

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 5pm on Wednesday 9 November 2022
via Microsoft Teams**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Richard Flatman
Ian Rule
Tony Felthouse, KPMG, External Auditors
Fleur Nieboer, KPMG, External Auditors
Gemma Wright, BDO, Internal Auditors

Apologies

Fiona Morey
Jacqueline Mutibwa

1. Welcome and apologies

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

The Committee had just met with KPMG (External Auditors) and BDO (Internal Auditors) in the absence of officers.

2. Declarations of Interest

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

3. Minutes of previous meeting

The minutes of the meeting held on 28 June 2022 were approved as an accurate record.

4. Matters arising

The Committee noted the update on matters arising from the previous meeting.

Financial reporting for the year end 31 July 2022

5. External Audit Findings

KPMG presented the draft external audit year-end report 2021/22.

The Committee discussed:

- the status of the audit report. The audit of the accounts was near to finalisation. The committee noted that there might be some minor changes which were not expected to be material. The outstanding matters were noted.
- the significant audit risks.
- that no material weakness had been identified. KPMG were expected to give an unqualified audit opinion. The final version would be circulated to Committee members prior to the Board meeting on 22 November 2022.
- the recommendation on pensions assumptions which KPMG would review.

The auditors thanked SBC staff for the help and support on the audit work during the year.

6. Going Concern Statement

The Committee reviewed the assessment that the College is a going concern for the next 12 months.

Based on the going concern review, the committee supported the preparation of the accounts on the going concern basis.

7. System of Internal Control Report

The Committee discussed the annual review of effectiveness of SBC's system of internal control, which underpins the internal control statement in the annual report and accounts.

The Committee approved the annual compliance statement for the year ended 31 July 2022 attached to the report.

8. Corporate Governance Statement

The Audit Committee noted the draft Corporate Governance statement for inclusion in the annual report and accounts.

9. External Audit Letter of Representation

The Committee reviewed the draft letter of representation.

For the reporting year, four representations specific to SBC had been included.

The members of the Executive present confirmed to the committee that all information that should have been disclosed to the auditors had been disclosed to the auditors.

The committee recommended that the letter of representation be signed by the Chair of the Board of Trustees.

10. Annual Report and Accounts ending 31 July 2022

The Committee reviewed the draft SBC accounts for the year ending 31 July 2022.

The Committee noted that there were only a few outstanding items. Final revisions required to the accounts were not expected to be material.

The Committee recommended the draft Report and Accounts for 2021/22 to the Board for approval.

11. Audit Committee Annual Report

The Committee approved its 2021/22 draft annual report to the Board, subject to the completion of the KPMG external audit report.

{Secretary's note: the Chair of the Audit Committee signed the audit committee annual report on 30 November 2022, the date on which the accounts were signed.}

12. Internal Audit Annual Report 2021/22

The Committee discussed the draft internal audit annual report 2021/22.

The Committee noted the internal audit annual opinion which was “generally satisfactory with improvements required in some areas” (the second highest of four ratings) and provided reasonable assurance that there were no major weaknesses in SBC’s risk management, control and governance processes.

The Committee discussed an update on progress on implementing recommendations agreed following internal audit reviews. The committee expressed its concern that a number of management actions were overdue. The committee noted that a number of the recommendations were related to IT which would take time to implement. The committee noted that actions are in progress and that some original implementation dates were overly ambitious. The committee requested that senior management review implementation dates and monitor progress. The committee requested that the Director of IT attends the next meeting to update the committee on progress of IT recommendations.

13. Internal Audit Progress Report

The Committee was provided with an internal audit progress report.

The 2021/22 internal audit programme for SBC had been completed and final reports had been presented to the Committee.

The Committee reviewed the audit reports on Quality Assurance, Adult Bursaries, and Health and Safety. The Committee discussed:

- Quality Assurance. The auditors gave a substantial level of assurance for both the design of the controls and the operational effectiveness of the controls in place for quality assurance at SBC. One low risk had been identified. The Committee noted the positive audit report.
- Adult bursaries. The auditors gave a moderate level of assurance for both the design and the operational effectiveness of the controls in place for adult bursaries. Two medium risks had been identified and the recommendations were being implemented by management.

- Health and Safety. The auditors gave a moderate level of assurance for both the design and operational effectiveness of the controls in place for health and safety training and lone/out of hours working procedures. Four medium risks had been identified and the recommendations were being implemented by management.

14. Financial Key Performance Indicators 2021/22

The Committee noted the Financial KPIs/CFAD Turnaround KPIs for 2021/22.

The Committee noted that performance against the financial KPIs is tracked by the Board through the management accounts.

15. Updated Corporate Risk Register

The Committee reviewed the updated risk register.

The Committee noted the changes on the register, in particular the change to risk relating to the affordability of the estates strategy to 'critical'. Contingency planning is underway if the proposed transaction with London Realty falls through.

16. SBC Risk Appetite, 2022/23

The committee recommended the risk appetite for 2022/23 to the Board for approval, as follows:

- Academic activity – “moderate”
- Financial – “cautious”
- Regulatory / compliance / reputation – “averse”
- Operational delivery – “open”
- People / culture – “open”
- Infrastructure – “open”

17. Health and Safety Incidents

The committee noted the update.

18. ESFA Subcontracting Report 2021/22

The Committee discussed the report on sub-contracting activity for 2021/22 in accordance with ESFA funding agreements and rules on managing subcontracted delivery.

The Committee reviewed the BDO audit report which provided external assurance on the systems and controls in place to manage subcontractors delivering apprenticeships, adult education and training funded by the ESFA for the year 2021/22. The Committee noted the recommendations that needed to be addressed.

The Committee noted the signed SBC Subcontracting Certificate (appendix A) and the SBC Subcontracting Controls final report (BDO).

19. Annual Reports on GDPR and Freedom of Information (FOI)

The Committee noted the FOI requests received at SBC in 2021/22. It also noted that there was no data breach reported in 2021/22.

20. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting in June 2022.

21. Speak up report

The committee noted the speak up report.

22. Committee Annual Work Plan 2023

The Committee noted the annual work plan for 2022 and future meeting dates.

**Date of next meeting
4pm, Thursday 1 February 2023**

Confirmed as a true record

.....(Chair)