

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 4pm on Thursday 4 June 2020
via Microsoft Teams**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Richard Flatman
Fiona Morey
Jacqueline Mutibwa
Michael Webb
Fleur Nieboer, 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 was 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 11 February 2020 were approved as an accurate record.

4. Matters arising

Internal Audit Report of the Financial Controls

The Committee reviewed the key findings which were: that there were inappropriate controls over the management of the supplier Masterfile; there was a lack of segregation of duties over the setting up of suppliers and changing their bank details; and that supplier due diligence process was inadequate and should be reviewed and updated to include financial checks.

It was noted that LSBU was in the process of implementing a new system on management of new suppliers and reviewing the supplier Masterfile and that SBC systems would be aligned with LSBU supplier Masterfile. The Committee noted that the matter would be included in the Committee's action sheet and the internal audit action tracker. Updates on internal audit actions specific to SBC would be provided to the committee in future reports.

5. Corporate Risk Register - including Coronavirus

The Committee reviewed the two risk registers, the Covid 19 risk register (appendix A) and the Non Covid 19 risk register (appendix B). The Committee:

- noted that the Covid-19 risk register would be incorporated into the corporate risk register. The main focus was on the risk management of Covid-19 and that the operational register would be overseen by management.
- On the non Covid-19 risk register, the key risks were: cost of delivery was too high and exceeded budget, risks associated with the delivery of the estates programme and failure on growth of student numbers and curriculum offer. The risk scores relating to industrial relations and affordability of the estates strategy had gone up since the last meeting.
- that the risk related to the achievement of the financial turnaround target was linked to the CFADs model, and that a more aggressive approach to managing the risk was needed. It was noted that a risk related to failure to achieve the financial target/ break even ahead of the expected time would be included in the risk register.
- that the presentation of the risk register would be improved to include extra columns for: mitigation measures in place; actions to manage the risk; progress on actions with dates and lead officer.

The Committee noted the risk registers.

6. Business Continuity Plan

The Committee discussed the Business Continuity Plan (BCP) in place to respond to the unprecedented challenge of closure of the College campus and the impact on staff and students.

It was noted that the BCP was overseen by the College Leadership team and that meetings were held fortnightly. It was noted that the BCP would include how the issues relating to the return from lockdown strategy were being addressed. The Committee noted that the Leadership team needed to ensure that the internal control environment was still robust.

7. External Audit Plan

The report set out KPMG's LSBU Group External Audit Plan for 2019/20 which included the audit of SBC and its subsidiary SW4 Catering Ltd. It outlined the risk assessment and planned audit approach to be undertaken.

It was noted that the key risks identified for the audit would be the LGPS pension scheme, valuation of fixed assets, depreciation and going concern.

The Committee requested that future reports would extract information relevant to SBC.

Management confirmed that it was comfortable with the proposed plan. The auditors confirmed that they would be able to deliver the audit on time despite the current coronavirus pandemic restrictions.

The Committee approved the SBC aspects of the LSBU Group External Audit Plan 2019/20.

8. Internal Audit Progress Report

The Committee was provided with a progress report on the internal audits for 2019/20. It was noted that the audits on Data Quality (assessing whether recommendations from the ESFA audit have been implemented) and Apprenticeship provision were postponed due to restrictions in place because of the coronavirus pandemic as fieldwork needed to be carried out onsite. It was noted that if the postponed audits could not be performed during the remainder of 2019/20, they would be carried forward into 2020/21. It was noted that the audit on IT security was underway. The internal auditor confirmed that they would still be able to issue an annual opinion even if the two postponed audits could not be completed.

The Committee noted the internal audit progress report for 2019/20.

9. Internal Audit Plan

At its meeting in November 2019, the Committee discussed the Internal Audit Strategy 2019-22. It was noted that the plan and the 2019/20 assurance opinions had been used as the basis for the 2020/21 plan. The plan was linked to the College's Risk Register.

The Committee requested that management review the response to the pandemic rather than including it in the internal audit plan. The Committee requested management to review an alternative audit to business continuity and response plans. The Committee approved the internal audit plan for 2020/21, subject to the amendment above.

10. Updated Financial Regulations

The Committee was presented with the updated financial regulations which were last approved in January 2019.

The Committee reviewed the document and noted the main changes which related to job roles to reflect the current organisational structure. It was noted that sections 6.2

and 6.3 of the regulations on procurement activities, contract and supplier management had not been updated as the procurement function was being reviewed.

The Committee approved the revised Financial Regulations.

The Committee discussed the recommendation that SBC adopts the LSBU Group Financial Regulations from 1 August 2020. Any substantive changes to the SBC aspect of the Group Financial Regulations would be circulated to the committee for approval.

11. ESFA Subcontracting Report

The Committee discussed the report on sub-contracting activity for 2019/20 in line with ESFA agreements and rules on subcontracting.

It was noted that the sub-contracting activity report for 2020/21 would be presented to the Committee at the meeting in November 2020.

The Committee noted the 2019/20 sub-contracting activity report to ESFA and the 2018/19 audit certificate which provided external assurance on subcontracting controls.

12. ESFA Audit 2019/20 Recommendations

The Committee discussed the funding assurance review which enables ESFA to gain assurance that providers manage the key risks relating to the ESFA's funding and that providers use public funds appropriately and for the purpose for which they were intended.

The ESFA audit report detailed the findings and recommendations arising from the review for the funding year 2018/19, the report dated 13 January 2020.

The Committee discussed the report and noted that the ESFA funding assurance review identified a number of errors that totalled £57K. It was also noted that these errors had been corrected prior to the final Individualised Learner Record (ILR) return and that no penalties or clawback had been applied by the ESFA in relation to this year.

The Committee noted the action plan and recommendations which detailed the internal control weaknesses identified during the review. An update on the action plan would be provided at the next meeting.

13. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting on 11 February 2020.

14. 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 11 February 2020.

15. Updated Committee Annual Work Plan 2020

The Committee approved the updated work plan for 2020.

16. Any Other Business

The Executive Principal informed the Committee about the risk assessment and control measures being undertaken on the strategy to re-open the college following the Government's announcement to open colleges from mid-June 2020. The Committee thanked the College Leadership team for the tremendous work undertaken under the difficult circumstances.

**Date of next meeting
11am, Tuesday 3 November 2020**

Confirmed as a true record

.....(Chair)