

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 11am on Tuesday 3 November 2020
via Microsoft Teams**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Richard Flatman
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Fleur Nieboer, KPMG External Auditors
Jessica Spencer, KPMG External Auditors
Gemma Wright, BDO Internal Auditors

1. Welcome and apologies

The Chair welcomed the Committee Members to the meeting and confirmed that the meeting was quorate.

2. Declarations of Interest

The Committee noted the following declarations of interest: Mee Ling Ng is a director of LSBU; Steve Balmont is Chair of the LSBU Group Pensions Sub-Committee.

3. Minutes of previous meeting

The minutes of the meeting held on 4 June 2020 were approved as an accurate record.

4. Matters arising

There were no matters arising from the minutes of the previous meeting. The actions had been completed or were on the agenda of the meeting.

The SBC internal audit action tracker would be reviewed under matters arising.

Financial reporting for the year end 31 July 2020

5. External Audit Findings

KPMG presented the interim external audit year-end report 2019/20. It was noted that the audit had not been completed due to the Pension adjustment and that the final version would be provided to the Committee prior to signing the accounts in November 2020.

The Committee discussed the draft report and noted the impact of Covid19 on the audit approach for 2019/20 on disclosures concerning the valuations of investments, fixed assets and LPFA Pension assumptions.

The Committee discussed the assessment of the control environment. There were no significant control deficiencies but 4 other control deficiencies in relation to: Journal Controls, Regularity of Payments, Management of Fixed Assets and Accounting for Bursary Income. Recommendations (priority rating 2) had been made to address the control deficiencies and also a follow up on the recommendations from the previous year's audit.

The Committee was provided with an update on the LPFA Pension review of the appropriateness of the assumptions and that adjustments would be made to the pension liability in the annual accounts. The auditors thanked SBC staff for the help and support on the audit work during a difficult year.

The Committee reviewed the key findings in the draft report and that no material weakness had been identified.

6. Going Concern Statement

The Committee reviewed the assessment that the College is a going concern for the 12 months from the date the accounts are signed.

It was noted that the statement (par 3) would be amended to read 'South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control by London South Bank University'. The assurance note on financial sustainability which supports the going concern statement would include a reference to the letter of support provided by LSBU to SBC.

The Committee agreed with the appropriateness of the use of going concern assumptions in preparation of the SBC accounts ending 31 July 2020.

7. System of Internal Control Report

The Committee was presented with 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 2020 attached to the report (appendix1).

8. Corporate Governance Statement

The Audit Committee noted the draft Corporate Governance statement for inclusion in the annual report which would include a note on the Covid19 pandemic and its effect on the governance arrangements.

9. External Audit Letter of Representation

The Committee reviewed the draft letter of representation.

The Executive confirmed to the Committee that they know of no reason why the letter of representation cannot be approved by the Committee.

The Committee recommended the letter of representation to the Board for approval at its meeting on 18 November 2020.

10. Annual Report and Accounts ending 31 July 2020

The Committee was presented with the draft SBC accounts for the year ending 31 July 2020. The presentation of the accounts would be reviewed to show a comparative financial position of 6 months of trading rather than 12 months for 2018/19.

The Committee discussed the draft annual report and financial statements. It noted the outstanding items which included the revised pension disclosures awaited from actuaries Barnet Waddingham and that adjustments needed to be made to the accounts. The final accounts would be presented to the Board at the meeting on 18 November 2020.

The Committee reviewed the draft Report and Accounts for 2019/20.

11. Internal Audit Progress Report and Annual Report 2019/20

The Committee was provided with a progress report on the internal audits for 2019/20. The Committee reviewed the audit reports which covered the following areas: Health & Safety, Risk Management, IT Security and Data Quality.

The Committee discussed:

- the Health & Safety audit report. The auditors gave a limited level of assurance for the design and moderate level of assurance for the operational effectiveness of controls which was mainly due to the COSHH assessments, being rated high significance. The recommendations were being addressed.

- the IT security report. Critical weaknesses had been identified related to the outdated network devices and operating systems in use which significantly increased the likelihood of cyber security incident occurring. The report gave moderate assurance over the design of the controls in place and limited assurance over the operational effectiveness of the information security controls in place. An IT upgrade (from the ESFA capital fund) would be undertaken as part of the LSBU group IT investment project. An update on cyber risk at Group and SBC level with a group action plan on how the issues are being addressed would be presented to the Committee at the meeting in February 2021.

The Committee noted the internal audit progress report for 2019/20 and that an action tracker of the progress being made on implementing the recommendations would be provided. The Board would be provided with an update on the Health & Safety and IT Security audits via the Executive Principal's report (18 November 2020).

The Committee was provided with a progress report on 2020/21 programme. The audit areas were: Covid19 response, Apprenticeships and Management Information & KPIs; and that work was underway.

Internal Audit Annual Report 2019/20

The Committee was provided with the Internal Audit Annual Report 2019/20. A SBC specific annual report would be circulated to the Committee.

The Committee noted the audit opinion:

- provided limited assurance on the design of the controls in place for Accounts Payable and Health & Safety audits and limited assurance was provided on the effectiveness of controls for the IT Security audit.
- provided reasonable assurance that there were no major weaknesses in SBC's risk management, control and governance processes.

12. LSBU Group Financial Regulations

The Committee was presented with the updated financial regulations and approval was sought that SBC and its subsidiary SW4 Catering adopt the Group Financial Regulations.

The Committee noted:

- the updated financial regulations were in line with LSBU Group Financial Regulations and that the Committee would be provided with the regulations that apply specifically to SBC (with track changes).
- the company specific areas for SBC highlighted in the report. SBC would review the regulations that apply across the Group and consider any substantive changes to the SBC aspect of the Group Financial Regulations.

The updated financial regulations would be approved at the next meeting in February 2021.

13. Key Performance Indicators

The Committee would review the Financial KPIs for 2019/20 and 2020/21 at the meeting in February 2021.

14. Corporate Risk Register

The Committee reviewed the two risk registers, the Covid19 risk register (appendix A) and the Non Covid19 risk register (appendix B).

On the Non Covid19 risk register, the Committee noted the two additional risks associated with the high level of sub-contractor use and fraud. The long-term risks relating to the second lockdown were sector risks and not specific to SBC.

The risks direction of change in the register would be reviewed to ensure that it shows the right direction of movement. The College Leadership team would closely monitor the risks.

15. Audit Committee Annual Report

The Committee reviewed the Audit Committee's annual report for 2019/20.

The Committee noted that the report was consistent with the internal audit opinion and external audit finding report.

The Committee reviewed its draft annual report and opinion on the adequacy and effectiveness of the College's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets and that these arrangements are adequate and effective.

The Chair of the Audit Committee agreed to sign the report at the point of approval of the accounts.

{Secretary's note: the Chair of the Audit Committee signed the audit committee annual report on 23 November 2020, the date on which the accounts were approved.}

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

The Committee reviewed the FOI requests received at SBC in 2019/20 and in 2020/21 to date.

There was discussion about GDPR compliance and that the College's Data Protection team was working closely with LSBU group team. The Committee noted that there

was no data breach reported in the last 18 months and that it would be provided with a GDPR report at its next meeting in February 2021.

17. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting on 4 June 2020.

18. Speak Up Update

The Committee noted that there were no matters that had been raised under the Speak Up policy since the last meeting on 4 June 2020.

The area of work would be reviewed to ensure that staff were aware of the policy and that it was effective. Also a near miss reporting procedure would be considered. The Committee would be provided with an updated report at its meeting in February 2021.

19. Committee Annual Work Plan 2021

An annual review of the committee's effectiveness would be included in the plan. The Committee noted the annual work plan for 2021 and future meeting dates.

20. 2020/21 Group Risk Policy and LSBU Risk Appetite

The 2020/21 Group Risk Policy was approved by LSBU Group Audit Committee at its meeting in June 2020. The policy and risk appetite were presented to the Committee for information and would be discussed in detail at its next meeting in February 2021.

21. Any Other Business

The Chair thanked staff and the auditors for the work undertaken on the year-end audit and reports especially under the difficult circumstances.

**Date of next meeting
4pm, Wednesday 10 February 2021**

Confirmed as a true record

.....(Chair)

