Ledgers have not been updated and maintained during the year. Invoices have been posted in the incorrect period due to lack of timely posting of invoices on receipt. The insufficient monitoring of income has also resulted in the understatement of income and income was noted as not being correctly allocated within appropriate nominal codes within the ledgers.</p>	HIGH	<p>This has resulted in the misstatement of a number of balances in the accounts and has also meant that the Trust will not have a clear view of any amounts outstanding, paid or received on review of the ledgers as they are not complete and have not been maintained.</p> <p>Transactions have not been accounted for in the correct period which goes against the accruals reporting concept.</p> <p>This will also have a knock on effect for the financial figures and budgets included in this year's accounts.</p>	<p>We recommend that all invoices are posted to the system as soon as they are received. Monthly reconciliations of all control accounts and income should be performed. Invoices should be processed and reviewed upon arrival to ensure the correct accounting treatments have been applied.</p> <p>Where a prepayment has been identified and adjusted for, we would expect that the reversal of the prepayment should be processed back against the original nominal account that was adjusted.</p>	<p>We have continued to note delays in posting of invoices to the ledger with a number of invoices being accrued at the year end where they should have been accounted for in the trade creditors listing. In addition the omission of a material invoice in relation to pre December 17 services received has resulted in a significant audit adjustment as detailed in Appendix 1.</p>	<p>There were general delays in processing purchase invoices at one school and routines will be put in place to ensure that invoices received are processed in a timely manner. We have now centralised invoice processing and are establishing a contract database to ensure that all of this information is captured in both the database and our accounting system. We cannot predict invoices from pre 2014 (particularly given changes in the team). We are making the necessary checks on validity of the particular late invoice in question which it is still under negotiation.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	ORIGINAL RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019	Management comment
						Responsibility Trust Business Manager. Time January 2020.

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	ORIGINAL RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019	Management comment
3	Fixed asset register A formal fixed asset register is not maintained	PRIOR YEAR MEDIUM	The figures within the trial balance in respect of fixed assets are highly material to the MAT, we were not provided with supporting documentation by way There is therefore a risk that depreciation, capital additions and capital disposals are not processed appropriately and on a timely basis. The fact that this is not being done on a timely basis means that management may not remain aware of the true position of the Academy at all times.	It is recommended that a formal fixed asset register is maintained with capital transactions and depreciation being posted on a regular basis (at least termly), when the management accounts are prepared. This will ensure that the true position of the Academy is reflected at all times.	The fixed asset registers provided for the current year include individual asset breakdowns for current year and prior year additions. A full fixed asset register which breaks down costs brought forward by individual asset prior to 2017/18 is not maintained.	The format of the fixed asset register has now been revised to list prior year assets more clearly and facilitate tracking of asset disposals when they occur. Already implemented
		DOWNGRADED LOW				

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	ORIGINAL RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019	Management comment
4	<p>Building occupied by UTC There does not appear to be documentation i.e. a license to occupy or a lease with Trinity Academy London for the use and occupation of the building.</p>	MEDIUM	Although the building is occupied and in use by UTC there needs to be documentation in place to support the current arrangement.	We recommend a lease or license is obtained correctly reflect the status of the arrangements between UTC and Trinity Academy London.	<p>This continues to be an issue.</p> <p>After the submission of last year's the ESFA queried the non-inclusion of the building. This needs to be resolved.</p> <p>To be reviewed again in 2020</p>	Agreed

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

The following points were cleared during the year:

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
1	<p>Payroll Documentation Students working for the academy trust are not issued contracts of employment although they are included on the monthly payroll. This is relevant for the following student members of staff:-</p> <ul style="list-style-type: none"> - Aaron Iduh - Jackson Moore - Andre Edwards 	HIGH	Lack of clear evidenced and agreed terms and conditions can increase the risk of misunderstandings and disputes. In the event that the entity is taken to a tribunal, a clear contract will help to support the entity's position.	It is recommended that employment contracts are drafted for all student employees.	<p>During the year there was no evidence that contracts were issued to student workers.</p> <p>Post year end the Trust has made a decision to implement the issue of employment contracts to all workers.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
2	<p>Depreciation of fixed assets As a result of a fixed asset register not previously being maintained, the straight line depreciation is being calculated on costs brought forward. There is no full record of assets held or their associated net book values.</p>	HIGH	<p>By calculating the depreciation charge straight line based on cost brought forward, the Trust is unable to identify assets as they are coming to the end of their Useful economic life and therefore assets are at risk of being depreciated in excess of cost.</p> <p>Fixed assets are highly material and therefore the depreciation charge associated with any assets are likely to be material and the incorrect application of the depreciation policy is therefore likely to result in material misstatement.</p>	<p>We recommend that a full fixed asset register is maintained which shows the depreciation charges on a monthly basis by asset. This will enable depreciation to be calculated from the date of acquisition to the date of disposal and will allow for tracking of assets.</p>	<p>Whilst the Trust has not maintained a fixed asset register which details assets brought forward, we are satisfied that the depreciation charge is materially correct based on the information the Trust holds. The Trust are updating the register to make this clearer.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
3	<p>Unidentified provisions Upon querying the accruals balance, there is an unsupported general provision for energy costs of £111,000, and unidentified accruals of £42,325. Total energy costs recognised within expenditure for the year however only amounts to £58k.</p>	HIGH	<p>This indicates a lack of clarity and control over the expenditure recognised within the trust's financial statements.</p>	<p>We recommend that proper controls are put in place around supplier invoices which would allow clear monitoring of transactions.</p>	<p>The Trust is now in contact with a representative at Southwark to organise the billing of energy costs dating back to September 2012.</p> <p>As at the audit date, the Trust has not received any invoices for this amount but have been provided with an estimate by Southwark for anticipated energy costs for the period from September 2012 – 2014.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
4	<p>Accounting system Through discussion with management, and review of the financial data presented for audit, it is apparent that those in charge of the finance function are not fully conversant in PS Financials and inadequate training was provided.</p>	HIGH	<p>For example, we note that some expenditure invoices have been posted multiple times to creditors and expenditure, following payment, we note that the transaction has been between bank and expenditure; therefore overstating expenditure and leaving the MAT open to risk of overpayment.</p>	<p>We recommend that all appropriate staff members are formally trained on PS Financials and are trained on their function as well as other functions to ensure that there is always someone on hand with knowledge of the system to advise appropriate treatment.</p>	<p>We believe that this continues to be an issue for the Trust as observed through issues identified at the interim audit stage.</p> <p>Post year end the trust has implemented compulsory training for all staff before they are allowed access to the accounting system to post transactions</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
5	<p>Members and directors</p> <p>It was noted that the appointed members and trustee directors of the trust were not reflected accurately and on a timely basis at the get-information-schools.service.gov.uk website (previously known as Edubase) - (the DfE's register of educational establishments).</p>	MEDIUM	<p>The Trust is in breach of the Academy Handbook requirement that the Trust must notify DfE of the appointment or vacating of the positions of members, directors and local governors within 14 days of that change through the governance section of DfE's Edubase.</p>	<p>We recommend that the Trust gets the information up to date and monitors this on a regular basis.</p>	<p>During the audit we have noted that James Stevenson was not included on Edubase and therefore no appointment or resignation has been lodged on the website. We were subsequently provided with information from the Trust evidencing that James Stevenson's appointment was lodged on the website.</p> <p>We are satisfied that register is up to date as at the audit date.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
6	<p>LGPS pensions</p> <p>We identified discrepancies between the amounts showing on the actuarial reports for employer contributions received, and the trust records of employer contributions paid to the scheme.</p>	MEDIUM	<p>These discrepancies indicate potential error in the information used by the actuaries in preparing the LGPS pension report figures.</p>	<p>We recommend that the Trust reviews the documentation received by the actuaries and reconciles contributions paid to internal records, with discrepancies investigated and resolved directly.</p>	<p>Whilst the audit work noted mispostings between the LGPS and TPS contributions recorded in the profit and loss account, the Trust has provided a reconciliation of LGPS contributions for the year to the year-end actuarial report.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
7	<p>Accruals Some items which have been accrued for are of a trivial value, and will therefore have minimal effect on the financial statements. A significant number of these accruals were also noted as being invalid with respect to the current financial year.</p>	LOW	<p>It is likely that a significant amount of time is involved in the administration needed to account for numerous trivial accruals, especially with a small finance team. This has therefore resulted in accruals not being tracked and released as and when required and thus accruals which are not valid being present on the year end listing.</p>	<p>There should be a consideration of implementing a threshold value of which it should then be compulsory to raise an accrual. Whilst it is good practice to account for all accruals required, we would recommend that controls are put in place to ensure all larger amounts are accounted for first.</p>	<p>We are satisfied that accruals are being accounted for however a detailed accruals listing by invoice was not maintained (other than a nominal ledger export which groups balance and invoices). The Trust is however satisfied that sufficient tracking is being undertaken to ensure amounts accrued are valid and that detailed listing can be readily provided if required.</p> <p>POINT CLEARED</p> <p>This will be followed up in 2020</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
8	Reconciliation of Reserves It was noted that opening reserves did not reconcile to the opening trial balance by £608k. This was as a result of capital grant income and the associated depreciation on these assets being posted directly against reserves.	HIGH	This resulted in the opening reserves in the trial balance being materially incorrect.	Adjustments should not be posted to reserves. Where reserves transfers are required these should purely be reallocations between reserve balances	POINT CLEARED The current year audit work did not identify discrepancies in the reconciliation of reserves.
9	Bank Mandate We were not able to see an up to date bank mandate on site and one has had to be reordered from the bank. This shows that documents might not be filed and stored correctly. The bank mandate has also not been updated for the Trustees who have left or joined during the year.	HIGH	In the event of the main signatories not being present, the MAT could incur penalties for not making payments on time as was the case during the year when LSBU had to pay expenses on behalf of the MAT. In addition, the existence of old signatories on the bank mandates (especially where employees have left the Trust) leads to an increased risk of fraudulent transactions taking place.	It is recommended that all important and confidential documents are filed correctly so that they can easily be retrieved. It is also recommended for the bank mandate to be kept up to date to minimise the risk of fraud.	POINT CLEARED We are satisfied that updated are being filed and the bank mandates are up to date as at the year end.

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
10	<p>Trade Creditor Reconciliations The UAE trade creditors listing could not be reconciled to the year end trial balance by £59k. In addition, there were balances noted on all listings which were labelled 'YE PL Adjustments on the trade creditors reports. The amounts are:-</p> <p>UAE - £39,980 MAT - £-1,862.05 UTC - £-585.56</p> <p>It was also noted that a number of suppliers had been paid twice. We believe that this is a result of the lack of controls surrounding the posting of transactions and invoices as well as the maintenance and reconciliation of the trade creditors listing. Although the net adjustment made to the accounts was immaterial this resulted in the year end listing not reflecting the true year end balance.</p>	HIGH	<p>The Trust could potentially be paying suppliers based on incorrect data. This could also lead to the Trust being unaware of supplier invoices due to be paid. As evidenced during the audit a number of duplicate payments had been made. These duplicate payments have a negative impact of the Trust's cash flow and has resulted in trade creditors being understated.</p> <p>Consequently trade creditors may be misstated due to the fact that we are unaware what these cost constitute and whether they actually relate to creditors at the year end.</p>	<p>Trade creditors aged listing should be reconciled to the purchase ledger control account on a monthly basis and any differences investigated. The ledgers should be reviewed for unusual balances which differ from expectation.</p> <p>By making full use of control accounts, e.g. trade creditor control account, it will help prevent duplicate payments. Reconciling the trade creditor control account on a monthly basis will help identify those balances which are still outstanding and those which are now cleared. Whilst this will not eradicate instances of duplicated payments being made this is one of the ways to help mitigate the risk.</p>	<p>POINT CLEARED From the current year audit work conducted, we are satisfied that the year end trade creditors listing has been reconciled following the approved write off.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
11	<p>Bank reconciliation</p> <p>Whilst we note that the bank reconciliations were provided and a listing of transactions reconciling the trial balance to the year end bank statement were prepared, we note that the bank reconciliations included reconciling items that could not be validated.</p>	HIGH	<p>The bank forms the core of the financials for the year. Where reconciling items are not indicative are valid reconciling transactions this can result in a number of other areas of the financial being misstated. For example, any proposed adjustments from the bank reconciliation to other control accounts such as trade creditors would result in questions over the reliability over what has the reported within the trade creditors listing.</p>	<p>Bank reconciliations should be performed each month to ensure errors are easy to detect and can be rectified immediately. Bank reconciliations along with documentation of reconciling items allow for more efficient management; knowing what has cleared the bank and what hasn't will be beneficial in trade creditor and payable reconciliations.</p>	<p>POINT CLEARED</p> <p>We are satisfied that bank reconciliation are taking place and the year end reconciliations are reflective of actual reconciling items following the approved write off of historical balances.</p>
12	<p>Cash management</p> <p>Bank reconciliations were not performed during the year. This has resulted in material adjustments being required as prompted by auditors. As this work is being done long after the date of transactions, there is increased risk of misstatement and does not reflect timely bookkeeping or management.</p>	HIGH	<p>Conducting regular bank reconciliations is regarded as a basic financial management tool. In the absence of this basic check, the Trust is unable to prove that the accounts and the financial information is correct.</p>	<p>It is recommended that formal bank reconciliations are performed on a regular basis - once a month - and the bank balance as per PS Financials is reconciled to the bank balance as per the bank statements. Any issues identified should be investigated and resolved on a timely basis.</p>	<p>POINT CLEARED</p> <p>We are satisfied that bank recompilations are being conducted and the year end cash balances is materially correct following the write off of approved balances.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
13	Control accounts Control accounts are not being utilised properly, reviewed nor reconciled, such as net wages, PAYE/NI, pensions, trade debtors, trade creditors.	HIGH	The payroll charge is significant to the MAT - if the journals are not being processed monthly as per the payroll reports, then there is a major weakness in the controls surrounding the payroll function. There is therefore a risk of misappropriation of funds as the reporting could be manipulated and payments manipulated also as there is not a full reconciliation of the charge and the payments made.	We recommend that the payroll process is revised and a formal reconciliation of the payroll report with the postings as per the financial system are reconciled with the payments made. This should ensure that staff are paid appropriately as per approved calculations and that we reduce any misappropriation risks.	POINT CLEARED We are satisfied that the key control accounts now reconcile following write off of approved balances.
14	Land and Buildings As at 8 January 2018 a 125-year lease for the land and buildings of UAE was made available to us as the external auditors. Being dated in August 2016, this represents a material prior year adjustment to recognise the long leasehold property controlled by the Trust, and this information should have been made available to us during the prior year.	HIGH	Whilst the accounts have been adjusted for this material prior year adjustment, this is a significant item which we as auditors had not been initially informed of.	The Trust has a responsibility to ensure that there is no relevant audit information of which the external auditor is unaware.	POINT CLEARED An updated land and buildings valuation for UAE was made available and a corresponding revaluation adjustment was made by the finance team prior to the interim audit taking place. We are satisfied that this adjustment is reflective of the valuation.

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
15	Roles and responsibilities It was noted that there is a lack of clarity over individuals' roles and responsibilities within the finance team particularly in respect of the accounting system, once the former finance manager had left the Trust.	HIGH	This caused omissions of some entries such as payroll entries, and duplication of others such as purchase invoice payments, and therefore a material misstatement of the figures. This also caused journal entries to be processed without clear audit trails.	It is recommended that clear roles and responsibilities are allocated amongst staff and clear procedures are put in place for all aspects of the accounting system. Adequate training must be given to all members of staff who are responsible for maintaining the accounting records.	POINT CLEARED We are satisfied that the roles and responsibilities for individuals within the finance team have now been defined within a written document
16	Other Creditors (Salary Advances and Payroll Control) Salary advances are not reconciled and not indicative of outstanding balances. The accounts are showing a debtor of £5,065 and a creditor of £16,830 where the majority of items have had no or little movement from the prior year. Salary advances have not been properly recorded on the system or tracked. Details of what balances related to have not been made available.	HIGH	The overall outstanding balance which would normally be an overall debtor in the accounts is currently sitting as a net creditor. Not only can this result in costs not being recovered by the Trust and or challenges by staff.	A review should be conducted in regards to 'Other Creditors' and any amounts that are unable to be reconciled to relevant documentation should be written off. It is also recommended that a list of all salary advances including season ticket loans is prepared and reconciled against payroll deductions on a monthly basis.	POINT CLEARED Salary advances and payroll control accounts are now being reconciled following the interim audit.

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
17	Management information It is clear from the information viewed, that full management information has not been prepared and reviewed on a regular basis during the year.	HIGH	Management have a responsibility to review regular management information and this would have identified the deficiencies in the system at an earlier point during the year.	A full set of management information should be made available and reviewed at least on a termly basis.	POINT CLEARED Management accounts are now being prepared on a monthly basis.
18	Monitoring of Capital Grants The trust does not track its capital funding expenditure against the grants that are received. During the audit we noted discrepancies between the UTC ESFA capital grant and the Local Authority schedule 21 funding.	HIGH	The Trust cannot prove that it has spent the money in accordance with the terms of the grant.	We recommend that procedures are implemented to continuously monitor capital grant spend. The accounting system should be set up and used to ensure capital funding and the associated expenditure can be tracked. In addition this will help identify any spend incurred for which income has not yet been received and therefore additional funding to be accrued at the year end.	POINT CLEARED The Academy now has a capital tracking sheet to track all capital spends.

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
19	<p>Related party transactions</p> <p>There is not an appropriate process in place whereby related parties and pecuniary interests of key management personnel are recorded on a timely basis</p>	HIGH	<p>There are specific ESFA requirements that state Academies are to keep a record of related parties and pecuniary interests of all key management personnel, directors and budget holders. This is to ensure that all goods and services procured are done so at a reasonable rate, and to ensure that management are fully aware of related parties at all times.</p>	<p>It is recommended that a formal register of related parties and pecuniary interests is kept centrally by the finance team. It is further recommended that this is updated when new staff are appointed, and on an annual basis. This will allow for the MAT to be aware of all related parties at all times.</p>	<p>POINT CLEARED</p> <p>We note that there is a formal register of related parties maintained by the University Governance team which includes individual declarations from Trustees.</p> <p>We have raised a further point 2 in the current year in relation to communicating the information on these declarations with eth Finance Team.</p>
20	<p>LGPS pensions</p> <p>We could not be provided with an LGPS actuarial report which incorporated the liability associated with staff members employed in the MAT.</p>	MEDIUM	<p>Whilst this related to only one employee this has resulted a understatement of the year end liability in the accounts.</p>	<p>We recommend that the Trust reviews the documentation received by the actuaries to resolve any issues directly. The actuarial reports should be reviewed in detail to ensure the information contained within them is consistent with the Trusts expectation and underlying records.</p>	<p>POINT CLEARED</p> <p>We have been provided with an LGPS report which incorporates the liabilities for all members of the Trust and which is reflected in the year end financial statements.</p> <p>The past error which arose as a result of the omission of the movements in the MAT liability for the 17/18 year have been corrected in the 18/19 year.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
21	<p>VAT receivable Throughout the account period, we note that only 2 VAT 126 returns have been processed and submitted.</p> <p>The UTC VAT balance per PS Financials is £56k overstated compared to the draft claim workings.</p> <p>The VAT balances have not been reconciled during the period.</p>	MEDIUM	<p>There is a risk that these claims have been prepared incorrectly and/or the balance showing as receivable in the accounting system is incorrect.</p> <p>The Trust is also not taking advantage of cash flow opportunities as these returns can be processed on a monthly basis.</p>	<p>It is firstly recommended that the financial system is brought up to date and the VAT 126 returns already processed are reviewed for appropriateness. It is further recommended that the governors of the MAT consider adopting the policy of processing these returns on a monthly basis to aid inflows.</p>	<p>POINT CLEARED We are satisfied that the year end VAT receivable ledger reconciles following the write off of approved balances</p>
22	<p>Local Authority income We could not be provided with details on local authority income received for the Summer Term for each school.</p>	MEDIUM	<p>Incomplete records surrounding income can result in the misstatement of income. Additionally the lack of controls surrounding the posting of income in the ledger and reconciliations can result in the Trust having not received income that it is due.</p>	<p>The Trust should reconcile income against both remittances and expectation noted any amounts which may be misallocated or not yet received but due.</p>	<p>POINT CLEARED At the year end amounts with respect to local authority income have been accrued.</p>

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
23	Accruals based reporting The accounting records were being maintained on a cash accounting basis instead of an accruals and prepayments basis. A number of adjustments had to be processed to recognise the appropriate accruals, creditors and accrued income.	MEDIUM	There is a risk that incorrect financial information is presented to the board.	The finance staff need to be trained to understand the difference between cash accounting and the accruals concept. This should incorporate an understanding of cut off procedures making it easier to identify the necessary adjustments for monthly, termly and year end accounts.	POINT CLEARED We are satisfied that Trust is applying accruals based reporting
24	Expenditure vs budgets The budget for the year (as approved by Governors) had not been uploaded onto the PS Financials system. Therefore, the current financial position cannot be properly monitored or managed as compared to the budgets set.	LOW	Expenditure cannot be monitored against the budget without accurate reporting and there is therefore an increased risk of the Trust not adhering to the approved budget which increases the risk of excess spending.	The approved budgets are uploaded into PS Financials once finalised. It is further recommended that the budget to actuals are compared on a regular basis (perhaps termly) and any projected under / over spends can be brought to attention in a timely manner.	POINT CLEARED 2018/19 budget are now being uploaded within PS Financials

Section 5: Operating of the Accounting and Internal Controls Systems – follow up from year ended 31 August 2018

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2018	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2019
25	Central recharges Where internal bank transfers are made, there is not always supporting documentation available.	LOW	If inter academy transactions are not being consistently monitored and recorded, then the risk of entity level reporting being inaccurate is increased.	Where a financial transaction is to be processed there should be sufficient and appropriate evidence and documentation to support this. Where there are internal recharges required to be posted via journal, it is recommended that a schedule is maintained as to the basis of the recharge as well as who it has been approved by and when the posting has been made.	POINT CLEARED Central recharges are now posted monthly with a year end adjustment being posted if required. The Trust maintains an excel spreadsheet which tracks the recharge of income on a monthly basis.

Section 5: Sector Update

Academy sector update

New Academy Financial Handbook for 2019/20

The main changes are listed on page 8 of the AFH and some key ones to keep an eye on are as follows:

- more about the requirements for producing management accounts including what they contain [2.18, 2.21 and 2.23]
- explaining the board's review of executive pay includes other payments/benefits to such individuals [2.30 and 2.31]
- mandating a risk register [2.36]
- more about whistleblowing [2.41 to 2.46]
- additional information to maintain internal scrutiny over controls and risks, including the role of the audit committee, and a new requirement to send an annual internal scrutiny report to ESFA [3.1 to 3.22, and 1.17]
- emphasising the need for prior ESFA approval for certain financial transactions
- providing additional clarification on the reporting and approval of related party transactions [5.40 to 5.43]

This AFH came in to play from 1 September 2019.

School Resource Management Self-Assessment Tool ("SRMSAT")

The Minister has confirmed that from Autumn 2019 all trusts will be required to complete the SRMSAT annually and submit the completed checklist element to ESFA.

For the Autumn 2019 submission, trusts' external auditors will not be

required to provide a specific report on the checklist.

Note please the early deadline (14 November) for academies to be submitting this new return to ESFA.

ESFA matters update

Extended insight on matters on the horizon include:

- the ESFA continues to ramp up its oversight of Related Party Transactions, because of perceived weaknesses and control failures in the sector;
- there is the possibility that more CIF and Pupil Premium funds than ever before will be returned in cases where eventual spend is under budget;
- there will continue to be a focus on executive remuneration after last year's public announcements on the subject by the ESFA;
- the upcoming increase to Teachers' Pension Scheme deductions may impact on budgeting and future finances if funding of the increase is not committed beyond the 2019/20 fiscal year.

Section 5: Sector Update

Useful links

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

Academies Planning Calendar for 2019-2020

Guide to reducing fraud

<https://www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities>

Information, tools, training and guidance to help schools and multi-academy trusts with financial planning and resource management

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

Key questions to help schools manage their resources and money efficiently.

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

Benchmarking

<https://schools-financial-benchmarking.service.gov.uk/>

NABSM good practice Library

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

FD Forum

www.thefdforum.co.uk

ICAEW volunteers

www.icaewvolunteers.com

Appendix 1: Corrected Misstatements and Reclassifications

		Balance Sheet		Profit / Loss		Effect on Profit	
		Dr	Cr	Dr	Cr	£'000	
		Draft Net Loss				-	8,494
1	Capital Income			17,747		-	18
	Other EFA Grants: Excluding Capital				17,747	-	18
	Other Govt Grants: Excluding Capital			15,996		-	16
	Capital Income				15,996	-	16
	Being reallocation of capital grant income						
2	Finance & Admin - Salaries			74,519		-	75
	Donated salary				74,519	-	75
	Being donated salary of N Louis						
3	Deferred Income UAE	84,617					
	Income UAE				141,028		141
	Accrued Income UAE	56,411					
	Deferred Income UTC	10,051					
	Income UTC				16,751		17
	Accrued Income UTC	6,700					
	Being correction of Pupil premium						
4	Accruals - UAE	6,203					
	Credit Card Control - UAE		6,203				
	Accruals - UAE	1,221					
	Credit Card Control - UTC		1,221				
	Being reclassification of credit card control to match accrued invoices						
5	Other support costs			168,000		-	168
	Actuarial movement			183,000		-	183
	LGPS Pension Deficit		351,000				
	Being adjustment for UAE LGPS actuarial valuation						

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit / Loss		Effect on Profit	
	Dr	Cr	Dr	Cr	£'000	
6						
Other support costs			13,000		-	13
Actuarial movement			47,000		-	47
Finance cost			1,000		-	1
LGPS Pension Deficit		61,000				
Being adjustment for UTC LGPS actuarial valuation						
7						
Head Office Recharge Income			374,976		-	375
Central services Cost				281,097		281
Central services Cost				93,879		94
Intra-Company	28,361					
Intra-Company	454,114					
Intra-Company		482,475				
Being consolidation adjustment						
8						
Parent pay debtor provision		20,785				
Parent pay provision			20,785		-	21
Being adjustment to provide for parent pay balance in UTC						
9						
Parent pay debtor	91,336					
Parent pay debtor provision		91,336				
Parent pay income				91,336		91
Parent pay provision			91,336		-	91
Being adjustment to provide for parent pay balance in UAE						
5						
Trade creditors		204,430				
VAT debtor	29,247					-
ICT costs			175,183		-	175
Being adjustment for omitted ICT contract invoice						
Final Net Loss					-	8,944

Appendix 2: Other matters

Engagement & Independence

Our engagement objective was the audit of South Bank Academies.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 27th June 2019.

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

Qualitative aspects of accounting practices, accounting policies and financial reporting

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

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

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

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

	INTERNAL
Paper title:	Letter of Representation
Board/Committee	SBA Board meeting
Date of meeting:	4 December 2019
Author:	Moore Kingston Smith
Purpose:	To present the Letter of Representations, relating to the audit of the accounts for the South Bank Academies Trust. To be signed by the Chair of the Board at the December Board meeting.
Recommendation:	The Board is requested to approve the attached letter of representation and to be signed by the Chair of the Board

Summary:

The Letter of Representation requires the Board to give specific assurances to the auditors, Moore Kingston Smith, over matters regarding the financial statements and the year end audit. It should be signed by the Chair of the Board at the time of signing the accounts. The attached draft letter contains the following items specific to the Academies Trust, with all other items being standard representations:

- Point 7 – This refers to material transactions as opposed to all transactions
- Point 8 – This has been expanded to refer to donated services and South Bank University
- Point 9 - This has been included to capture the transactions with South Bank University which have been disclosed within the related party note of the accounts and that the Trust believes the transactions have taken place at arm's length
- Point 14 – seeks further confirmation that we have provided all the information the auditors need in respect to the notional rent for South Bank Engineering UTC
- Point 16 – the auditors have asked for the trust to confirm the accrual of £213k for light and heat is valid based on the information available to us at the time of signing this letter.
- Point 29 – The point has been expanded to take note of the additional wording relating to the Regularity audit report in the financial statements

Recommendation:

The Board is requested to approve the attached letters of representation and to be signed by the Chair of the Board.

Attachments:

Letter of representation

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LETTER OF REPRESENTATION
TO BE PRINTED ON HEADED PAPER

Moore Kingston Smith LLP
Chartered Accountants
Devonshire House
60 Goswell Road
London
EC1M 7AD

Dear Sirs,

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the company's financial statements for the year ended 31 August 2019. We confirm that they are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

General

- 1) We acknowledge our responsibility for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Academy Trust and enable us to ensure that the financial statements comply with the Companies Act 2006 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency (ESFA).
- 2) We acknowledge our responsibility for preparing financial statements in accordance with the Companies Act 2006, the Academies Accounts Direction 2018 to 2019 issued by the ESFA and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice/UK GAAP), including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' and are satisfied that the financial statements give a true and fair view.
- 3) We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud and error in safeguarding the assets of the Academy Trust.
- 4) We confirm that the accounting policies selected are suitable to the Academy Trust's circumstances and that they have been applied consistently; that any judgements and estimates made are reasonable and prudent; and that it is appropriate to prepare the financial statements on a going concern basis.
- 5) We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.

Information Provided

- 6) We have provided you with:
 - a) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) We have disclosed to you the identity of all of the entity's related parties, related party relationships and transactions, and any services donated of which we are aware, including those with South Bank University.
- 9) We have disclosed to you all the transactions undertaken by LSBU on behalf of the academy trust, financial and otherwise.

Assets and Liabilities

- 10) All known assets and liabilities as at the balance sheet date have been included in the financial statements.
- 11) We confirm the Academy Trust has satisfactory title to all assets and there are no liens or encumbrances on the Academy Trust's assets except those disclosed within the financial statements.
- 12) We confirm that the financial statements disclose appropriately all liabilities, actual and contingent, and have disclosed all guarantees given to third parties.
- 13) The value and classification of assets and liabilities in the financial statements is not materially affected by management's plans and intentions
- 14) We confirm that there is no notional rent to be disclosed in respect of the premises from which South Bank Engineering UTC was operating during the year.
- 15) We confirm that the financial statements disclose appropriately all liabilities, actual and contingent, and have disclosed all guarantees given to third parties.
- 16) We confirm the accrual for light and heat of £212,517 is a valid liability and is the best estimate based on the information available at the time of signing the accounts.
- 17) We confirm that no clawbacks are expected and therefore no adjustment has been made in the financial statements in respect of clawbacks
- 18) The value and classification of assets and liabilities in the financial statements is not materially affected by management's plans and intentions.
- 19) We confirm that the actuarial assumptions used by the actuaries Aon Hewitt Limited and Hymans Robertson LLP in calculating the actuarial movements, and fair values of the assets and liabilities of the local government defined benefit pension schemes are consistent with our knowledge of the trust.

Transactions Involving Directors and Connected Persons

- 20) We confirm that there are no transactions with, or on behalf of, the directors or their associates, or contracts in which the directors or their associates have an interest, which are required to be disclosed in the financial statements under the provisions of the Companies Act 2006 other than those detailed in the notes to the financial statements.

Fraud

- 21) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 22) We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involve management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements.
- 23) We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contingent Liabilities

- 24) Provision has been made where a material loss is expected to result from any litigation or claim against the Academy Trust. Other contingent liabilities at the balance sheet date, none of which are expected to result in a material loss to the Academy Trust or in commitments which it cannot meet, have been disclosed in the financial statements.

Going Concern & Future Cash Requirements

- 25) In our opinion the Academy Trust will have adequate cash resources available to finance its trading and meet its obligations during the course of the twelve months following the date of approval of the financial statements. Accordingly, the financial statements have been drawn up on a going concern basis.

Post Balance Sheet Events

- 26) All events subsequent to the date of the financial statements and for which the financial statements require adjustment or disclosure have been adjusted or disclosed.

Data Protection Act

- 27) We confirm that the Academy Trust complied with the statutory requirements of the Data Protection Act during the year.

Laws and regulations

- 28) We confirm that we have disclosed to you all those events which we are aware of which involve actual or possible non compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Other Regulatory Regimes

- 29) We confirm that the academy was in compliance with the Companies Act 2006 during the period and that we are not aware of any breaches or other matters that should be brought to your attention.
- 30) We confirm that the academy was in compliance with the rules of the ESFA on all other matters except for those disclosed in the regularity report.

	INTERNAL
Paper title:	Annual Report and Accounts for year ending 31st August 2019
Board/Committee:	SBA Board
Date of meeting:	05 December 2019
Author(s):	Natalie Ferer, Group Financial Controller
Purpose:	For Approval
Recommendation:	It is recommended that the Board approve the attached report and accounts.

Executive summary

The draft report & accounts are presented here for review by this committee ahead of approval by the board.

The audit of the accounts is now complete with just a few outstanding matters to confirm in relation to the accounts and accompanying reports:

- Checking of related party notes
- Confirmation of staff costs donated by the University
- Wording around appointment of auditors
- Confirmation of wording in the statement on regularity

Audit Committee have previously reviewed these accounts and a tracked changes version will be circulated to that committee and the board. The Accounts have been reviewed by the auditors, Moore Kingston Smith.

Outstanding steps to completion

- Issuing of letter of representation by South Bank Academies Trust to Moore Kingston Smith.
- Approval by Board of Governors and Signing of accounts at their December meeting.

Recommendation

It is recommended that the Board approve the attached Report and Accounts

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SOUTH BANK ACADEMIES
A Multi-Academy Trust 

South Bank Academies

Annual Report and Financial Statements

For the Year Ending 31 August 2019

Company Registration Number: 08589525

Members	London South Bank University (LSBU) Richard Flatman David Phoenix	
Directors	Hitesh Tailor Douglas Denham St Pinnock Richard Flatman Anthony Giddings Nicole Louis Fiona Morey Christopher Mallaband Hilary McCallion Lesley Morrison Richard Parrish David Phoenix James Stevenson	Director and Chair of the Board from 14/03/2019 Resigned 31/07/ 2019 Acting Chair until 14/03/2019 Appointed 14/3/19 Appointed 08/03/2019 Appointed 13/08/2019 Resigned 18/10/2018 Resigned 19/03/2019
Company Secretary	Michael Broadway	
Key Management Personnel	Nicole Louis Fiona Morey Dan Cundy Austin Sheppard John Taylor Clym Cunnington Helena Abrahams	Interim Chief Executive Officer (until 30/09/19) Chief Executive Officer (from 01/10/2019) Executive Principal (from 01/11/2018) Principal of UTC (from 01/09/19) Principal of University Academy of Engineering South Bank Business Manager (from 15/10/2018, to 31/10/19) Business Manager (from 4/11/2019)
Registered Office	103 Borough Road London SE1 0AA	
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Bankers	Lloyds Bank Plc Threadneedle Street London EC2R 8AU	

South Bank Academies Annual Report and Financial Statements Trustees Report

Trustees Report

The Trustees of the Company present their annual report together with the financial statement and auditors' report of South Bank Academies (SBA) for the year ended 31 August 2019. The annual report serves the purpose of both a Trustees' report and a directors' report under company law.

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

Structure, Governance and Management

South Bank Academies is a company limited by guarantee and an exempt charity. The Company's articles of association are its primary governing documents. SBA's Directors are also Trustees in relation to the charity.

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

Members' Liability

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

Trustees' indemnities

In June 2015 the company joined the Department for Education's Risk Protection Scheme which gives cover of up to £10 million for Governor's Liability Insurance. This cover has been renewed and is ongoing.

Method of Recruitment and Appointment or Election of Trustees

The Board of Trustees has agreed its composition as:

- 5 trustees appointed by the sponsor, LSBU
- The CEO
- The Chairs of the school advisory boards
- No parent trustees (as they will be represented on the school advisory boards)
- Co-opted trustees

Following an external recruitment process, during the year the Board appointed Hitesh Tailor and Christopher Mallaband as directors. The Board appointed Mr Tailor as Chair of the Board and Mr Mallaband as Chair of the School Advisory Board for the Academy. During the year, Lesley Morrison, a current Trustee was appointed as Chair of the School Advisory Board for the UTC. During the year, LSBU as sponsor appointed Fiona Morey as a Trustee.

Policies and Procedures Adopted for the Induction and Training of Trustees

Trustees and Local Governors are required to attend training organised by London Borough of Southwark and London Borough of Lambeth. A training register is maintained by the Secretary.

During the year, Trustees and Local Governors received training in child protection (safeguarding), prevent duty, safer recruitment, data, new governor induction, among others. These were delivered by the London boroughs of Southwark and Lambeth and NSPCC (online).

**South Bank Academies
Annual Report and Financial Statements
Trustees Report**

Organisational structure

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

The Company, headed by a Board of Trustees, is responsible for overseeing the business of the Company and may exercise all the powers of the Company (article 93). The Board has three sub-committees: Nomination Committee, Remuneration Committee and Audit Committee. Both schools have a School Advisory Board.

The matters reserved to the Board and responsibilities delegated to the local governing bodies is set out in a Scheme of Delegation approved by the Board at its meeting of 28 March 2019.

Under the Scheme of Delegation, the School Advisory Board is primarily focused on reviewing, challenging and advising on the local School Development Plan, on academic performance and support, key Link Governor roles, and support and advocacy for the school with parents and community. Although local control is delegated, the Board remains responsible for ensuring that standards are maintained across all academies. The Board, with its oversight of all the schools, will ensure sharing of best practice, professional development and effective resource management delivering value for money.

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we are required to publish certain information on trade union officials and facility time. During the period from 1 April 2018 – 31 March 2019 the Trust employed no union representatives and therefore there is no time, pay costs or paid trade union activities to report.

Related Parties and other Connected Charities and Organisations

Owing to the nature of the Trust and the composition of the Board of Trustees, which is drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

LSBU sponsors South Bank Academies Trust which was established as part of the University's mission and which has developed a close working relationship with the University Group. The University appoints the majority of Directors to the Board of South Bank Academies Trust. LSBU operates two wholly owned subsidiaries; South Bank Colleges and London South Bank University Enterprises Ltd.

The following related party transactions took place during the year ending 31 August 2019.

During the year and up to the date the accounts were signed, five directors are full time salaried employees of LSBU including the current and previous CEO;

Richard Flatman	Acting Chair until 14/03/2019
Nicole Louis	
Fiona Morey	Appointed 14/03/2019
David Phoenix	
James Stevenson	Resigned 19/03/2019

Two directors, Douglas Denham St Pinnock (resigned 31st July 2019) and Hillary McCallion are non-remunerated Governors of LSBU.

The University controls the Board of the Trust. During the year the Trust paid the University £25k (2018: £6k) for clerking services and £1,791 for the reimbursement of actual expenses incurred. The Trust also

South Bank Academies
Annual Report and Financial Statements
Trustees Report

paid £50k for temporary staff sourced through LSBU Employment, an employment agency run by South Bank University Enterprises Ltd. A Director of the Trust, Richard Flatman, is a director of South Bank University Enterprises Ltd.

One Director David Phoenix is also a director of South Bank Colleges, a wholly owned subsidiary of LSBU. There were no transactions with South Bank Colleges during the year.

Public Benefit

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

Charity Commission guidance on Public Benefit

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

Charitable Objects

South Bank Academies receives the majority of its income from the Department for Education to provide educational services to children and to ensure a broad and balanced curriculum across its schools.

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

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

The Company's objects are applied solely for the public benefit and the Company advances education for the public benefit by:

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

Beneficiaries

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

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

Improving Educational Outcomes

Through innovative learning and teaching, South Bank Academies creates pathways into higher education, apprenticeships or employment. The academies are strongly aligned to the University and to South Bank Colleges and regularly collaborate on programs which enrich the curriculum, raise the social and cultural capital of students, enhance the professional development of staff and support efficiencies in our operations. Our academies also benefit from support from world leading employers and institutions who play an active role in curriculum enhancement, student development and governance.

South Bank Academies

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Following their studies at the UAE or UTC, students advance to higher education, apprenticeships or directly into employment. Some students who progress to university choose London South Bank University. However, our students are successful in securing places in a wide range of universities and do so with the guidance and support, in line with expectations of a progressive education provider.

Our educational framework is a set of principles for curriculum design and the wider student experience that articulates our commitment to the highest standards of academic knowledge and understanding applied to the challenges of the wider world. The Educational Framework reflects our commitment to fostering social mobility through employability and enterprise, enabling our students to translate academic achievement into career success. There are four key characteristics of our distinctive approach to the curriculum and wider student experience:

- Develop students' professional and vocational skills through application in industry-standard facilities
- Develop our students' graduate attributes, self-awareness and behaviours aligned to our EPIIC values
- Integrate opportunities for students to develop their confidence, skills and networks into the curriculum
- Foster close relationships with employers, industry, and professional, statutory and regulatory bodies that underpin our provision (including the opportunity for placements, internships and professional opportunities)

School improvement strategies in our academies are rooted in evidence-based research, supported by strong and personalised professional development, so that staff are empowered to grow and improve. An increasing cross-fertilisation of ideas and practices is being embedded, bringing increased strength to all parts of the Trust. Our academies are young and dynamic, characterised by strong, supportive and innovative leadership. New ideas are embraced to drive learning and outputs more deeply than can be captured in headline performance measures. For example, UAE's Day 10 curriculum model enhances students' social and cultural capital, developing their citizenship and soft skills. At the UTC, deep strategic partnerships result in all students regularly participating in authentic employer and university-led projects to develop their technical and employability skills. In both cases, students are able to raise aspirations, gaining the skills and knowledge to thrive in a highly uncertain and competitive future economy.

The LSBU Group facilitates access to a diverse range of employers across multiple sectors which increases opportunities for academy students to undertake placements and project work. The LSBU Group is a sector leader in the provision of apprenticeships and its deep knowledge of the skills that industry needs today, to develop the workforce of tomorrow is vital in supporting the development of our apprenticeship offer which will increase the options for our students.

Achievements and Performance

During 2018/19 both schools within the Trust have continued to build on their solid foundations and have maintained a keen focus on continuous improvement focussing on student outcomes, long term financial viability, operating efficiencies, embedding solid local and central governance, and enhancing both academic and non-academic leadership. This year has seen stronger school-school collaboration, particularly in relation to school improvement, and especially strong collaboration between both schools and the Trust's main sponsor, London South Bank University with the Trust leveraging university expertise and facilities to enrich the student experience and improve the provision of professional services.

The new governance model was fully embedded throughout this year and include the establishment of independent Chairs for each school's School Advisory Board (SAB) and for the main Trust Board. Chairs of the SABs are former school Principals with excellent knowledge of the local communities and the academy sector. Other enhancements to governance and leadership include the appointment of an Executive Principal and senior appointments in the areas of Human Resources and Financial management, which are shared across both schools to drive maximum value for money.

South Bank Academies
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During 2018/19, both academies continued to increase their roll and associated income with the November 18 census reporting a combined increase of 176 pupils compared to prior year. The University Academy of Engineering was successful in meeting almost all of its PAN for year 7 and in improving the boy: girl ratio, reflecting continued progression towards a more gender balanced intake. The University Technical College continued to recruit into both Years 10 and 12 and was particularly encouraged by the demand for its specialist KS5 provision from both internal and external applicants.

Post 16 student outcomes continued to show positive progress for both schools for both A levels and BTEC qualifications, albeit with further improvement required. At both the UTC and UAE, BTEC results were very strong and represent the majority of student entries. A level results were considerably improved in relation to 2017/18, with average grades and overall pass rates up. Cohort size of almost all A level courses was small, making statistical inferences challenging.

Destinations for both schools continue to be strong with all students who applied for university being successful in securing a place. University destinations include University of Leicester, University of Wolverhampton, University of Portsmouth, University of Kent, London South Bank University, Queen Mary's, University of Southampton, Coventry University and University of Nottingham. There was also an increase in the number of students securing apprenticeships or direct employment with employee destinations including Jaguar Land Rover, Deloitte and construction engineering specialist Keltbray.

Going Concern

Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

In 2018/19 funding for the academic operations increased by 19.6% to £8.2m. Excluding losses on revaluation of land and buildings, the Trust made a small loss during the year of £171k. The Trust always plans on having sufficient cash to meet its liabilities as they fall due. Balances at bank increased by 31.9% to £2.0m at 31/8/19.

A budget surplus of £162k has been approved by the Directors for 2019/20, reflecting the need for a surplus to maintain appropriate levels of investment in facilities for teaching and learning. Income across the two schools is budgeted to increase by 13%, reflecting the growth in student numbers. Both schools continue to grow, despite competition from other providers in the catchment area of our schools, and we are confident that we can deliver the agreed budget surplus.

The Trust always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances at year end were £2.0m and the budget is for the Trust to maintain cash balances of at least £1m.

Financial review

Most of the Trust's income comes from the Education and Skills Agency (ESFA) in the form of recurrent grants for educational provision. In 2018/19 this income increased by 19.6% to £8.2m, reflecting the growth in student numbers. Excluding restricted fixed asset funds, the Trust made a small loss of £171k (2018: loss of £35k).

As of 31st August 2019 the net book value of fixed assets was £15.1m (2018: £23.7m). The reduction was due to revaluation of academy land and buildings resulting in a write down of £8.7m, offset against £152k of new capital investment in furniture, equipment and computer hardware. These assets were used exclusively for educational purposes for the Trusts students and related support services.

South Bank Academies
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Reserves Policy

South Bank Academies aims to carry forward some resources from each school to support central services provided by the Trust. After accounting for central costs, the Trust aims to make a small surplus each year to cover the medium and long-term needs for renewal and replacement of major capital projects and unforeseen contingencies.

At 31st August 2019 the balance of Unrestricted Funds is £102k (2018: £92k). This is to be used to increase the capacity for learning and teaching at the Academy. Restricted funds carry forward balance is £872k, (2018: £1,053k) including a pension deficit of £478k (2018: £66k).

Total reserves are £16.0m (2018: £25.03m), which also includes £8.7m (2018: £23.9m) of restricted fixed assets after revaluation of land and buildings.

Investment Policy

South Bank Academies does not operate an investment programme and cash balances are held with its bank, Lloyds Bank PLC.

Principal Risks and Uncertainties

Risks are identified and managed through the Trust's risk management processes as described in the Purpose of the System on internal control on pages 12 to 13.

The Trust Risk Register is the subject of careful and frequent review, and aligns to the Trusts Strategy. The principal risks which the institution faces and associated mitigation strategies are as follows:

Risk	Controls and mitigating strategies
<ul style="list-style-type: none"> Failure to comply with ESFA and other regulatory frameworks 	<ul style="list-style-type: none"> Experienced staff to manage compliance matters Oversight by Trust Executive and by the University
<ul style="list-style-type: none"> Safeguarding incident at a school 	<ul style="list-style-type: none"> Safeguarding policy and training in place Safeguarding link governors in place at each school with periodic reviews
<ul style="list-style-type: none"> Poor Financial performance by one or more of the schools including uncertainty to student recruitment 	<ul style="list-style-type: none"> Computerized budgeting software 3-5 year forecast planning Monthly monitoring of expenditure compared to budget
<ul style="list-style-type: none"> Changes in leadership, creating an instability in strategy , vision and values across the Trust and its Schools. 	<ul style="list-style-type: none"> Appointment of experienced Executive Principal Experienced SLT in place Creation and development of middle

**South Bank Academies
Annual Report and Financial Statements
Trustees Report**

	<p>leaders</p> <ul style="list-style-type: none"> • Effective Governor oversight
<ul style="list-style-type: none"> • Failure to safeguard the Trusts' and its Schools' assets from theft or damage 	<ul style="list-style-type: none"> • Asset management plan in place and up to date • Premises team in place with oversight of assets
<ul style="list-style-type: none"> • Failure to carry out the correct audit/review procedures to ensure building, maintenance, health and safety regulations are upheld in both schools 	<ul style="list-style-type: none"> • Health and Safety audits • H&S reference software on websites for advice • Experienced site operations manager and team • Risk assessments

Plans for Future Periods

The Trusts plans for future period include:

- Increased pupil numbers at both schools
- Raising standards by the use of strong senior teams and creation of an ambitious improvement plans and appropriate deployment of resourcing and staff
- Curriculum development and enhancements to secure strong outcomes and appropriate destinations for students, using real innovation, employer and university-led projects
- Development of joined up pathways, ensuring students have access to the widest possible range of pathways and destinations within the LSBU group
- Growth in the UTC through the addition of a second curriculum specialism in health
- Development of apprenticeship and teacher training provision
- Further improvement in the quality of teaching and learning through staff training and underpinned by the adoption of knowledge rich curriculum, rooted in educational research

Auditor

Insofar as the Trustees are aware:

- There is no relevant audit information of which the charitable Company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Trustees' report, incorporating a strategic report, was approved by the Board of Trustees, as the Company Directors, on 5th December and signed on the Board's behalf by:

Hitesh Tailor, Chair

5th December 2019

South Bank Academies Annual Report and Financial Statements Governance Statement

Scope of Responsibility

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

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

Governance

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

Director	Meetings attended	Out of a possible
Richard Flatman (Acting Chair to 14/03/2019)	5	5
Hitesh Tailor (Chair from 14/03/2019)	2	3
Douglas Denham St Pinnock (resigned 31/07/2019)	4	5
Tony Giddings	2	5
Nicole Louis	5	5
Fiona Morey (appointed 14/03/2019)	1	3
Chris Mallaband (appointed 08/03/2019)	2	3
Lesley Morrison	4	5
Richard Parrish (resigned 18/10/2018)	3	5
David Phoenix	4	5
James Stevenson (resigned 19/03/2019)	2	2

Following a review of governance during 2017/18, a new governance structure was implemented in autumn 2018. The key changes are as follows:

- Chief Executive Officer (0.2), who is also a Trust Director, is responsible to the Board for the executive management of the MAT and schools.
- A new Executive Principal role leads the academic direction of the schools, applies budgets, ensures compliance, and contributes to strategy and policy. The Executive Principal line manages the school principals.
- The Local Governing Bodies became School Advisory Bodies (SAB) with a focus on teaching & learning, well-being and safeguarding, and the general development of the local school. The SABs have no decision making powers but will focus on adding value at local level through engagement with the school and community, including Link Governor roles.

The Board is supported by three committees: Remuneration Committee, Audit Committee and Nomination Committee.

South Bank Academies

Annual Report and Financial Statements

Governance Statement

The Remuneration Committee's purpose is to set the objectives and review the performance of the key management personnel and to set the pay and approve bonuses of the Key Management Personnel.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Douglas Denham St Pinnock (Chair)	1	1
David Phoenix	1	1
Lesley Morrison	1	1

The Audit Committee's purpose is to monitor the internal and external audit functions, risk management and internal financial control at the Company. Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Richard Flatman (Chair)	3	3
Douglas Denham St Pinnock (Interim Chair for 27/11/18)	2	2
Tony Giddings	3	3

The purpose of the Nomination Committee is to consider succession planning for the Board and to recruit new co-opted Trustees to the Board. Due to the significance of recruiting a new Chair of the Board and new Chairs of the School Advisory Boards, the Board of Trustees oversaw the recruitment process rather than the Nomination Committee.

Arrangements for setting pay and remuneration of key management personnel

The Remuneration Committee has defined the key management personnel as the CEO, Trust Business Manager, Principals and Executive Principal. The Committee reviews performance of the key management personnel, against agreed objectives and any increases are proposed in accordance with the Trust's agreed pay policy and pay scales which are periodically reviewed with relevant benchmarking data. The CEO is employed by London South Bank University, which pays her salary and is accounted for as donated to South Bank Academies Trust.

Value for Money

The accounting officer of South Bank Academies has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The accounting officer for the Trust has delivered improved value for money during the year by the following:

South Bank Academies

Annual Report and Financial Statements

Governance Statement

- **LSBU Collaboration**

The Trust's links with the LSBU Group are varied and growing and these links provide our students and staff with unique opportunities. These are rare or difficult to secure in most schools and academies.

Our links to academics within the University and with Lambeth College supports the enrichment of our curricula and our close collaboration with the Group's Employability, Outreach and Enterprise teams and wide network of alumni, supports our students in raising aspirations, building confidence and developing wider skills.

Our academy staff benefit from being part of a wide and growing network of academic and support professionals. The LSBU Group collaborates on areas such as leadership development, CPD for academic and support staff, reward and recognition, professional networking and staff and student mentoring. Academy staff access have access to a range of subsidised and no-cost professional development opportunities through the both the University and the College.

- **Building Transformational Enrichment and Engagement for Students**

University staff work collaboratively with Trust senior leaders and teachers to create transformative enrichment and engagement program deeply rooted in pedagogic. Enrichment programmes are designed in partnership with teachers to ensure that activities extend students' learning in-curricula and utilise the university's specialist facilities such as workshops, laboratories, sporting facilities and library. University academics deliver mini modules (master classes) to give students a taster for University life, often delivered in conjunction with university STEM ambassadors.

University staff deliver mentoring and tutoring via an online platform and provide help with university applications and personal statements. Our schools are supported with their guest lecture program by University staff who leverage their vast network of professional, academics and researchers.

Case Study: Students work on special projects such as the collaboration between London South Bank University and South Bank UTC to design a Formula 1 motor racing car.

The Trust also collaborates with other schools in the area in order to share teaching resources and specialisms that the UTC has to offer.

- **Shared Services Model SBA and London South Bank University**

South Bank Academies is developing a shared services model for professional services which includes leveraging the resources and expertise within the LSBU Group to ensure our academies benefit from not only expert advice, guidance and support, but also secure efficiencies in many areas of professional services. This enables our school principals, senior leaders and academic staff to focus the vast majority of their time on supporting students and staff to excel and achieve.

- **Shared Resources**

The Trust's centralised resource model includes a Chief Executive Officer (CEO) who is also the Accountable Officer, supported by the Executive Principal who is the academic lead for the Trust and the Trust Business Manager who oversees financial and operational matters. Other professional resources, which are either centralised or shared between schools to drive best value, include Human Resources, Marketing, School Financial Management, Estates Management, IT and Procurement.

The Trust has also extended further its cross-Trust economies of scale in leveraging efficiencies and economies of scale in terms of Trust-wide contracts such as the TES subscription, negotiating of cleaning contracts and an LSBU Family wide tender for catering services across the University, South Bank Colleges and South Bank Academies. The aim of shared resources is best value.

- **Benchmarking**

The Trust regularly benchmarks its performance against those of similar size and composition. Benchmarking is used when there is any change to the established working practices.

South Bank Academies

Annual Report and Financial Statements

Governance Statement

The results of this were shared with the SBA Executive Team with a recommendation to review the staffing structures in one of its academies.

- **Tendering for Services**

South Bank Academies takes a group approach to tendering as this ensures economies of scale, and draws upon the expertise of a wider group of professionals. In our capital procurement process, we observe the Academies Financial Handbook (AFH) and thresholds of spend that this details.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Bank Academies for the period from 1st September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

The Trust continues to improve on its internal controls and financial management oversight with a restructure of the finance team to include a Schools Finance Manager working in conjunction with the Schools Finance Officer and the Trust Business Manager. A detailed 3-5 year Asset Management Plan was completed along with a 3-5 year Capital Expenditure forecast to reduce unexpected risks to the Trust's reserves. A Trust HR Manager was employed during the year and has already had an impact on reducing staff sickness and associated costs across the Trust. A new budget forecasting software was introduced to simplify the annual budgeting process and the reporting process. Financial KPIs and management accounts are reported to the Executive Board, and the Board.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period from 1st September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

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

- Budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees
- Regular reviews by the Board of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Setting targets to measure financial and other performance
- Clearly defined purchasing guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

The Board of Trustees has considered the need for a specific internal audit function and has decided to use an outsourced internal audit service as part of the internal audit arrangements delivered on a group wide basis to the LSBU group. During the year internal audit reviews were conducted on Key

South Bank Academies Annual Report and Financial Statements Governance Statement

Financial Systems, Risk Management and Safeguarding. Internal Audit reports are reviewed by management and by the Audit Committee.

Review of Effectiveness

As Accounting Officer South Bank Academies has responsibility for reviewing the effectiveness of the system of internal control. During the year in question, the review has been informed by:

- The work of internal audit
- The work of the external auditor
- The work of the managers within the Trust who have responsibility for the development and maintenance of the internal control framework

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the Board of Trustees and signed on its behalf by:

Hitesh Tailor
Chair

Fiona Morey
Accounting Officer

5th December 2019

South Bank Academies Annual Report and Financial Statements Governance Statement

Statement on regularity, Propriety and Compliance

As accounting officer of South Bank Academies, I have considered my responsibility to notify the Academy Trust Board of Directors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the Academy Trust Board of Directors are able to identify any material irregular or improper use of funds or material non-compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook 2019.

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

- We have taken action as identified during last year's audit and delivered significant in year improvements around the key financial controls of accounts payable, general ledger and month end and year end close down. During 2018/19 it was reported that there were on occasion delays in posting purchase invoices to the accounting system and we shall establish routines and monitoring to ensure that invoices are entered on the accounting system in a timely manner.
- The Trust has always been compliant with ESFA regulations relating to procurement but in some cases evidence that procedures have been followed have not been retained and steps are being taken to improve record retention.
- Communication between the separate teams involved with the day to day operations of the Trust e.g. finance, HR and governance was, in some cases, not as robust as it should be. Roles and responsibilities are clearly defined in the job descriptions of all Trust staff and there is a clear scheme of delegation in place. However, there were some gaps identified in execution of responsibilities which relate to specific staff members who were still developing in role, as well as the wider context that this is still a relatively new start-up Academy Trust in the process of evolving and growing. Going forward the Trust will ensure that there is greater focus applied by senior colleagues to oversee the work delivery of staff whose roles have a particular impact on compliance related matters.

Fiona Morey
Accounting officer
5th December 2019

South Bank Academies Annual Report and Financial Statements Statement of Trustees' Responsibilities

The Trustees (who are also the Directors of the charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019
- Make judgments and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable Company will continue in business

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

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

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

Approved by order of the members of the Board of Trustees on 5th December 2019 and signed on its behalf by:

Hitesh Tailor

Chair of the Board

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

Opinion

We have audited the financial statements of South Bank Academies ('the academy trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2018 to 2019 issued by the ESFA.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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

(continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

(continued)

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

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

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

Use of this report

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

Date:

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

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

In accordance with the terms of our engagement letter dated 22 July 2016 and further to the requirements of the Education Funding and Skills Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019 we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Bank Academies during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of South Bank Academies's funding agreement with the Secretary of State for Education dated 1 January 2000 and the Academies Financial Handbook, extant from 1 September 2019 for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019 . We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

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

The work undertaken to draw to our conclusion includes:

- Review of the Accounting Officer's statement on regularity, propriety and compliance and the evidence supporting it
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Review of minutes of the Board, various committees and sub-committees, management accounts, internal scrutiny findings reports and discussions with key personnel;
- Evaluation and walk through of the implementation of the internal control procedures, and detailed review of the control environment for any changes or weaknesses;
- Walk through and sample testing of staff expense claims and credit card expenditure, to ensure these adhere to internal control procedures and are not for personal benefit;
- Sample test transactions for compliance with procurement policies, and that these comply with delegated authorities;
- Obtain and review key staff and governors' register of interests
- Test transactions with related parties to determine whether the Trust has complied with the 'at cost' requirements of the Academies Financial Handbook

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matter 1

We have identified an issue in relation to the recognition of and accounting for purchase invoices in the correct period.

Matter 2

The Trust has not always retained evidence to confirm that they are compliant with ESFA regulations relating to procurement.

Matter 3

The processes for identifying related party transactions and conflicts of interests for Trustees and the senior management team were not as robust as they could have been during the year. The Trust continues to evolve these after the year end.

Date:

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Statement of Financial Activities for the year ended 31 August 2019

(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2019 £000	Total 2018 £000
Income and endowments from:						
Donations and capital grants	2	7	114	152	273	1,434
Charitable activities:						
Funding for the academy trust's educational operations	3	-	8,172	-	8,172	6,832
Other trading activities	4	2	-	-	2	2
Investments	5	1	-	-	1	1
Total		10	8,286	152	8,448	8,269
Expenditure on:						
Charitable activities:						
Academy trust educational operations	6, 7	-	8,281	447	8,728	7,461
Total		-	8,281	447	8,728	7,461
Net income/(expenditure)		10	5	(295)	(280)	808
Transfers between funds	16	-	44	(44)	-	
Other recognised gains/(losses):						
Revaluation of leasehold land and buildings	12			(8,434)	(8,434)	-
Actuarial (losses)/gains on defined benefit pension schemes	23	-	(230)	-	(230)	47
Net movement in funds		10	(181)	(8,773)	(8,944)	855
Reconciliation of funds						
Total funds brought forward		92	1,053	23,885	25,030	24,175
Total funds carried forward	16	102	872	15,112	16,086	25,030

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

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

The detailed comparative information for the Statement of Financial Activities is included on note 25.

South Bank Academies
Balance Sheet as at 31 August 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible assets	12		15,112		23,720
			<u>15,112</u>		<u>23,720</u>
Current assets					
Debtors	14	487		649	
Cash at bank and in hand		<u>2,034</u>		<u>1,542</u>	
		2,521		2,191	
Liabilities					
Creditors : Amounts falling due within one year	15	<u>(1,069)</u>		<u>(815)</u>	
Net current assets/(liabilities)			<u>1,452</u>		<u>1,376</u>
Total assets less current liabilities					
			16,564		25,096
Creditors: Amounts falling due after more than one year	22		-		-
Net assets excluding pension liability					
			<u>16,564</u>		<u>25,096</u>
Defined benefit pension scheme liability	23		(478)		(66)
Total net assets					
			<u>16,086</u>		<u>25,030</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	16	15,112		23,885	
General fund	16	1,350		1,119	
Pension reserve	16	<u>(478)</u>		<u>(66)</u>	
Total restricted funds					
			15,984		24,938
Unrestricted income funds	16		102		92
Total funds					
			<u>16,086</u>		<u>25,030</u>

The financial statements on pages 22 to 40 were approved by the trustees, and are signed on their behalf by

Fiona Morey

Trustee

Company registration no: 08589525 (England and Wales)

Date

South Bank Academies

Statement of Cash Flow for the year ended 31 August 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	18	764	579
Cash flows from financing activities	19	-	-
Cash flows from investing activities	20	(272)	(1,277)
Change in cash and cash equivalents in the reporting period		492	(698)
Cash and cash equivalents at 1 September 2018		1,542	2,240
Cash and cash equivalents at 31 August 2019		<u>2,034</u>	<u>1,542</u>

1 Statement of Accounting Policies

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

Company information

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

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: 'Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102))', the Academies Accounts Direction 2018 to 2019 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

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

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

The financial statements have been prepared under the historical cost convention modified for the revaluation of leasehold land and properties. The principal accounting policies adopted are set out below.

Going Concern

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

Income

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

• Grants

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

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

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

• Sponsorship Income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

• Donations

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

• Other Income

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

• Donated goods, facilities and services

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

1 Statement of Accounting Policies (continued)

• **Donated fixed assets**

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Expenditure

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

• **Expenditure on Raising Funds**

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

• **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Leasehold buildings and improvements	125 years over period of lease
Fixtures, fittings and equipment	5 years straight line
Computer hardware	3 years straight line

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

An review for impairment of a fixed asset is carried out annually to ascertain whether the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Liabilities

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

Provisions

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

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

Leased Assets

Rentals under operating leases are charged on a straight line basis over the lease term.

1 Statement of Accounting Policies (continued)

Financial Instruments

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

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

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

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

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

Taxation

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

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

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

Pensions Benefits

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

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

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

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

Fund Accounting

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

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

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

1 Statement of Accounting Policies (continued)

Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions

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

Depreciation

The annual depreciation charge is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives of the Trust's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events.

Local government pension scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 29, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2019 £
Capital Grants			152	152
Other donations	7	114		121
2018/19 Total	7	114	152	273
2017/18 Total	3	92	1,339	1,434

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
DfE / ESFA revenue grants				
General Annual Grant (GAG)		6,987	6,987	5,763
Start Up Grants		183	183	324
Other DfE/ESFA grants		754	754	624
	-	7,924	7,924	6,711
Other Government grants				
Local authority grants		215	215	57
Special educational projects				
	-	215	215	57
Other income from the academy trust's educational operations		33	33	64
2018/19 Total	-	8,172	8,172	6,832
2017/18 Total	-	6,832		6,832

4 Other trading activities

	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Lettings income	2		2	2
2018/19 Total	2	-	2	2
2017/18 Total	-	2		2

5 Investment income

	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Short term deposits	1		1	1
2018/19 Total	1	-	1	1
2017/18 Total	1	-		1

6 Expenditure

	Staff Costs £	Non Pay Premises £	Expenditure Other £	Total 2019 £	Total 2018 £
Academy's educational operations:					
Direct costs	4,054		512	4,566	3,689
Allocated support costs	1,726	1,288	1,148	4,162	3,772
2018/19 Total	5,780	1,288	1,660	8,728	7,461
2017/18 Total	4,668	1,513	1,280		7,461

Net income/(expenditure) for the period includes:

	2019 £	2018 £
Depreciation	447	553
Fees payable to auditor for:		
Audit	16	19
Other services	8	6

7 Charitable Activities

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2019 £	Total 2018 £
Direct costs - educational operations		4,566		4,566	3,689
Support costs - educational operations		3,715	447	4,162	3,772
2018/19 Total	-	8,281	447	8,728	7,461
2017/18 Total		6,908	553		7,461

Analysis of support costs

	Educational operations £	Total 2019 £	Total 2018 £
Support staff costs	1,726	1,726	1,254
Depreciation	447	447	553
Technology costs	413	413	217
Premises costs	841	841	960
Catering	342	342	299
Other support costs	326	326	406
Governance costs	67	67	83
	4,162	4,162	3,772

8 Staff

a. Staff costs

Staff costs during the period were:

	2019 £	2018 £
Wages and salaries	4,196	3,311
Social security costs	409	326
Operating costs of defined benefit pension scheme	676	457
	<u>5,281</u>	<u>4,094</u>
Supply staff costs	499	574
	<u>5,780</u>	<u>4,668</u>

b. Staff numbers

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

	2019 No.	2018 No.
Teachers	63	49
Administration and support	56	43
Management	7	7
	<u>126</u>	<u>99</u>

c. Higher paid staff

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

	2019 No.	2018 No.
£60,000 - £69,999	3	4
£70,000 - £79,999	4	2
£80,000 - £89,999	1	1
£90,000 - £99,999	1	1
£100,000 - £109,999	1	-

d. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £419,526 (2018: £371,996).

9 Related Party Transactions - Trustees' Remuneration and Expenses

Included within staff costs are donated salaries in relation to one trustee who is employed by LSBU (2018: two trustees), for services provided to the academy trust. See note 26.

N Louis (trustee):	
Remuneration	£70,000 - £75,000 (2018: £45,000 - £46,000)
R Bhamidimarri (CEO and trustee):	
Remuneration	£nil (2018: £45,000 - £46,000)

No trustees received reimbursements for expenses during the year ended 31 August 2019 (2018: none).

10 Trustees and officers insurance

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

11 Disclosure of central services

The academy trust has provided central services to its academies during the year, including human resources, financial services, educational support services, The trust charges for these services based on rates of 4.7% (2018: 3.5%) of the individual schools' GAG income for the year.

	2019 £	2018 £
University Academy of Engineering South Bank	281,096	220,953
South Bank Engineering UTC	93,879	68,612
	<u>374,975</u>	<u>289,565</u>

No central services were provided by the trust to its academies during the period and no central charges arose.

12 Tangible fixed assets

	Leasehold Land and Buildings £	Leasehold Improvements £	Furniture and Equipment £	Computer Hardware £	Total £
Cost					
At 1 September 2018	23,000	17	933	601	24,551
Revaluation adjustment	(8,688)				(8,688)
Additions			234	39	273
Disposals					-
At 31 August 2019	<u>14,312</u>	<u>17</u>	<u>1,167</u>	<u>640</u>	<u>16,136</u>
Depreciation					
At 1 September 2018	368	2	186	275	831
Charged in year	60	2	186	199	447
Revaluation adjustment	(254)				(254)
At 31 August 2019	<u>174</u>	<u>4</u>	<u>372</u>	<u>474</u>	<u>1,024</u>
Net book values					
At 31 August 2019	<u>14,138</u>	<u>13</u>	<u>795</u>	<u>166</u>	<u>15,112</u>
At 31 August 2018	<u>22,632</u>	<u>15</u>	<u>747</u>	<u>326</u>	<u>23,720</u>

During the year an adjustment was made to the fair value of the land and buildings occupied by the University Academy of Engineering South Bank. The land and buildings was gifted by the local authority to the school and has been recognised in the previous accounts at the insurance value which was deemed to be the best estimate of fair value. A valuation was undertaken at 31 March 2015 by Mouchel which gave a more accurate estimate of the value of the assets transferred. Whilst undertaken in 2015, this was not made available until the current year and has resulted in a decrease in the cost of leasehold land and buildings by £8,688k and decrease in accumulated depreciation by £254k for the year ended 31 August 2019. The total effect on the net book value of the leasehold land and buildings is a decrease in the fair value by £8,434k.

13 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>282</u>	<u>226</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>950</u>	<u>712</u>

14 Debtors

	2019 £	2018 £
VAT recoverable	97	368
Other debtors	113	5
Prepayments and accrued income	389	276
Provision for bad and doubtful debt	(112)	-
	<u>487</u>	<u>649</u>

15 Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	449	285
Other taxation and social security	108	103
ESFA creditor: abatement of GAG	-	20
Other creditors	6	54
Accruals and deferred income	506	353
	<u>1,069</u>	<u>815</u>

Deferred income

	2019 £	2018 £
Deferred income as at 1 September 2018	-	-
Resources deferred in the year	13	-
Amounts released from previous years	-	-
Deferred income as at 31 August 2019	<u>13</u>	<u>-</u>

At the balance sheet date the academy trust was holding unspent funds in relation to Academies Bursary Funds received

16 Funds

	Balance at 1 September 2018 £	Incoming Resources £	Resources Expended £	Gains, Losses and Transfers £	Balance at 31 August 2019 £
Restricted general funds					
General Annual Grant (GAG)	1,119	6,987	(6,800)	44	1,350
Start Up Grant		183	(183)		-
Other DfE/ESFA grants		754	(754)		-
Other donations		114	(114)		-
Local Authority Grant		215	(215)		-
Other income		33	(33)		-
Pension reserve	(66)	-	(182)	(230)	(478)
	<u>1,053</u>	<u>8,286</u>	<u>(8,281)</u>	<u>(186)</u>	<u>872</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	1,091	152	(343)	(44)	856
Local authority capital grants	56		(15)		41
Transfer from Local Authority	22,632	-	(60)	(8,434)	14,138
Other transfers	106		(29)		77
	<u>23,885</u>	<u>152</u>	<u>(447)</u>	<u>(8,478)</u>	<u>15,112</u>
Total restricted funds	<u>24,938</u>	<u>8,438</u>	<u>(8,728)</u>	<u>(8,664)</u>	<u>15,984</u>
Total unrestricted funds	<u>92</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>102</u>
Total funds	<u>25,030</u>	<u>8,448</u>	<u>(8,728)</u>	<u>(8,664)</u>	<u>16,086</u>

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

Restricted general funds

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

General Annual Grant

This includes all monies received from the ESFA to carry out the objectives of the academy trust. It includes the School Budget Share and education services grants.

Under the funding agreement the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

Start Up Grant

This represents the amount received on conversion to academy status for start up costs.

16 Funds (continued)

Other DfE/ESFA grants

This represents revenue grants received from the ESFA for specific purposes, including funds provided to support individual pupils with a SEN statement and development grants received by the academy trust.

Pension reserve

This represents the negative reserve in respect of the liability on the LGPS defined benefit pension scheme which was transferred to the academy on conversion.

Fixed asset fund

The fund includes the value of the tangible fixed assets of the academy on conversion, and monies transferred from the GAG or other restricted funds specifically for expenditure on tangible fixed assets, and the annual charges for depreciation of these assets.

Transfers between funds

Transfers from the fixed asset fund to the restricted general fund of £44,000 relate to assets purchased from capital funding and expensed.

Comparative information in respect of the preceding period is as follows:

	Balance at 1 September 2017 £	Incoming Resources £	Resources Expended £	Gains, Losses and Transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	1,142	5,763	(5,682)	(104)	1,119
Start Up Grant	-	324	(324)	-	-
Other DfE/ESFA grants	-	624	(624)	-	-
Local Authority Grant	-	55	(55)	-	-
Pension reserve	(48)	-	(65)	47	(66)
Other Income	-	158	(158)	-	-
	1,094	6,924	(6,908)	(57)	1,053
Restricted fixed asset funds					
DfE/ESFA capital grants	-	1,339	(248)	-	1,091
Local authority capital grants	118	-	(62)	-	56
Transfer from Local Authority	22,816	-	(184)	-	22,632
Other transfers	61	-	(59)	104	106
	22,995	1,339	(553)	104	23,885
Total restricted funds	24,089	8,263	(7,461)	47	24,938
Total unrestricted funds	86	6	-	-	92
Total funds	24,175	8,269	(7,461)	47	25,030

16 Funds (continued)

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

	Total 2019 £	Total 2018 £
University Academy of Engineering South Bank	973	905
South Bank Engineering UTC	433	293
Central services	46	13
Total before fixed assets and pension reserve	1,452	1,211
Restricted fixed asset fund	15,112	23,885
Pension reserve	(478)	(66)
Total funds	16,086	25,030

Total cost analysis by academy

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

	Teaching and Educational Support Staff Costs £	Other Support Staff Costs £	Educational Supplies £	Other Costs (excluding depreciation) £	2019 Total £	2018 Total £
University Academy of Engineering South Bank	3,111	980	384	1,440	5,915	4,797
South Bank Engineering UTC	1,118	264	117	136	1,635	1,743
Central services	6	301	11	413	731	368
	4,235	1,545	512	1,989	8,281	6,908

17 Analysis of net assets between Funds

Fund balances at 31 August 2019 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	15,112	15,112
Current assets	102	2,419	-	2,521
Current liabilities	-	(1,069)	-	(1,069)
Pension scheme liability	-	(478)	-	(478)
Total net assets	-	872	15,112	16,086

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	23,720	23,720
Current assets	92	1,934	165	2,191
Current liabilities	-	(815)	-	(815)
Pension scheme liability	-	(66)	-	(66)
Total net assets	92	1,053	23,885	25,030

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

	2019 £	2018 £
Net income/(expenditure) for the reporting period	(280)	808
Adjusted for:		
Depreciation	447	553
Interest receivable	(1)	(1)
Defined benefit pension scheme cost less contributions payable	182	65
(Increase)/decrease in debtors	162	(432)
Increase/(decrease) in creditors	254	(414)
Net Cash provided by / (used in) Operating Activities	<u>764</u>	<u>579</u>

19 Cash flows from financing activities

	2019 £	2018 £
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	<u>-</u>	<u>-</u>

20 Cash flows from investing activities

	2019 £	2018 £
Interest income	1	1
Purchase of tangible fixed assets	(273)	(1,278)
Net Cash provided by / (used in) investing Activities	<u>(272)</u>	<u>(1,277)</u>

21 Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand and at bank	2,034	1,542
Total cash and cash equivalents	<u>2,034</u>	<u>1,542</u>

22 Members' Liability

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

23 Pension and Similar Obligations

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

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

Contributions amounting to £nil were payable to the schemes at 31 August 2019 (2018: £16,576) and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.48% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

The employer's pension costs paid to TPS in the period amounted to £344,021 (2018: £265,405).

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

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

23 Pension and Similar Obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £167,000 (2018: £130,000), of which employer's contributions totalled £129,000 (2018: £100,000) and employees' contributions totalled £38,000 (2018: £30,000). The agreed contribution rates for future years are 14.5% for employers and 5.5-7.5% for employees.

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

Principal Actuarial Assumptions

	Lambeth At 31 August 2019	Southwark At 31 August 2019	Lambeth At 31 August 2018	Southwark At 31 August 2018
Rate of increase in salaries	2.70%	3.50%	2.70%	3.50%
Rate of increase for pensions in payment/inflation	2.30%	2.00%	2.30%	2.00%
Discount rate for scheme liabilities	1.90%	1.90%	2.80%	2.80%
Inflation assumption (CPI)	2.30%	2.00%	2.30%	2.00%

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

	Lambeth At 31 August 2019	Southwark At 31 August 2019	Lambeth At 31 August 2018	Southwark At 31 August 2018
<i>Retiring today</i>				
Males	20.7	22.6	21.6	22.5
Females	23.0	26.3	23.9	26.2
<i>Retiring in 20 years</i>				
Males	22.2	24.2	23.8	24.2
Females	24.5	28.1	26.0	28.0

Sensitivity analysis

	2019 £	2018 £
Southwark		
0.1% increase in the salary increase rate	2.9	3.5
0.1% increase in the pension increase rate	3.1	2.0
0.1% decrease in the real discount rate	2.8	2.8
Lambeth		
0.5% increase in the salary increase rate	2.6	2.7
0.5% increase in the pension increase rate	2.3	2.3
0.5% decrease in the real discount rate	1.8	2.8

23 Pension and Similar Obligations (continued)

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

	2019 £	2018 £
Equity instruments	288	185
Government bonds	64	38
Corporate bonds	37	18
Property	75	43
Other	6	-
Cash and other liquid assets	10	2
Total market value of assets	<u>480</u>	<u>286</u>

Amounts recognised in the statement of financial activities:

	2019 £	2018 £
Current service cost	222	164
Past service cost	88	-
Interest income	(10)	(5)
Interest cost	11	6
Total amount recognised in the SOFA	<u>311</u>	<u>165</u>

23 Pension and Similar Obligations (continued)

Changes in the fair value of defined benefit obligations were as follows:

	2019 £	2018 £
At 1 September	352	192
Current service cost	222	164
Interest cost	11	6
Employee contributions	38	30
Actuarial (gain)/loss	251	(38)
Benefits paid	(4)	(2)
Past service cost	88	-
At 31 August	<u>958</u>	<u>352</u>

Changes in the fair value of Academy's share of scheme assets:

	2019 £	2018 £
At 1 September	286	144
Interest income	10	5
Actuarial gain/(loss)	21	9
Employer contributions	129	100
Employee contributions	38	30
Benefits paid	(4)	(2)
At 31 August	<u>480</u>	<u>286</u>

24 Related Party Transactions

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

Five directors are full time salaried employees of LSBU including the current CEO (2018: five), one of whom left during the year

One director is a non-remunerated governor of LSBU (2018: one)

The trust has utilised the services of 3 employee (2018: 2) from LSBU. The value of these services for the year were £113,065 (2018: £91,648) and are included within donations for the year

The trust received Governance services from LSBU. During the year £15,094 (2018: £22,941) was invoiced and £nil (2018: £22,941) was owing to LSBU at the year end, included in creditors.

Richard Flatman is a director of South Bank Enterprises Ltd. During the year, the Trust spend £25,287 (2018: £11,662) for the provision of invigilators.

25 Comparative Statement of Financial Activities

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2018 £
Income and endowments from:				
Donations and capital grants	3	92	1,339	1,434
Charitable activities:				
Funding for the academy trust's educational operations		6,832		6,832
Other trading activities	2			2
Investments	1			1
Total	6	6,924	1,339	8,269
Expenditure on:				
Charitable activities:				
Academy trust educational operations		6,908	553	7,461
Total	-	6,908	553	7,461
Net income / (expenditure)	6	16	786	808
Transfers between funds		(104)	104	-
	6	(88)	890	808
Other recognised gains/(losses):				
Actuarial (losses) / gains on defined benefit pension schemes		47		47
Net movement in funds	6	(41)	890	855
Reconciliation of funds				
Total funds brought forward	86	1,094	22,995	24,175
Total funds carried forward	92	1,053	23,885	25,030

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	CONFIDENTIAL
Paper title:	MAT Risk Register
Board/Committee:	South Bank Academies Board
Date of meeting:	05 December 2019
Author(s):	Dan Cundy , Trust Business Manager
Sponsor(s):	Fiona Morey, CEO of the South Bank Academies
Purpose:	Approve
Recommendation:	To review updates to risk registers

Executive Summary

The Board is requested to note the changes to the MAT, UAE and UTC risk registers and review the MAT risk register.

Risk registers are being reviewed with Richard Duke, Director of Strategy and Planning, in order to establish a risk appetite document in line with group practice.

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Risk Update Summary: December 2019

MAT – Risks that are reducing/changing

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
14	Failure to ensure that Goods and Services are purchased in line with Financial Regulations and that Suppliers are paid in a timely and efficient manner	6	3	↓	Probability has been reduced from 2 to 1
15	Failure to ensure that a comprehensive, up-to-date list of Suppliers to the School is maintained	4	2	↓	Probability has been reduced from 2 to 1
21	Changes in personnel/ high turnover of staff creating instability in operations at the Trust	6	3	↓	Probability has been reduced from 2 to 1
28	Failure to safeguard the Trusts' and its Schools' assets from theft or damage	6	2	↓	Probability has been reduced from 2 to 1
29	Failure to carry out the correct audit/review procedures to ensure building, maintenance, health and safety regulations are upheld in both schools	6	4	↓	Probability has been reduced from 3 to 2

MAT – Risks that are still high

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
18	Poor Financial performance by one or more of the schools	6	6	→	This risk continues to be high
24	Failure to meet GDPR guidelines for storing and collating data in the Trust and its Schools	6	6	→	This risk continues to be high

UAE – Risks that are reducing/changing

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
3	Poor Student outcomes	6	4	↓	Probability has been reduced from 3 to 2
9	Failure of the School to recruit Governors who have the appropriate profile	4	2	↓	Probability has been reduced from 2 to 1
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	4	2	↓	Probability has been reduced from 2 to 1
23	Failure to ensure the Financial reporting requirements of the School are met	6	4	↓	Probability has been reduced from 3 to 2

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UAE – Risks that are still high

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
13	Safeguarding incident at one of the schools.	6	6	→	This risk continues to be high
18	Staff Recruited to the Schools have the required skills and expertise to meet the strategic objectives of the School.	6	6	→	This risk continues to be high
19	Failure to recruit key teaching and support staff posts. Inadequate competency of staff within the School.	6	6	→	This risk continues to be high

UTC – Risks that are reducing/changing

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
14	Failure to ensure that the quality of Management information produced by the UTC is of a high quality, timely and aids decision-making	4	2	↓	Probability has been reduced from 2 to 1
15	Failure to ensure that the quantity of Management Information produced by the UTC is good enough to aid decision making	4	2	↓	Probability has been reduced from 2 to 1
28	Inadequate level of expertise and challenge on Local Governing Body leading to ineffective local governance.	3	3	→	Probability has gone from 3 to 1 Impact has gone from 1 to 3

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UTC – Risks that are still high

Risk No.	Risk Description	Previous Risk Rating	Updated Risk Rating	Direction of Travel	Further Notes
1	Failure of the UTC to recruit sufficient learners especially in Y710 and Y12 to make it viable	6	6	→	This risk continues to be high
3	Poor Student outcomes	6	6	→	This risk continues to be high
13	Safeguarding incident at one of the UTCs.	6	6	→	This risk continues to be high
17	Failure to ensure the managers of the UTC possess the skills and experience required to manage the UTC	6	6	→	This risk continues to be high

19	Failure to recruit key teaching and support staff posts. Inadequate competency of staff within the UTC.	6	6	→	This risk continues to be high
23	Failure to ensure the Financial reporting requirements of the UTC are met	6	6	→	This risk continues to be high

South Bank Academies MAT
Financial Risk

Risk No	Risk Description	Risk consequences	Impact	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	Overspend budget, caused by weak expenditure management	Lack of funding to carry out educational and business objectives Inability to recruit experienced, quality staff to achieve educational objectives re-brokering of Schools in the Academies Trust through poor financial management and continual annual deficits Risk to LSBU reputation as the Academies Trust sponsor Ris of receiving a Financial Notice to improve and los of freedoms to manage own funding through its budgets,. Insufficient funds to meet educational objectives Inability to meet external requirements as stipulated in the Academies Financial Handbook 2018 and other agencies Serious cash flow issues making financial management of funds difficult	2	2	4	Strong strategic plan of action Annual budget setting using computerized software Regular meetings of Board and Audit and Risk Committee with oversight of the Trust's finances Regular internal and external audits to ensure compliance and best practice. Regular review with Business Support Officers in the Trust with additional in-house training. Monthly management accounts prepared by the LSBU FA, Trust Finance Manager and Trust Business Manager Regular Exective Team meetings where financial performance is discussed	2	Strong	Chief Executive Financial Controller Trust Business Manager	→	Sep-19
2	Overspend budget, caused by poor budgeting	See Above	3	1	3	Computerized budgeting software Oversight by LSBU Financial Controller and LSBU Financial Accountant Regular, monthly review by the Trust Business Manager, Executive Principal and Chief Executive. Regular meetings with School Principals Regular updates and training to the Business Support Officers.	2	Moderate/Weak	Chief Executive Financial Controller Trust Business Manager	→	Sep-19
3	Received less income than budgeted, caused by poor budgeting	See Above	3	1	3	See above	2	Moderate/Weak	Chief Executive Financial Controller Executive Principal Trust Business Manager	↓	Sep-19
4	Overspend on capital scheme:	Unplanned reduction on reserves or income through insufficient budgeting or planning Serious impact on cash flow management Insufficient funds to carry out educational and operational objectives Inappropriate capital works which don't reflect the teaching and learning requirements of the Trust or its schools.	1	1	1	Centralised management of the Capital Claims budget delegated by the ESFA Capital Expenditure process in place, channelled through School Advisory Boards to the SBA Board Oversight by the Trust Business Manager of the Capital Claims expenditure and the Capital Expenditure programs. Scheme of Delegation and Financial Regulations and Policy in place, detailing capex authorisations limits.	0	Strong	Chief Executive Financial Controller Executive Principal Trust Business Manager	↓	Sep-19
5	Short term cash shortages	Inability to meet liabilities Unable to pay school salaries or other costs in a timely and efficient manner Inability to remain a going concern"	1	1	1	Suitable reserves in line with the requirements of the Academies Financial Handbook, Articles of Association and Agreement with the Secretary of State for Education Regular updated cash flow management with spot cash flows Regular review of bank accounts, reserves and operating balances	0	Strong	Chief Executive Financial Controller Trust Business Manager Finance Officers	↓	Sep-19

6	Long term cash shortages – insufficient reserves	Lack of funding to carry out educational and business objectives Inability to recruit experienced, quality staff to achieve educational objectives re-brokering of Schools in the Academies Trust through poor financial management and continual annual deficits Risk to LSBU reputation as the Academies Trust sponsor Ris of receiving a Financial Notice to improve and los of freedoms to manage own funding through its budgets,. Insufficient funds to meet educational objectives Inability to meet external requirements as stipulated in the Academies Financial Handbook 2018 and other agencies Serious cash flow issues making financial management of funds difficult	1	1	1	Trust currently has a strong cash flow surplus position for 18-19. Suitable level of reserves in place at 19% Regular monitoring of income and expenditure Prudent planning and stafing, recruitment practices Review of salary scales and teacher pay awards Regular monitoring of Bank Account levels Regular cash flow monitoring	0	Strong	Chief Executive Financial Controller Trust Business Manager	↓	Sep-19
7	Improper or irregular use of funds	Lack of funding to carry out educational and business objectives Inability to recruit experienced, quality staff to achieve educational objectives re-brokering of Schools in the Academies Trust through poor financial management and continual annual deficits Risk to LSBU reputation as the Academies Trust sponsor Ris of receiving a Financial Notice to improve and los of freedoms to manage own funding through its budgets,. Insufficient funds to meet educational objectives Inability to meet external requirements as stipulated in the Academies Financial Handbook 2018 and other agencies Serious cash flow issues making financial management of funds difficult	2	1	2	SBA Financia Regualtions and Procedures in place, regularly updated Scheme of Delegation in place Internal Controls subject to regular scrutiny by auditors Internal audits Expenditure authorisation process clear. Experienced Senior Leaders with in-dpeth experience of the Academies Financial Handbook and principles of fund accounting AO and CFO familiar with AFH and updates.	1	Moderate	Chief Executive Financial Controller Executive Principal Trust Business Manager Finance Officers	↓	Sep-19
8	Errors in accounts caused by inadequately skilled or inexperienced finance staff	Non production of a clean set of accounts Inaccurate information on which to base business and educational decsions Loss of oversight and prudent management of Trust finances Instability in the nature of the Trust as a result of poor financial management	3	1	3	Experienced, stable Finance Team with proven qualifications and experience in place. Access to advice and expertise from Sponsor	2	Weak	Chief Executive Financial Controller Executive Principal Trust Business Manager Finance Officers	↓	Sep-19
9	Loss caused by lack of security over assets including cash	Inability to carry on operating as a business or meet educational objectives Increased cost of replacing assets Potential Reduction in cash flow creating difficulties in meeting liabilities Large capital replacement expenditure	3	1	3	Asset Register in place and updated to ensure full information is kept Asset Management Plan in place which is used to plan, control and review assets and whether they are fit for purpose Strong security measure in place to ensure no loss of assets Reporting to SBA Board and Audit and Risk Committee Appropriate and effective security levels for processing and storing cash that is collected	2	Moderate	Chief Executive Financial Controller Executive Principal Trust Business Manager	↓	Sep-19
10	Fraudulent payments to suppliers	Overpayments to suppliers unrecoverable payments and ongoing disputes Reduction in confidence of the Finance Team.	3	1	3	Annual review of effectiveness of internal controls Expenditure authorisation procedures Systems under constant review Internal and external auditors Oversight by LSBU Financial controller Oversight by the Trust Business Manager	2	Moderate	Chief Executive Financial Controller Executive Principal Trust Business Manager Finance Officers	↓	Sep-19
11	Fraudulent payments to staff	Loss of confidence of Sponsor in SBA management of finance. Loss of income Risk of reporting Fraud to ESFA and losing freedom to manage own finances as guardians of public funds	2	1	2	SBA Scheme of Financial Regulations and Policy in place Trained staff in Compliance and Fraud Authorisation limits in place and reviewed regularly Robust procedure in place for monthly payroll sign off and review Staffing salaries and expenditure under constant review	1	Strong	Chief Executive Financial Controller Executive Principal School Principal Trust Business Manager	↓	Sep-19

12	Insufficient insurance cover	Irreparable damage or loss to Trust Assets Hinderance in achieving educational and business objectives Risk of prosecution for not insufficient insurance cover for legal requirements such as employers' liability Loss of reputation as a good employer Risk of litigation	2	1	2	Annual review of insurance arrangements by Trust Business Manager, Executive Principle and CEO Review by external providers Benchmarking with other Academies and Trusts Member of the Governments RPA Insurance scheme especially designed to meet the needs of UK Schools.	1	Strong	Chief Executive Financial Controller Trust Business Manager	→	Sep-19
13	Failure to ensure that the income due to the school is collected in a timely and efficient manner and fully reconciled as per financial regulations	Loss of income Inability to meet educational and business objectives reduction in cash flow and reserves bility to meet liabilities Increasing debts Inability to meet liabilities or staff salaries	2	2	4	Month end reporting reviews income and ensure it is at the correct level Review and use of Remittance and Payment Schedule Aged debtors are sent statement reminders while all income is cross referenced on the cash flow Experienced TBM with Education Experience and knowledge of Schools Funding Trust Business Manager with LSBU Financial Accounts monitors all income regularly LSBU Financial Accountant performs all Bank and control account reconciliations	3	Moderate	Chief Executive Financial Controller Executive Principal Trust Business Manager Finance Officers	→	Sep-19
14	Failure to ensure that Goods and Services are purchased in line with Financial Regulations and that Suppliers are paid in a timely and efficient manner	Risk of fraud Inability to manage cash flow sufficiently Mis-reporting of monthly management accounts	3	1	3	Monthly reports from the School Financial regulations awareness, Internal Controls operated by the Trust at School wide level BACS Payment system used by the School Effective Internal and External Audit Use of Month End Checklists	2	Weak/Moderate	Chief Executive Financial Controller Executive Principal Trust Business Manager Finance Officers	↓	Sep-19
15	Failure to ensure that a comprehensive, up-to-date list of Suppliers to the School is maintained	Loss of oversight of accounts and procurement Risk of fraudulent payment to supplier Procurement difficulties arising from poor supplier account management Risk of overpayment of suppliers	2	1	2	Financial Regulations awareness Internal Controls operated by the School Finance Team Effective Internal and External Audit Oversight by the Trust Business Manager Oversight by the LSBU Financial Controller	1	Strong/Moderate	Chief Executive Financial Controller Executive Principal School Principal Trust Business Manager Finance Officers	↓	Sep-19
16	Changes to funding via Government Policy	Reduction in funding for student numbers Risks to the Trust as a going concern as required by Companies House and SORP	3	1	3	Monitoring of Government policy Long term forecasts monitored by LAB Financial expertise at Operational and Board level.	2	Moderate	Chief Executive Financial Controller Trust Business Manager	↓	Sep-19
17	Failure to meet internal/ external financial targets and deadlines	Late submission of budgets/accounts to ESFA, possible litigation, possible fines	1	3	3	Email reminders from ESFA Experiences TBM Published annual cycle SBM Networking	2	Strong	Chief Executive Financial Controller Trust Business Manager	→	Sep-19
18	Poor Financial performance by one or more of the schools	A deficit or liabilities in one or more schools will affect the Trust financial viability and could have significant risk for finance and cash flow leading to DIE letter.	3	2	6	Computerised budgeting software Prudent financial planning 3-5 year forecast planning Sufficient reserves Planned budget surplus for each Academy Marketing program in place for the UTC New marketing appointment for the UTC	3	Moderate	Chief Executive Financial Controller Executive Principal School Principal Trust Business Manager	↓	Sep-19

South Bank Academies MAT
Strategic and Reputational Risk

Risk No	Risk Description	Risk consequences	Impact	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
19	Changes in Leadership creating an instability in strategy, vision and values across the Trust and its Schools.	Lack of experience in education and leadership Frequent churn of senior leaders giving poor direction and vision Low morale Low staff performance Poor examination results	3	1	3	Appointment of experiences Executive Principal Creation and development of middle leaders Training as an Ofsted inspector Experienced SLT Effective Governor oversight	2	Strong	Chief Executive Executive Principal	↓	

20	Failure to ensure that up-to-date information regarding the legislation relating to charities is maintained and kept updated by Trust Business Manager	Risk that legislative requirements are not known or complied with Financial risk Risk that the Governing Body are not aware of their legislative obligations	2	1	2	LSBU Clerk to the Local Advisory Bodies Networking Groups EFA Updates School website Professional bodies The Key PWC Internal Auditor Kingston Smith External Auditor	1	Strong	Chief Executive Executive Principal Trust Business Manager Financial Controller	↓	
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South Bank Academies MAT
Operational Risk

Risk No	Risk Description	Risk consequences	Impact	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
21	Changes in personell/ high turnover of staff creating instability in operations at the Trust	Lack of oversight of accounts, processes and procedures Poor year end Inaccurate financial reporting Risk of receiving Qualified Accounts Non-compliance	3	1	3	Experienced TBM in financial management Experienced Financial Controller oversight Financial policies and procedures in place Trust HR Manager in place	2	Moderate	SBA Board Chief Executive Officer Executive Principal Principals Trust Business Manager	↓	
22	Failure of the School to produce open and regular management accounts	School receives a set of qualified accounts from its annual audit. Year-end doesn't run smoothly High Management Letter ratings as a result of internal and external audit Fines from the ESFA Potential Financial Notice to Improve Potential loss of freedoms to manage delegated finances	3	1	3	Monthly Management Accounts Budget monitoring reports Regular reporting to the Audit Committee and SBA Board Effective internal and external audits Oversight by Sponsor LSBU of finances Awareness of ESFA Academies Financial Handbook 2018 and regulations Annually updated SBA Financial Regulations and Procedures presented to Audit Committee for oversight and approval Delegated Letter of Authority	2	Moderate/Weak	SBA Board Chief Executive Officer Executive Principal Principals Trust Business Manager	↓	
23	Safeguarding incident at any of the Schools	Risk to child/children, risk to reputation of the Trust and/or its Schools, DfE and HSE intervention depending on seriousness of incident. Risk to Ofsted rating.	3	1	3	Safeguarding policy and training in place Experienced SLT in safeguarding issues Regular training and update to all staff Safeguarding policy and procedures in place followed by Staff Staff awareness of reporting procedures and responsibilities for any safeguarding issues	2	Strong	Executive Principal Principal SLT Governors Staff	→	

South Bank Academies MAT
Compliance Risk

Risk No	Risk Description	Risk consequences	Impact	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
24	Failure to meet GDPR guidelines for storing and collating data in the Trust and its Schools	Litigation, possible fines, loss to reputation	3	2	6	Outsourced GDPR oversight by Judicium Regular GDPR compliance audits across the SBA Trust	3	Strong/Moderate	Chief Executive Executive Principal School Principal	→	Sep-19
25	Inadequate challenge and ineffective local governance for Trust and Schools	Failure to achieve mission and objectives of the Trust. Poor decision making and information flow. Risk to one establishment not following trust procedure	3	1	3	Local advisory boards and link Governors SBA Board oversight Experienced Executive Principal with extensive education background Chief Executive oversight	2	Moderate	SBA Board Chief Executive Executive Principal	↓	Sep-19

26	UKVI regulations not met	Loss of licence, fines and/or prosecution	2	1	2	Experienced Trust HR Manager in place Trust Business Manager Experienced Chief Executive and Executive Principal Effective computer systems for tracking personell Effective recruitment procedures	1	Strong	Chief Executive Executive Principal School Principal HR Manager	↓	Sep-19
27	Failure to comply with ESFA a	Notice given on non-performance, litigation, possible fines, loss to reputation, makes recruiting students more challenging.	3	1	3	See above	2	Strong	Chief Executive Executive Principal School Principal Trust Business Manager	↓	Sep-19
28	Failure to safeguard the Trusts' and its Schools' assets from theft or damage	Health and safety risk to students and staff Increased premises costs Increased costs for asset management plan on limited budget Need to transfer costs from limited reserves	2	1	2	Up to date asset register Asset management plan in place and up to date Experienced premises team in place with oversight of assets	1	Moderate	Chief Executive Executive Principal School Principal Trust Business Manager Financial Controller	↓	Sep-19
29	Failure to carry out the correct audit/review procedures to ensure building, maintenance, health and safety regulations are upheld in both schools	Poor Health and Safety Audit increased accumulation of costs which could be reduced with timely intervention increased scrutiny from oversight organisations	2	2	4	Health and Safety audits by external organisations H&S reference software on websites for advice Experienced site operations manager and team Risk assessments Regular checks and reporting on all H&S procedures Regular checks on equipment and buildings	3	Moderate	Chief Executive Financial Controller Trust Business Manager Executive Principal School Principal	↓	Sep-19
30	Failure to maintain the asbestos register for both schools	Failure to comply with external compliance bodies Damage to Trust and Sponsor reputation Health and Safety Risk to staff and students Increased costs and fines for non compliance	3	1	3	Annual reporting to ESFA of Asbestos management Shared responsibility across the Trust and Boards for management of Asbestos Regular asbestos inspections to update on any changes Updated and regularly reviewed asbestos register Asbestos management plan in place and regularly updated.	2	Strong	Chief Executive Executive Principal School Principal	↓	Sep-19
31	Failure of the Trust to follow employee legislation	Risk of fines and reputation Greater risk of litigation and claims Increased costs through non compliance	3	1	3	Experienced Trust HR Manager in place Executive Princpal and CEO oversight Access to LSBU Sponsor organisation procedures and experienced staff Updated HR and Recruitment policies in place	2	Strong	Chief Executive Executive Principal School Principal Trust HR Manager	↓	Sep-19
32	Failure to ensure that the School complies with Tax legislation	Risk that the legislative requirements relating to VAT, PAYE, National Insurance etc. are not known or complied with Financial risk Litigation risk	3	1	3	Support from School Payroll Provider and the associated policies Internal and External Auditors Oversight by Trust Business Manager and Finance Manager Oversight by Financial Controller	2	Strong	Executive Principal Principals Local Advisory Board Trust Business Manager	↓	Sep-19

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

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