

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 10.00am on Wednesday 6 November 2019
Lambeth College Board Room (C303), 45 Clapham Common South Side,
London SW4 9BL**

Present

Andrew Owen (Chair)
Steve Balmont (conference call)
Mee Ling Ng

In attendance

Michael Broadway
Richard Flatman
Fiona Morey
Jacqueline Mutibwa
Michael Webb
Jack Stapleton, External Auditors
Fleur Nieboer, External 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 declaration of interest: Mee Ling Ng was a director of LSBU.

3. Minutes of previous meeting

The minutes of the meeting held on 11 June 2019 were approved as an accurate record, subject to a minor amendment.

4. Matters arising

The Committee reviewed the action sheet and that the actions had been completed or were on the agenda of the meeting or the committee's forward plan.

5. KPMG External Audit Findings

KPMG External Audit Findings report

KPMG presented the Audit Highlights Memorandum and Management Report for the SBC accounts for the period ending 31 July 2019.

The Committee discussed the significant risks and noted that there were no matters of concern to be brought to the attention of the Board.

It was noted that there was one significant control deficiency in relation to the Remuneration Committee having not held a meeting in the six month period and its important role in determining the pay of senior staff and overseeing the termination payments. It was noted that on 27 February 2019, SBC Board had appointed Steve Balmont as Lead Trustee for Remuneration rather than establish a Remuneration Committee. It was noted that there was an arrangement in place to consider and approve remuneration and redundancy matters. A meeting with the Group CEO, SBC Chair of the Board and the SBC Lead Trustee for Remuneration would be held in November 2019.

There was some concern about the pension assumptions and the auditor's recommendation to review the matter. The Committee noted the challenge in ensuring the actuaries' assumptions were appropriate for SBC. It was noted that the matter would be reviewed and a more up-to-date actuaries' reports would be provided to the Committee prior to the meeting.

The Committee noted the two audit differences KPMG had identified during the course of the audit, which relate to funding body grant income and pension liability which would be adjusted and included in the final financial statements.

The auditors declared their independence from SBC. In relation to disclosure of audit independence and objectivity, Steve Balmont declared that he had surrendered his membership of the KPMG client hub, Number 20 Grosvenor Street and that he had never used the facility.

The Committee reviewed the key findings and noted that overall it was a satisfactory audit report and that no material weakness had been identified.

6. Going Concern Statement

The report presented the Committee with evidence that supports the preparation of the accounts on a going concern basis.

The Committee noted the report and agreed with the appropriateness of the use of going concern assumptions in preparation of the SBC accounts ending 31 July 2019.

7. System of Internal Control Report

The report informed the Committee of the internal control environment in South Bank Colleges.

The Committee noted the report which provided assurance that the internal control environment was robust and fit for purpose.

8. External Audit Letter of Representation

The Committee reviewed the draft letter of representation. It was noted that point 2 of the letter needed to be amended to read “that the College intends to implement the Estates Strategy as defined in the grant agreement with the ESFA ensuring that funds will not be repaid”.

The Executive confirmed to the Committee that they know of no reason why the letter of representation cannot be approved by the Board in substantially the form presented to the meeting.

The Committee recommended the letter of representation to the Board for approval at the meeting on 14 November 2019, subject to a minor amendment.

9. Audit Committee Annual Report to Board

It was noted that under the ESFA's Post-16 Audit Code of Practice, Audit Committees of Further Education Colleges are required to produce an annual report for the Board, summarising the committee's activities relating to the financial year under review.

The Committee reviewed its draft annual report to the Board and approved:

- the draft annual report.
- the 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.

10. SBC Annual Report and Accounts ending 31 July 2019

The Committee was presented with the first SBC accounts for the period 1 August 2018 to 31 July 2019 which represents 12 months from incorporation of the company with 6 months educational activity (1 February to 31 July 2019).

The Committee discussed the draft annual report and financial statements. It noted the outstanding items and the adjustments that needed to be made to the accounts that would be presented to the Board at the meeting on 14 November 2019.

The Executive confirmed to the Committee that they know of no reason why the draft Annual Report and Accounts including the Corporate Governance Statement cannot be approved by the Board in substantially the form presented to the meeting.

The Committee recommended the draft Report and Accounts to the Board for approval at the meeting on 14 November 2019, subject to minor amendments.

11. Revised Terms of Reference of the Committee

The committee discussed updated terms of reference, which had been revised to clarify the committee's role in the LSBU Group. The SBC Board had approved the formation of the Audit Committee and its terms of reference (TOR) on 27 February 2019.

It was noted that on 10 September 2019, the Chairs of the Audit Committees in the LSBU Group discussed the audit committee arrangements across the group and that following the discussion, on 1 October 2019, the LSBU Audit Committee agreed changes to its TOR so that it has an oversight role over the audit aspects of the whole of the LSBU Group, including SBC.

It was noted that the TOR of the SBC Audit Committee had been revised to reflect these changes.

The Committee reviewed the TOR and noted:

- that 2.5 should be amended to read: "Collectively members should have recent, relevant experience in risk management, finance and assurance".
- that the Committee would advise the Board on the appointment of the external and internal auditors and terms of engagement if different from the Group external or internal auditors and would oversee the audit services provided by the auditors (7.1.1 & 7.1.4).

The Committee recommended the revised TOR to the Board for approval at the meeting on 14 November 2019, subject to minor amendments as above.

12. Corporate Risk Register

The Committee reviewed the register and noted that the implementation dates in 2020 should correspond with the appropriate timing when the risk mitigation actions required/identified would be undertaken. It was noted that some implementation dates were for monitoring purposes on ongoing matters.

The Committee noted the risk register which had been reviewed so that it was more strategic and aligned with the LSBU risk register.

13. BDO Internal Audit Strategy 2019-2022

The Internal Audit Programme at Lambeth College for 2018/19 had been delivered by RSM until the end of the financial year. BDO the LSBU Group's new Internal Auditors had taken over the delivery of the internal audit services from 1 August 2019.

The Committee noted the LSBU Group 3-Year Internal Audit Strategy which included SBC proposed audit programme for 2019/20, the audit areas were: Health & Safety,

Financial Systems and Controls, Data Quality/MIS, Apprenticeships and Estates Development/Capital Programme.

There was concern about whether the auditors had considered the risk register and also the adequacy of resources to deliver the proposed programme. The Committee requested that it was provided with the scope and the terms of reference of the audit work to be undertaken. It was noted that the scope and terms of reference of the audit work would be circulated to Committee Members.

The Committee approved the proposed internal audits for SBC for 2019/20.

14. Anti-Fraud, Bribery and Corruption Report

The report informed the Committee of any incidences of fraud, bribery or corruption for the period since the transfer of Lambeth College to SBC on 1 February 2019.

The Committee noted:

- that there had been no reports/discovery of fraud or any whistleblowing allegations of fraud since 1 February 2019.
- that there had been no incidences of bribery that had been reported or discovered since 1 February 2019.
- that there had been no incidences of corruption that had been reported or discovered since 1 February 2019.

The Committee noted the contents of the report.

15. Group Speak Up Policy

The Committee was presented with the updated Group Speak Up Policy which had been reviewed to take into account the group structure and approved by the Group Audit & Risk Committee at its meeting on 1 October 2019.

It was noted that the updated policy was being launched as part of staff/student induction and being implemented.

The Committee noted the updated Group Speak Up Policy and that it would be provided with regular updates on matters.

16. Any other business

Future meeting dates and work plan

It was noted that the next meeting would be convened in the 2nd week of February 2020 prior to the Board meeting. It was requested that the Committee was presented with the dates of future meetings and a work plan for 2020.

Date of next meeting
4pm on 11 February 2020

Confirmed as a true record

.....(Chair)