

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 10am on Thursday 8 July 2021
via Microsoft Teams**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Jessica Spencer, KPMG Auditors
Gemma Wright, BDO Internal Auditors

Apologies

Richard Flatman

1. Welcome and apologies

The Chair welcomed the Committee Members to the meeting and confirmed that the meeting was quorate. The above apologies were received.

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 10 February 2021 were approved as an accurate record.

4. Matters arising

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

Internal Audit Recommendation Follow up 2019/20 and 2020/21

The report details progress being made on implementing actions agreed in previous audits.

The Committee reviewed the SBC internal audit action tracker and noted:

- the outstanding actions for 2019/20. The significant and medium risks relate to audits on; the Financial Controls, Information Security and Health & Safety. The IT security recommendations were being progressed.
- the outstanding actions for 2020/21. The significant risk related to the audit on Apprenticeship.

The Committee noted that more progress needed to be made on implementing the recommendations from previous audits.

5. External Audit Plan 2020/21

The report set out KPMG's External Audit Plan for 2020/21 which included the audit of SBC's subsidiary SW4 Catering Ltd. It outlined the risk assessment and planned audit approach to be undertaken.

The Committee discussed the key risks identified for the audit which included; valuation of LGPS pension liability, valuation of fixed assets, going concern, management override of control and cyber security & recovery of IT systems.

Materiality had been defined as £500k (2% of revenue). The reporting threshold would be £25k.

On the audit approach to pension risk, the Committee challenged the need for some of the planned work to be undertaken.

The Committee noted the new requirement from the ESFA for FE Colleges to achieve Cyber Essentials, and later Cyber Essentials Plus, accreditation.

The Committee approved the SBC External Audit Plan 2020/21.

6. 2021 Accounting and Year End Audit Plan

The Committee discussed the report on preparations for the financial year end and the external audit process. The preparation work would enable sufficient time for the Committee to review the content of the financial statements and consider technical accounting matters, in particular those relating to pensions and fixed assets.

The Committee noted the report and that management would ensure that the financial statements are circulated earlier so that it had adequate time to consider the documents.

7. Internal Audit Progress Report

The Committee was provided with an internal audit progress report and the proposed changes to the 2020/21 audit plan.

The Committee reviewed the 2020/21 plan and the proposed timing changes to the following audit reviews: the Group audit of KPIs and student admissions & enrolment which were due to the IT incident since mid-December 2020. An audit on a review of the controls in place to bring the finance system up to date following the IT incident would be conducted and included in the plan. It would include a review of the controls for making payments to suppliers and staff during the IT outage.

The Committee reviewed the audit reports on Prevent and Staff Absence. The Committee discussed:

- the prevent report. The auditors gave a moderate level of assurance for both the design of the controls and operational effectiveness of the controls in place at the College to manage its obligations in relation to Prevent. Two low risks were identified which relate to the lack of formal action taken when staff do not complete the mandatory annual prevent training and the risk assessment process for external speakers and events held virtually had not been reviewed during Covid19.
- the staff absence report. The auditors gave a substantial level of assurance over the design of the controls and a moderate level of assurance over the operational effectiveness of the controls in place around staff absence management. Two medium risks were identified which relate to; absence reporting at the College Leadership Group was ad hoc and formal KPIs in relation to staff absence had not yet been formalised and the delay in referring a member of staff to occupational health. The two low risks identified relate to; fit notes not being obtained to cover the whole period of absence on all occasions and updating of the Sickness Absence policy.

The Committee noted that the audit reports were positive and approved the proposed changes to the 2020/21 internal audit plan.

8. Internal Audit Plan 2021/22

The Committee was presented with the 2021/22 Internal Audit Plan. The 3-year Internal Audit Strategy for 2021–2024 had been approved by the Group Audit and Risk Committee in June 2021. The SBC aspect of the 2021/22 plan was

based on the College's risk registers, the internal audit annual report and recent internal audit reports.

The Committee discussed the proposed SBC audit areas which included; financial controls around making bursary payments to students, admissions & enrolment, curriculum planning, quality assurance processes and safeguarding.

The Committee asked to receive internal audit assurance on regulatory compliance and also the impact of the investment plan. The Committee noted that regulatory issues are often covered as part of internal audit reports. BDO would provide an update on the regulatory areas covered by the planned audits for 2021/22.

The Committee approved the Internal Audit Plan for 2021/22.

9. Updated Corporate Risk Register

The Committee reviewed the updated risk register.

The Committee noted that further work on moderating risks in line with the Risk Appetite recommendations was still ongoing; would be implemented by Autumn 2021 and reflected in the risk register for the meeting in November 2021.

10. Business Continuity Plan Update

The Committee discussed the development of the SBC Business Continuity plan which was supported by the LSBU Health, Safety and Resilience team.

The Committee discussed some critical areas of the plan which included; ensuring that up to date contact details of students and staff are maintained and that the plan needed to be tested to ensure that the procedures and safeguards work to mitigate the risks associated not only with personnel and systems but also the three different sites (testing regime).

The Committee endorsed the approach taken to develop SBC Business Continuity Plan.

11. Updated Financial Regulations

The Committee was presented with the updated financial regulations for review and recommendation to the Board for approval.

The Committee discussed:

- the updated financial regulations which were in line with LSBU Group Financial Regulations, the main changes to the regulations were outlined in

the appendix and a version with track changes would be circulated to the Committee.

- the outstanding matters that needed to be updated which included; the Group Anti-Fraud and Corruption policy, Governance Agreement between LSBU and SBC, Letters of Delegation and other operational areas. Once finalised the documents would be circulated to the Committee for review and the financial regulations would be reviewed annually.

The Committee recommended the updated Financial Regulations to the Board for approval at its meeting on 14 July 2021.

12. Value for Money

The report set out SBC's commitment, approach and framework for securing Value for Money (VfM).

The Committee discussed the report and made the following comments: that the principles should be developed in line with the LSBU group VfM Framework, assessment of VfM should include consideration of associated risks and identify the controls that would mitigate the risks and that the KPMG audit report on LSBU VfM should also be considered.

The Committee supported the proposed approach which would be reviewed annually with a case study on VfM activities presented to it.

13. Approval of Debt Write Offs

The Committee noted that there were no debt write offs for the Committee's approval for the financial year 2020/21. There were also no debts that had been approved for write-off by the Chief Financial Officer during the financial year 2020/21 to date.

14. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting in February 2021.

15. Speak Up Update

The Committee noted that there were no matters that had been raised under the Speak up policy since the last meeting in February 2021.

It was noted that a complaint report is considered by the Quality & Improvement Committee and that a summary report would be provided in the CEO report to the Board at its meeting in September 2021.

16. Any other business

KPMG audit fee proposal

The audit fees proposed at the last annual review would be confirmed.

Investment Programme

The Audit Committee's role in providing oversight of certain aspects of the significant investment programme would need to be considered.

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

Confirmed as a true record

.....(Chair)