**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 4pm on Wednesday 10 February 2021
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
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.

3.   Minutes of previous meeting

The minutes of the meeting held on 3 November 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.

Internal Audit Recommendation Follow up 2019/20

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

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

- that 6 out of 24 actions had been closed or completed (25%). However, a number of outstanding actions, including high and medium risks relate to the roll out of the procure to pay process using Agresso and the automation of supplier set up and changes to supplier details. Both projects were led by LSBU and had delayed due to the inability to access Agresso but progress was now underway.

- that other outstanding actions relate to the IT security audit and an update was awaited. The outstanding actions arising from the ESFA Subcontractor Controls audit report would be included in the internal audit action tracker.

5.   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: financial systems and controls, student admissions and enrolment and staff absence management which were due to IT problems since mid-December 2020. The auditors confirmed that the rescheduled audits would be completed by the end of 2020/21.

The Committee reviewed the audit reports on Covid19 response and Apprenticeships. The Committee discussed:

- the Covid19 response report. The auditors gave a moderate level of assurance for the design and substantial level of assurance for the arrangements the Group has in place to respond to Covid-19 risks.

- the apprenticeships report. The auditors gave a moderate level of assurance for the design of the controls and moderate assurance for the operational effectiveness of the controls in place over the apprenticeships process. There was a high risk relating to actions required to implement the objectives set out in the College's Apprenticeship Strategy not being fully defined and progress towards achieving the objectives not being finalised. The other risks relate to the OneFile system not being consistently used by tutors to evidence the apprentice's journey and the roles, responsibilities and reporting lines in relation to the apprenticeship processes.

- that growth in apprenticeships was a key strategic ambition for the College. The College was working closely with LSBU and key stakeholders to establish new working models that would deliver growth, quality and financial sustainability in the apprenticeship offer. The College's Apprenticeship strategy was aligned with the LSBU Apprenticeship Strategy and overall vision.

- the challenges in the apprenticeship delivery which were due to recruitment during the pandemic and its management and outcomes that needed to be

improved. An update on the audit recommendations would be provided at the meeting in July 2021.

The Committee noted the internal audit progress report and approved the proposed timing changes to some audit reviews in the 2020/21 internal audit plan.

6. **Group Risk Policy and Risk Appetite Statement**

The Committee was presented with the Group Risk Policy which was approved by the LSBU Group Audit Committee in June 2020. The Committee endorsed the Risk Policy and that it was recommended to the Board for adoption.

The Risk Policy set out the Group's approach to risk management which requires each individual entity of the Group to adopt its own risk appetite statement. The Committee was requested to review the level of risk appetite for the risk categories and recommend them to the Board for adoption. Having discussed in detail, the Committee recommended that SBC adopts the following risk appetite statements for each risk type:

- Financial – cautious;
- Legal and compliance – minimal;
- Academic delivery – open;
- Reputational – cautious.

The risk management approach would be implemented in autumn 2021.

7. **Updated Corporate Risk Register**

The Committee reviewed the updated risk register (Covid19 and Non Covid19). The format had been reviewed and aligned with the LSBU risk register in terms of risk by strategic pillars, impact and how it sits in the overall framework.

The Committee discussed:

- the high risks associated with Vauxhall NESC project (costs, delays) and IT infrastructure its inability to provide sustained remote learning during the pandemic. The risks had not been appropriately assessed and that the RAG rating should be Red in the risk register.

- the mitigation column and that the actions were not sufficient to mitigate or eliminate the risks.

- the risks associated with the actions arising from the internal audit report on financial controls (February 2020), which were dependant on LSBU systems being integrated were not reflected in the risk register and needed to be addressed.

It was noted that the risk register would be further reviewed i.e. assessment of risk scores, streamlined and more strategic and also incorporate the Covid19 risk register into the corporate risk register.

8.   Key Financial KPIs 2020/21

The Committee was presented with the Financial KPIs/CFAD Turnaround KPIs and targets for 2020/21.

The Committee reviewed the College's performance against the KPIs 2019/20 and the proposed KPIs and targets 2020/21 for recommendation to the Board.   The Committee discussed:

- the target on staff costs as a percentage of adjusted income (H6) was 58%, which referred to the income directly delivered (excluding sub-contracts).

- the target on gross margin by course minimum average by department level (%) (H9) was 48% which seemed ambitious. The target was based on the review of faculty contribution rates as part of business planning, though it would be a challenge to achieve the higher contribution rates due to the College mix of adult/16-18 students.

- that a commentary note in the report would be helpful especially regarding setting targets for KPIs on the Financial Health Grading for ESFA and Self Assessed.

- that the KPI dashboard could be improved by not only aligning the KPIs with the College's strategic financial objectives but also with the regulatory requirements and trustees' responsibilities. A trustee session on the College's performance management framework- regulatory requirements and trustees' responsibilities would be arranged.

The Committee endorsed the proposed KPIs for 2020/21 which would be recommended to the Board for approval at its meeting on 17 February 2021.

9.   ESFA Subcontracting Report 2019/20

The Committee discussed the report on sub-contracting activity for 2019/20 in accordance with ESFA agreements and rules on subcontracting. 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 BDO auditors report on subcontracting controls which provided external assurance for adult education budget and apprenticeships with a signed subcontracting certificate.

The Committee noted the ESFA subcontracting activity report for the delivery of apprenticeships, adult education and training for the year 2019/20.

10.   GDPR and FOI Compliance Report

The Committee noted that there was one freedom of information request and no data breach since the last meeting in November 2020.

11.   Anti-Fraud, Bribery and Corruption

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

12.   Speak Up Update

The Speak up policy had been updated and launched. The Committee noted that there were no matters that had been raised under the Speak up policy since the last meeting in November 2020.

Date of next meeting
4pm, Thursday 8 July 2021

Confirmed as a true record

…………………………………..(Chair)