

Meeting of the Group Audit and Risk Committee

4.00 pm on Thursday, 18 June 2020
via MS Teams

Supplement 3: subsidiaries update

Supplement 3: Subsidiaries update

- Minutes of SBC Audit Committee 11 February 2020
- Minutes of SBA Audit Committee 10 March 2020

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**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 4pm on Tuesday 11 February 2020
Lambeth College Board Room (C303), 45 Clapham Common South Side,
London SW4 9BL**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Richard Flatman
Jacqueline Mutibwa
Michael Webb
Gemma Wright, BDO Internal Auditors

Apologies

Fiona Morey

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 6 November 2019 were approved as an accurate record.

4. Matters arising

The Committee reviewed the action sheet and that the actions had been completed or were on the agenda of the meeting.

5. Internal Audit Report – Financial Controls

The report updated the Committee on the progress of the internal audits for 2019/20. The Committee reviewed the audit report of the Financial Controls that was undertaken

as part of the approved internal audit plan for 2019/20. The audit focused on payroll and accounts payable process in place at the College.

The Committee noted that the report gave limited assurance over the design of the accounts payable controls in place and moderate assurance over the operational effectiveness of the controls in place in relation to accounts payable. Substantial assurance over both the design and operational effectiveness of controls over payroll. It was noted that the auditors made 2 high, 2 medium and 1 low risk recommendations.

The Committee discussed the key findings from the audit:

- that the closing balances from Symmetry had not been transferred to Agresso. It was noted that work was being undertaken to resolve the matter.
- that there were inappropriate controls over the management of the supplier Masterfile and there was a lack of segregation of duties over the setting up of suppliers and changing their bank details. It was noted that LSBU was in the process of implementing a new system on management of new suppliers and reviewing the supplier Masterfile.
- that payments to suppliers were made without confirmation that goods had been received. It was noted that a Procure to Pay review was being undertaken by LSBU and the changes would be reflected in the College's procedures. It was also noted that the College's Financial Regulations would be updated to align with LSBU Financial Regulations relating to supplier payments and receipt of goods/services and controls built into Agresso in line with LSBU's control framework.
- 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.

6. Corporate Risk Register

The Committee reviewed the register. There was discussion about the risk management approach and presentation. The Committee noted:

- that although some of the risks were ongoing, the mitigation actions should have dates on which the actions required/identified would be undertaken.
- that the current model was a top down risk based approach and asked whether a bottom up approach should be considered. It was requested that a bottom up strategy is tested in order to consider the most suitable risk management approach for the College.
- that a LSBU group risk management policy and risk appetite was being reviewed.

The Committee noted the risk register and that there were no changes to the risks or scores since the last meeting in November 2019. The Committee would be presented with an updated risk register at its meeting in June 2020.

7. Anti-Fraud, Bribery and Corruption

The Committee noted that there were no incidences of fraud, bribery or corruption since the last meeting on 6 November 2019.

8. Speak Up Update

It was noted that there were no matters that had been raised under the Speak Up policy since the last meeting on 6 November 2019.

The Committee noted that the updated Group Speak Up policy had been further revised to take into account the specific challenges in the HE sector. The updated policy would be approved by the Group Audit & Risk Committee at its meeting on 13 February 2020. It was noted that the revised approved policy would be circulated to the Committee.

9. Committee Annual Work Plan and Future Meeting Dates 2020

The Committee discussed the annual work plan and that it should reflect its remit in the terms of reference such as responsibilities on regulatory reporting. It was noted that the work plan would be updated to ensure that it reflects the remit of the Committee and presented at the meeting in June 2020.

The Committee noted the future meeting dates for 2020.

10. Revised Terms of Reference of the Committee

The updated terms of reference (TOR) had been approved by the SBC Board at its meeting on 14 November 2019 subjected to minor amendments on SBC Audit Committee's advisory role to the Board on the draft annual financial statements and letter of representation (TOR 5.3).

It was noted that the TOR had been amended to reflect the changes recommended by the SBC Board. The Committee noted that amended TOR of the Committee.

11. Terms of Reference of the Internal Audit Work – Financial Controls

The Committee noted the terms of reference of the internal audit work on financial controls.

Date of next meeting
11am, Tuesday 3 November 2020

Confirmed as a true record

.....(Chair)

**Minutes of the meeting of the South Bank Academies Audit Committee
held at 2.00 pm on Thursday, 12 March 2020
Technopark, SE1 6LN**

Present

Richard Flatman (Chair)
Tony Giddings

In attendance

Helena Abrahams
Michael Broadway
Dan Cundy
Natalie Ferer
Jacqueline Mutibwa
Gemma Wright (*BDO, internal auditor*)

Apologies

Fiona Morey

1. Welcome and apologies

The Chair welcomed the Committee Members to the meeting and confirmed that the meeting was quorate.

Gemma Wright, internal auditor was welcomed to her first meeting.

2. Declarations of interest

There were no declarations of interest in relation to the agenda items of the meeting.

3. Minutes of previous meeting

The minutes of the meeting held on 28 November 2019 were approved as an accurate record.

4. Matters arising

The Committee noted the actions arising from the previous meeting.

Under item 4, the Business Manager had informed DfE about the ParentPay debt write-off and their response was awaited.

Under item 12, the Business Manager would check when the Financial Controls Policy and SBA Financial Scheme of Delegation was last updated and would be reviewed. The Committee would be asked to consider the updated policy via email prior to seeking the Board's approval.

It was noted that the remaining actions had been completed or were on the agenda of the meeting.

5. External Audit Findings – Action Plan

The Committee reviewed the actions arising from audits 2017/18 and 2018/19 and the progress that had been made on the auditors' recommendations.

Actions arising from 2017/18 audit:

- The UTC ESFA capital grant funding worth £83K for assets that had been capitalised within the UAE fixed asset register. There was no clear indication from ESFA on whether the sharing of these assets complies with terms and conditions for UTC funding. The Business Manager would seek written confirmation from ESFA on the use of the assets.
- Building occupied by UTC. There was no documentation i.e. a licence to occupy or a lease with the Landlord for the use and occupation of the building. It was noted that UTC had discussed the matter with DfE and that a response was awaited.

The Committee noted that the remaining actions arising from the 2017/18 audit had been addressed and implemented.

Actions arising from 2018/19 audit:

- Compliance with ESFA regulations and guidelines, which was due to lack of clarity on responsibility for certain areas of work. It was noted that a detailed review of compliance matters and the roles and responsibilities for each job was being undertaken with particular emphasis on compliance with the Financial Handbook. It was also noted that the issue concerning related parties would need to be considered. The Committee noted that the Financial Handbook was being reviewed and a paper on compliance would be considered at its meeting in June 2020.
- Income recognition on pupil premium. It was noted that the year-end accounting for pupil premium would be reviewed and implemented at year end 2019/20.
- Employee contracted pay due to the inability to reconcile contracted pay to amounts paid via payroll. The communication process with the payroll provider was being reviewed and an update on progress being made to address the matters was awaited. iTrent (the LSBU Group HR system) was being implemented as an HR record system and it was also being considered for payroll processing subject to complying with ESFA rules on procurement, including related party transactions. The Committee requested that it was provided with a report on the

proposed service provider for the payroll services and its views would be sought via email.

The Committee noted that the remaining actions arising from the 2018/19 audit had been addressed and implemented.

6. BDO Internal Audit Report & Financial Controls

The Committee reviewed the audit report of the Key Financial Controls that was undertaken as part of the approved internal audit plan for 2019/20. The audit focussed on accounts payable and school meal income processes and controls (ParentPay).

The Committee noted that the report gave limited assurance over both the design and the operational effectiveness of the controls in place at SBA to manage the key risks over accounts payable and school meal income. It was noted that the auditors made 4 high and 3 medium risk recommendations.

The Committee discussed the key findings from the audit:

- that the PS Financials, the finance system had not been set up to operate appropriately to enforce compliance with financial procedures. The Business Manager noted that actions were being undertaken to address the matters and that the segregation of duties over the accounts payable process had been implemented. Management gave reassurance to the Committee that PS Financials was fit for purpose and appropriate for use at SBA and would ensure that the system is set up to operate appropriately to enforce compliance with financial procedures
- that the ParentPay procedures and practices were inconsistent across the academies and were unable to record and reconcile school meal income effectively, leading to further debts occurring. The Business Manager noted that catering contract and systems used to monitor school meal income were being reviewed. It was noted that Management would consider a consistent policy on administering ParentPay. It was noted that there was an action plan in place to address the matters. Management are considering providing free uniform and school meals to all children. A proposal would be brought to the Board in due course.

7. SBA Financial Controls Policy and Financial Scheme of Delegation

The Committee noted that the policy would be reviewed and updated to ensure that the documents reflect the systems and processes in place.

It was noted that the financial handbook needed to reflect the financial controls policy and scheme of delegation and would be reviewed in June 2020. The Committee would consider the policy via email prior to seeking Board's approval.

8. **External Audit Appointment Update**

The Committee was provided with an update on the appointment process. It was noted that Crescent Purchasing Consortium framework had been used for the tendering process, which had been completed. It was noted that Buzzacott was the only auditor that had expressed an interest in the audit tender and that much of their work was with academies and schools. The committee noted that KPMG, the external auditors for LSBU and SBC had decided not to submit a bid as they would not be able to submit a bid that was competitive on price compared to smaller firms that specialised in the Academy market.

The Committee agreed that Buzzacott should be invited to attend an interview and that the selection panel would comprise; the Chair of the Audit Committee and Tony Giddings (member of the audit committee), the Business Manager and the Group Financial Controller.

9. **SBA Catering Contract Update**

The Business Manager gave an update on the tendering process, which was underway. The Committee noted:

- that a LSBU group procurement arrangement was being considered.
- that two companies had expressed an interest in the contract and that one was a highly experienced catering provider in schools.
- that although JPL, the current service provider, delivered a high quality and customer satisfaction service, the contract needed to be reviewed and put out to tender to ensure value for money.

An update would be provided at the next meeting.

10. **MAT Risk Register**

The Executive Principal gave a report on the situation concerning the Coronavirus (COVID-19), the measures, procedure in place and those that would be implemented.

The Committee noted:

- that the risk on Business Continuity did not include pandemics such as the new Coronavirus with a high risk and impact score and that the register had been updated.
- that SBA was in close communication with a number of organisations for guidance and briefing updates on the pandemic i.e. Public Health England, DfE and Lambeth Council. SBA was reasonably well prepared.
- that the corporate risk register (MAT) would be considered by the Audit

Committee and the Board. The operational risks would be considered by the School Advisory Boards.

- that on the risk associated with uncertainty of student numbers, the budget planning process had commenced and that there would be an additional £1K funding allocation per student in sixth form.

11. **Speak Up report**

It was noted that there were no matters that had been raised under the Speak Up policy since the last meeting on 28 November 2019.

The Committee was presented with an updated Group Speak Up policy which had been further reviewed to take into account the specific challenges in the HE sector. The updated policy was approved by the Group Audit & Risk Committee at its meeting on 13 February 2020. It was noted that the policy would be reflected in the other policies and procedures such as complaints policy.

The Committee noted the updated Group Speak Up policy, which was being implemented and launched with staff.

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

The Committee noted that there were no incidences of fraud, bribery or corruption since the last meeting on 28 November 2019.

Date of next meeting

Confirmed as a true record

..... (Chair)

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