

**Minutes of the meeting of the South Bank Colleges Audit Committee  
held at 5pm on Wednesday 10 November 2021  
via Microsoft Teams**

**Present**

Steve Balmont (Chair for the meeting)  
Mee Ling Ng

**In attendance**

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

**Apologies**

Andrew Owen  
Michael Broadway

**1. Welcome and apologies**

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

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 8 July 2021 were approved as an accurate record.

**4. Matters arising**

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

On internal audit plan 2021/22, an internal audit assurance report on regulatory compliance would be provided to the Committee.

On the financial performance management framework, a trustee training session (in terms of regulatory requirements and trustees' responsibilities) would be arranged in the future.

## **Financial reporting for the year end 31 July 2021**

### **5. External Audit Findings**

KPMG presented the draft external audit year-end report 2020/21.

The Committee discussed:

- the status of the audit report. The audit of the accounts had not yet been completed and that there might be some minor changes which were not expected to be material. The outstanding matters were noted.
- the significant audit risks. A new significant risk around revenue recognition in relation to Adult Education funding from the ESFA was identified during the audit for SBC. On cyber security and recovery of IT systems there was assurance that the recovery plans had progressed well, though improvements needed to be made on the IT infrastructure.
- 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 17 November 2021.

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

The Committee expressed its concern that the audit of the accounts was not complete.

### **6. Going Concern Statement**

The Committee reviewed the assessment that the College is a going concern for the next 12 months. The assurance report was being finalised.

The committee noted the longer-term financial challenges for the College, in particular when the transition funding comes to an end in 2022/23.

Based on the going concern review, the committee supported the preparation of the accounts on the going concern basis, subject to the completion of the KPMG external audit report.

## **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 2021 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, three 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 2021**

The Committee reviewed the draft SBC accounts for the year ending 31 July 2021.

The Committee noted the outstanding items in particular, the conclusion of the KPMG audit of the accounts. There would be final revisions to the accounts following KPMG completion of their audit work, any final revisions required to the accounts would be made but not expected to be material.

On pension assumptions, the Committee noted a report on the valuation of LPFA pension schemes as of 31<sup>st</sup> July 2021 that was considered by the Group Audit and Risk Committee at its meeting in October 2021 (attached to the report).

The Committee reviewed the draft Report and Accounts for 2020/21 and that a final draft version would be circulated to the Committee members (with tracked changes) prior to the Board meeting on 17 November 2021.

## **11. Internal Audit Annual Report 2020/21**

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

The Committee was provided with an update on progress being made on implementing recommendations agreed following SBC internal audit reviews.

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

- the outstanding recommendations for 2019/20. The significant and medium risks relate to audits on; the Financial Controls, Information Security and Health & Safety. There was concern about a number of high and medium significant recommendations outstanding from the IT security audit. Though management had made progress on implementing the recommendations, an update would be provided on the IT security overdue recommendations at the next meeting in February 2022 (as part of the internal audit follow-up report).
- there were no outstanding recommendations for 2020/21 at the year-end.

The Committee was concerned about the overdue recommendations from previous audits which needed to be completed and signed off as soon as possible.

### Internal Audit Annual Report 2020/21

The Committee was presented with the internal audit annual report 2020/21.

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.

## **12. Internal Audit Progress Report**

The Committee was provided with an internal audit progress report and the proposed changes to the 2021/22 audit plan.

The 2020/21 internal audit programme for SBC had been completed and final reports had been presented to the Committee. The audit report on the group IT Disaster Recovery would be presented to the Committee at its next meeting in February 2022 as management response was awaited as part of a group wide review of IT.

The Committee discussed the 2021/22 audit programme which was underway and the proposed timing change to the curriculum planning audit to be deferred to 2022/23 following a review of curriculum models and financial planning at the College. There was discussion about alternative areas to review which included reassurance on the robustness of the financial controls in place. Executive would consider alternative areas to review in 2021/22 to replace the curriculum planning audit.

The Committee approved the proposed change to the 2021/22 internal audit plan.

The Committee reviewed the audit reports on Student Experience, Finance System Recovery and Income and Credit Control. The Committee discussed:

- Student Experience. The auditors gave a moderate level of assurance over the design of the controls and substantial level of assurance over the operational effectiveness of the controls in place across student experience at SBC. One medium significant risk had been identified which relates to a lack of joined up approach to collaborate and deliver enrichment, employment and transition activities within the LSBU Group. The Committee noted the positive audit report.
- Finance System Recovery following the cyber incident at the University in December 2020. The auditors gave a moderate level of assurance over the design and a substantial level of assurance over the operational effectiveness of the controls in place for the financial system review. One medium risk had been identified on the authorisation of supplier invoices and the recommendation had been undertaken.
- Income and credit control. The auditors gave a limited level of assurance over both the design and operational effectiveness of the controls in place to manage Income (specifically on fully self-funded students, advanced learner loan students and exam fees) and credit control at SBC. Five medium significant risks had been identified where the design and effectiveness of the controls in place would be improved and recommendations would be addressed.

### **13. ESFA Subcontracting Report 2020/21**

The Committee discussed the report on sub-contracting activity for 2020/21 in accordance with ESFA funding agreements and rules on managing subcontracted delivery. ESFA funding agreements require further education providers to obtain external assurance on subcontracting arrangements on an annual basis where the annual aggregate value exceeds £100k.

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 2020/21. 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).

#### **14. Audit Committee Annual Report**

The Committee approved its 2020/21 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 7 December 2021, the date on which the accounts were signed.}*

#### **15. Updated Corporate Risk Register**

The Committee reviewed the updated risk register.

The Committee noted the changes on the register, in particular a new specific risk relating to funding received by the College for 16-19 year olds, following a challenging enrolment period in Autumn 2021 and an anticipated impact for 2022/23 levels of funding. It was noted that most of the risks remained unchanged in terms of risk rating.

#### **16. Financial Key Performance Indicators 2021/22**

The Committee was presented with the Financial KPIs/CFAD Turnaround KPIs and targets for 2021/22. The CFAD model would come to an end this financial year.

The Committee reviewed the KPIs for 2021/22 budget which had been shared with the ESFA as part of the CFFR reporting cycle and additional quarterly monitoring required via the Provider Market Oversight team.

The Committee reviewed the College's performance against the KPIs 2020/21 and endorsed the proposed KPIs and targets 2021/22 which would be recommended to the Board for approval at its meeting in February 2022.

**17. 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 July 2021.

**18. Anti-Fraud, Bribery and Corruption**

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

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

The Committee noted the FOI requests received at SBC in 2020/21. It also noted that there was no data breach reported in 2020/21.

**20. Terms of Reference Review**

The Committee agreed the proposed changes to its terms of reference in order to comply with the provisions in the updated Post 16 Audit Code of Practice 2020/21 published in 2021. The committee recommended its revised terms of reference to the Board for approval.

**21. Committee Annual Work Plan 2022**

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

**Date of next meeting  
4pm, Thursday 3 February 2022**

Confirmed as a true record

.....(Chair)