Meeting of the Group Audit and Risk Committee

4.00pm on Thursday, 11 February 2021
via MS Teams

Supplement 2: subsidiaries update (for information)

Paper title:	Internal Audit SBA HR Policies and Procedures
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	11 February 2021
Author(s):	BDO
Sponsor(s):	Fiona Morey, Executive Principal Richard Flatman, Group Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the report

Executive summary

BDO conducted an internal audit of SBA's HR policies and procedures in November 2020. It found in terms of assurance that there is a generally sound system of internal control, but that there are some instances where there is non-compliance with controls.

Testing did not identify any concerns surrounding the controls in place to mitigate the two major risk areas: failure of the trust to follow employee legislation and failure of the HR policies to comply with legislation or good practice. No high level recommendations were made. The one medium level recommendation: that HR policies are not subject to regular review, with one policy not being reviewed in the last three years. There was one low level recommendation in relation to the information contained in one policy.

Management responses have been added to the audit, with both recommendations addressed through a review programme and additional capacity in the central trust HR team.

Recommendation

The Committee is requested to note the report.

SOUTH BANK ACADEMIES

INTERNAL AUDIT REPORT – FINAL

HR POLICIES AND PROCEDURES
NOVEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

DISTRIBUTION	
Jacqui Collins	Trust HR Manager
Dan Cundy	Executive Principal
REPORT STATUS LIST	
Auditor	Elliot Croucher
Dates work performed	17 - 25 August 2020
Draft report issued	29 September 2020
Final report issued	9 November 2020

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	
Medium	■	1
Low	●	1

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

The Department for Education (DfE) outlines a number of statutory HR policies that are mandatory for schools and academy trusts. Included within these are the following three key policies:

- Teachers' pay
- Grievance
- Disciplinary

SBA maintains a HR policy matrix outlining the various policies, responsible owners, stakeholders involved in the consultation and whether the policy applies to individual schools or is trust wide. We are informed by the Trust HR Manager that there is a trust wide initiative to review all HR polices in the 2020/21 academic year, prioritising the DfE statutory policies.

The DfE recommends that the three key policies under review, as outlined above, should be reviewed annually, so that they are kept up-to-date with statutory legislation and align to industry standards. Annual review is not mandatory, but represents good practice within the industry.

The SBA Teachers' pay policy has recently been reviewed and updated to cover the Trust's operations, this was approved by the Trust Board in July 2020 after consideration from the Remunerations Committee.

All HR policies are owned by The Trust HR Manager or Executive Principal. When reviewing HR policies, SBA will consult with all relevant stakeholders including the employment law team, Principals, staff union representatives and staff governor representatives, before obtaining Board approval. This is to ensure compliance with statutory regulations.

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

SCOPE AND APPROACH:

We undertook a review of three key HR policies across the Trust, to verify whether the appropriate and up to date employment legislation was captured within the policies, and the guidance was fit for purpose. Specifically, the five policies under review were:

- Teachers' pay
- UAE Grievance
- UAE Disciplinary
- UTC Grievance
- UTC Disciplinary

This included a review of whether the policies were in line with accepted standards of good practice, as recommended by ACAS.

We carried out interviews with the Trust HR Manager to establish the internal policy review process and assessed the frequency of the HR policy reviews. This included consideration of the consultation and approval of the key policies.

A benchmarking exercise was completed, whereby we compared SBA's HR policies for the three areas above to four other Academy Trusts to establish whether they are aligned to industry standards and to identify any good practice that SBA could consider adopting. During this exercise we sought to identify potential areas of improvement around the grievance and disciplinary policies to assist the Trust HR Manager in the forthcoming policy review.

GOOD PRACTICE:

We noted the following areas of good practice:

- The SBA Teachers' pay policy contains all relevant employment legislation as at the time of the review, and is structured to reflect the ACAS model teachers' pay policy. This was subject to review and approval from the Remunerations Committee and the Trust Board.

- The UTC and UAE Grievance and Disciplinary policies used a standard format and contained similar content, allowing a consistent application of the procedures across both schools.

KEY FINDINGS:

We have raised two findings, one of medium significance and one of low significance.

SBA HR policies are not subject to regular periodic review, contrary to DfE guidance and good practice.

The benchmarking revealed a number of key information areas that were absent from SBA's grievance and disciplinary policies.

CONCLUSION

As a result of the findings we are able to provide moderate assurance over both the design and effectiveness of controls the Trust has in place to maintain its HR policies and procedures in line with legislative requirements.

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

✓ Failure of the Trust to follow employee legislation

✓ HR policies do not comply with employment legislation or accepted standards of good practice

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

DETAILED FINDINGS

RISK: HR POLICIES ARE NOT SUBJECT TO REGULAR REVIEW, UPDATED WHEN EMPLOYMENT LEGISLATION CHANGES AND/OR APPROPRIATE APPROVAL.

Ref	Sig.	Finding
1	🟧	SBA's key HR policies are not subject to regular periodic review in line with Department of Education (DfE) guidance.
		Specifically, the UAE disciplinary and grievance policies were last reviewed in 2014, and the UTC disciplinary and grievance policies were last reviewed in 2017. The DfE recommends that these are reviewed annually.
		Without a formal process for the periodic review of key HR policies and procedures, there is a risk that SBA's policies are not kept up to date with statutory regulations or aligned to recognised standards of good practice.

RECOMMENDATION:

The HR polices should be reviewed as per DfE guidance, which is mostly on an annual basis, with consultation from employment law team, Principals, staff union representatives and any other key stakeholders.

Consideration could also be given to amalgamating the academies' policies to create Trust wide grievance and disciplinary policies. This would reduce the need to review two policies every year.

MANAGEMENT RESPONSE:

A document has been created which sets out the review programme and the responsible parties for each policy. The programme is due to commence in November.

In addition to the policy review, it is imperative that the school advisory boards or Trust Board (where applicable) undertake a rolling programme of review for all policies, including HR policies.

Responsible Officer:	Jacqui Collins, Trust HR Manager
Implementation Date:	November 2020

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

RISK:

Ref	Sig.	Finding
2	🟢	A review of the five key SBA HR policies, and benchmarking exercise against four similar Academies revealed a number of areas of information were absent from the academy's policies. These are outlined in the recommendations section below.
		Absence of key information from the HR polices may result in insufficient guidance provided to staff during grievance and disciplinary cases, and lack of alignment to industry standards and good practice.

RECOMMENDATION:

During the review of SBA HR policies, the HR team should consider inclusion of the following information in the respective policies.

Grievance policy

- Outlining of manager's responsibilities

    - To promote fairness in the process
    - Responsibilities around confidentiality
    - Timeframes
    - Maintaining a good working environment whilst grievance is being addressed
    - Responsibility of taking and sharing notes with the appropriate parties after meetings

- Linkages to the disciplinary policy (noted in three other academy policies)

    - Grievance procedure should not be used for appeals against disciplinary decisions
    - Suspension of grievance procedure whilst disciplinary action is being carried out, where disciplinary action against another employee results from a grievance
    - Suspension of the disciplinary procedure if a grievance is raised once the disciplinary process is underway, in order to consider the grievance (only applicable if the grievance arises from the disciplinary meeting)

- Grievance procedure for ex-employees
    - Time frames for registering grievances after leaving employment, and for providing a written response to the ex-employee
- Grievance procedure flowchart (noted in two other academy policies)
- Grievance report/form templates (noted in two other academy policies)

Disciplinary policy

- Disciplinary procedure flowchart (noted in two other academy policies)
- Disciplinary report/form templates (noted in two other academy policies).

MANAGEMENT RESPONSE:

These will be included in our revisions during review, consultation and ratification. We welcome the work which has been undertaken in reviewing policies from similar organisations, which will serve to strengthen the effectiveness of our own policies.

Responsible Officer:	Jacqui Collins, Trust HR Manager

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

Implementation Date:	The review will commence on 2 November 2020 and conclude by 31 January 2021

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

OBSERVATIONS

ABSENCE OF INFORMATION IN UAE DISCIPLIANRY POLICY

The UAE Disciplinary policy does not have the appendix that is included in the UTC policy. This results in the absence of guidance around the following areas from the UAE policy:

- Misconduct
- Serious misconduct
- Gross misconduct

It is noted that there is consideration being given to amalgamating the Trust's grievance and disciplinary policies, in which case the appendix in the UTC disciplinary policy should be included in the Trust wide policy. Therefore, we have not included this as a specific recommendation.

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Jacqui Collins	Trust HR Manager

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial ●	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate ■	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited ⬢	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No ▲	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High ▲ A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.

Medium ■ A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Low ● Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

LONDON SOUTH BANK UNIVERSITY, HR POLICIES AND PROCEDURES

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls the Trust has in place to maintain its HR policies and procedures in line with legislative requirements.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- From SBA's risk register – Risk 31 – Failure of the Trust to follow employee legislation
- HR policies do not comply with employment legislation or accepted standards of good practice

HR policies are not subject to regular review, updated when employment legislation changes and/or appropriate approval.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review a sample of HR policies against employment legislation and against recognised standards of good practice (ACAS, CIPD and other academy trusts). The policies included are:
  - Trust Teachers' pay
  - UAE Disciplinary
  - UAE Grievance
  - UTC Disciplinary
  - UTC Grievance
- Review of arrangements in place to maintain the HR policy framework including reviewing, updating and approving HR policies.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

APPROACH:

A desktop review of a sample of HR policies against employment legislation and recognised standards of good practice (ACAS, CIPD and other academy trusts) will be performed.

FOR MORE INFORMATION:

RUTH IRELAND

+44 (0)20 7893 2337
ruth.ireland@bdo.co.uk

**Minutes of the meeting of the South Bank Academies Audit Committee
held at 11.30 am on Thursday, 3 December 2020
MS Teams**

Present
Richard Flatman (Chair)
Tony Giddings

Apologies

In attendance
Fiona Morey
Helena Abrahams
Michael Broadway
Natalie Ferer
Dan Cundy
Ciara Carroll
Gemma Wright (BDO)
Alison Chojna (minute 5)

1. **Welcome and apologies**

   The Chair welcomed members to the meeting.

   Gemma Wright (BDO – internal audit) was in attendance.

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 committee approved the minutes of the meeting held on 2 July 2020.

4. **Matters arising**

   Update to be provided on payroll provider

   The Trust is being migrated to LSBU's payroll provider, iTrent. There will be two parallel runs in February and March 2021 and the formal go-live will take place on 1 April 2021. It was confirmed that the cost for using iTrent is being treated as a donated cost from LSBU, therefore there is no requirement to agree this change with the ESFA.

   Update to be provided on ParentPay and catering

The historic issues with ParentPay have now been resolved and monitoring of accounts is taking place on a regular basis. Limits have been placed on the level of debt that can be accrued.

The Trust Business Manager is to be supported by the Group Financial Controller to draft the letter to the ESFA to explain the circumstances pertaining to the ParentPay debt write-off.

The catering contract is due to be renegotiated. A company is being used to support with the tenders for several contracts, including catering. There is no fee for the initial stage of contract review.

Update on financial controls impacted during pandemic

The most significant issue is the lack of physical signatures on documents. The Trust is planning to use DocuSign through the University, however the required licences have yet to be granted. This is to be escalated through the ICT team as soon as possible.

Draft Annual opinion

This item is on the agenda in item 5.

UTC grant

This item has been cleared as an audit item by the external auditor, Buzzacotts.

Self-assessment checklist

The Committee noted that the deadline for this submission has been extended to March 2021. The Committee heard that the purpose of this checklist is to ensure that the trust is using its resources effectively and provides a RAG rating in different areas of expenditure.

Following a request by the Committee, it was agreed that the checklist would be submitted to the Audit committee for detailed interrogation and then presented to the Board for sign-off before submission.

5. **Internal audit report**

   Information Technology

   Alison Chojna joined the meeting.

   The committee noted that the IT internal audit report was conducted on a group-wide level, with specific risks noted for SBA. Limited assurances were given for SBA, in tandem with the rest of the Group. One high risk identified was password protection which is expected to be closed imminently.

The key finding of the IT report is that cyber security needs to be led by the executive, rather than from the technology side. An IT security working group has been established and will meet on a six-weekly basis to implement necessary actions; completion will be monitored through KPIs.

The committee was pleased that cyber security is taken very seriously, particularly with the move to working from home during the pandemic. The committee requested that regular updates be provided to it throughout the remainder of the academic year on the completion of actions from this audit.

The Committee noted that significant actions have taken place already and recognised that there will be cost implications which have not been budgeted for.

The Committee noted that SBA use Pallent as its IT supplier and heard that there is a representative from Pallent attending the working group meetings to support on the technical side. Pallent are reported to be responsive and engaging well in the process. SBA appreciate the schools' experience that Pallent bring to the table and noted that the schools are well progressed in their permanent move to the cloud.

Alison Chojna left the meeting.

HR policies and procedures

The Committee noted the moderate assurance provided in this audit report and the Trust's compliance with statutory HR requirements. *In response to questioning around the suggestion by the auditors that the Trust review the overarching policy framework,* the Committee heard that work is being done to harmonise policies across both schools and to bring several policies to Trust level. It is envisaged that this work will be complete by March 2021.

Risk management

The Committee noted that the Group policy on risk management had not been implemented when this report was completed. The report has been helpful to establish where SBA is in terms of its risk management process. Actions from this report will dovetail with the actions to be taken as a result of the adoption of the Group risk management process.

The committee noted that the intention is for SBA to move to the 'defined' level by the end of the year, with a potential target of 'managed' by the end of 2022.

Annual opinion

The Committee noted that, as only two individual pieces of work have been done for SBA this year, it has not been possible to provide a separate annual opinion. However, it was confirmed that the group opinion applied to SBA as it did to other parts of the group. The group internal audit annual opinion is:

That controls are generally satisfactory with improvements required in some areas.

It was, however, recognised that SBA did have a slightly higher average number of recommendations per audit but this is within tolerance range.

Progress report

The committee noted the progress report of the annual business plan for internal audit.

6.   **MAT risk management**

The Committee noted the Group Risk Management policy and Risk Appetite. Setting a risk appetite is devolved to the Trust from the Group and it is important that the Board forms its own view. A recommendation on SBA's risk appetite will be made for the March 2021 sequence of meetings.

The Committee noted the Risk Register and noted that there would be a submission made to the Board meeting on 15 December to mitigate the increased financial risk because of unbudgeted expenditure related to the coronavirus pandemic.

The Committee noted that there is a separate register for the coronavirus pandemic which has previously been audited by the internal auditor as part of a group-wide audit of coronavirus response.

The Committee was informed that the University had agreed to provide access to testing for SBA staff and this was likely to commence in January 2021.

7.   **Policies**

The Committee noted the adoption of the Group Anti-fraud policy by SBA but recognised that more work needed to be done to adapt the policy to the needs of the Trust, including changing the role names.

Following discussion, it was agreed that the policy should refer to the ESFA guidelines, rather than detailing any specific financial limits. The policy will be brought back for approval at the next Audit committee meeting in March 2021.

The Committee agreed the Financial Scheme of Delegation, following confirmation that the Accounting Officer agreed with the financial limits set within the policy.

8.   **ESFA Letter to Accounting Officers in academy trusts 26.08.2020**

The committee noted the extension of the deadline to file the 2019-20 annual accounts with the ESFA to 31 January 2021.

9.   **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 2 July 2020.

10.   **SBA Audit committee annual business planner**

The committee noted the annual business planner.

11.   **Anti-fraud, bribery and corruption report**

The Committee noted that there were no incidences of fraud, bribery or corruption since the last meeting on 2 July 2020.

12.   **Any other business**

The committee asked what impact the government decision to freeze public sector pay will have on the Trust's budget and what actions have been taken to reflect this. The Trust Business Manager explained that the Board had taken the decision to follow the 'School teachers' pay and conditions document'. As a result, pay increases have been removed from next year's budget. The pay increases have been retained in the budget for the following years.

Date of next meeting
11.30 am, on Tuesday, 8 December 2020

Confirmed as a true record

.... (Chair)

**Minutes of the meeting of the South Bank Academies Audit Committee
held at 11.00 am on Tuesday, 8 December 2020
MS Teams**

Present
Richard Flatman (Chair)
Tony Giddings (by email)

In attendance
Fiona Morey
Helena Abrahams
Michael Broadway
Natalie Ferer
Dan Cundy
Ciara Carroll
Catherine Biscoe
Gumayel Miah (Buzzacotts)

1. **Welcome and apologies**

   The Chair welcomed members to the meeting, including Catherine Biscoe and Gumayel Miah (Buzzacotts) to their first meeting as external auditors of the Trust.

   The Chair noted that the meeting was not quorate. It was agreed that the meeting would continue on the basis that comments on the papers had been received from the absent committee member and that the absent committee member would be requested to confirm that he is satisfied with the discussions at the meeting as set out in the minutes.

   {Secretary's note: Tony Giddings confirmed that he is satisfied with the discussions at the meeting and was content with the recommendations made by the committee as part of the meeting to the Board}]

2. **Declarations of interest**

   No member declared any interest in any item on the agenda.

3. **External audit findings**

   The committee discussed in detail the draft external audit findings report.

   The auditors raised an issue around the different treatment of property in the UTC compared to UAE. It was acknowledged that lease negotiations for the UTC site have been ongoing for some time but are expected to be concluded within the next quarter. The accounting treatment agreed with the previous auditor is to continue for 2109-20, on the basis that the issue will be settled in time for next year's accounts.

The committee requested that the ParentPay debtor issue is resolved and that the ESFA is notified of the write off as soon as possible.

The committee sought assurance that the payroll issue had been resolved and it was confirmed that there had been a single issue at the very start of lockdown (March 2020). Every payroll since has been correctly approved. The Trust Business Manager informed the committee that provision has been made in advance to finalise payroll for December to allow for the early closure of the UTC.

The committee noted the government's updated guide in relation to fraud and cybercrime and asked that management take this guidance into consideration when reviewing policy.

The committee noted the ongoing work by management and the auditors to complete the outstanding actions and finalise the post audit report. The committee directed that all outstanding actions be completed in advance of the Board meeting on 15 December.

The committee noted that no significant issues were highlighted as part of the audit.

The committee noted that the auditors would provide an unqualified opinion of the accounts, subject to the finalisation of the audit.

The committee expressed its thanks to Buzzacotts for a comprehensive and helpful report.

4.   **Going concern statement**

The committee noted the going concern statement, which provided assurance that the 2019/20 accounts could be prepared on a going concern basis.

The committee noted that the going concern statement will be required to be more robust next year due to changing audit guidance.

5.   **System of internal control report**

The system of internal control report was not available to be circulated with the papers and so would be submitted to the Board for review and approval on 15 December 2020.

6.   **External audit letter of representation**

The committee recommended the letter to the Board for approval.

7.   **Annual report and accounts**

In response to an issue raised by the auditors, the committee requested that the relevant reserves policy is reviewed to ensure that it details the agreed treatment of intercompany balances.

The committee reviewed the draft annual report and accounts in detail for the year ending 31 August 2020.

The committee supported the draft annual report and accounts and noted that amendments would be circulated to the committee before the accounts are considered by the Board.

Date of next meeting
11.00 am, on Tuesday, 9 March 2021

Confirmed as a true record

.... (Chair)

	INTERNAL
Paper title:	Internal Audit –South Bank Colleges Apprenticeships
Board/Committee	Group Audit and Risk Committee
Date of meeting:	11 February 2021
Author:	BDO
Sponsor:	Fiona Morey, Executive Principal
Purpose:	For information
Recommendation:	The Committee is requested to note the report.

Summary

The new Group strategy places growth in high quality apprenticeships as a key strategic ambition for the group in meeting its vision to ensure access to professional and technical education.

The Apprenticeship audit was undertaken during a period of change of apprenticeship structure in the college and with integration within the LSBU Group. The audit has supported a range of discussions with all key stakeholders and the new LSBU Group Director and the college senior lead for Apprenticeships and the Head of Apprenticeships are working together to fully establish new working models overseeing actions that deliver growth, quality and financial sustainability in our apprenticeship offer.

Recommendation:
The Committee is requested to note this report

SOUTH BANK COLLEGES

INTERNAL AUDIT REPORT – FINAL

APPRENTICESHIPS
JANUARY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

DISTRIBUTION	
Fiona Morey	Principal
Rachel McCafferty	Chief Financial Officer
Sammy Shummo	LSBU Group Director Apprenticeships
Philip Cunniffe	Assistant Principal, Student Services
Uzma Sadiq	Apprenticeships Manager
REPORT STATUS LIST	
Auditors:	Hollie Charlton
Dates work performed:	16 October – 17 November 2020
Draft report issued:	11 December 2020
Final report issued:	27 January 2021

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	1
Medium	■	1
Low	●	3

TOTAL NUMBER OF RECOMMENDATIONS: 5

BACKGROUND:

In 2019 Lambeth College became part of the London South Bank University Group as South Bank Colleges (SBC). Both the University and the College provide apprenticeships, with the around 96 apprenticeship students at the College and around 680 enrolled at the University since August 2019. The College provides more vocational courses, whereas the University provides mostly degree-level courses.

The College has seen a slow in apprenticeship applications, with no new starters this year. The recruitment of a new Employee Engagement Manager began in October 2020, whose role it will be to support the recruitment of apprentices and employers. Skills coaches are also being recruited who will be responsible for supporting apprentices and their employers.

There were significant changes to the teams and the structure of apprenticeships at the College when it merged with the University. The Group Apprenticeship Strategy was developed in September 2019 and sets out the high-level vision for the Group, which aligns with the LSBU mission "to be recognised for transforming lives, community's businesses and society through applied education and insight." The Strategy outlines that the vision will be achieved through "a strong joint approach between LSBU institutions."

A supporting strategy for the College was developed in May 2020, which outlines specific objectives for the College that align to the Group Apprenticeship Strategy and overall vision. This includes the ambition for 40% of the Group's apprentices to be enrolled at the College by 2023. Before the supporting strategy was developed, a 2019-22 Business Plan was in place at the College which included a number of targets for apprenticeships. This included having over 500 apprentices at level 2-3 by 2021/22 as part of the DfE CFADS model. This document also set out that if all targets were met, predicted income was forecast to be around £2.7m for 2019/20 and to £3.1m in 2020/21 (if additional courses were added). Actual apprenticeship income for 2019/20 was around £220k. We understand this was more of a vision than a formal business plan and the targets in the plan were reliant on the opening of the Vauxhall campus (which has been postponed for a year), the apprenticeship team growing and new courses being offered. These targets have been superseded by introduction of the Group Strategy.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

The introduction of OneFile has seen the College move from the old paper-based system. OneFile is used to capture an apprentice's journey, and it can be accessed by the apprentice, tutor, employer and the Apprenticeships team and includes information such as learning agreements, employer details, certificates, reviews and outcomes etc. There is a central dashboard within OneFile where the Apprenticeships team can view the progress of the learners.

The reporting lines for apprenticeships within the Group are complex, as they involve input from multiple departments. These include:

- The Apprenticeships team who manages the overall process and administration
- The curriculum areas who deliver the courses
- The Management Information Systems (MIS) team who manages learner data
- Finance who process and receive payments from employers.

SCOPE AND APPROACH:

We interviewed staff at SBC who are involved in the apprenticeships process, and we reviewed key documents to establish the arrangements in place. Specifically, we:

- Reviewed the Group Apprenticeship Strategy, as well as the College's Strategy and Business Planning document for apprenticeships, to determine whether specific objectives have been defined, the strategic direction for the College and the University are aligned, and whether the strategy has been finalised and approved.
- Assessed whether decision making responsibilities have been clearly defined, and we reviewed examples of key decisions over the apprenticeship process to verify whether they were made in a timely manner.
- Obtained the policies, procedures and supporting guidance for apprenticeships (including template contracts) to assess whether they were consistent across the Group.
- Reviewed the apprenticeship process flowchart for the College to determine if responsibilities have been appropriately assigned.
- Completed a walkthrough of the OneFile system to confirm how it is kept up-to-date and identify the oversight that is provided to the Apprenticeships team.
- Assessed the reporting lines within the Group to determine whether they allow for timely and relevant information to be provided to key stakeholders.

GOOD PRACTICE:

We identified the following areas of good practice during our review:

- The apprenticeships process flowchart for the College clearly defines operational staff responsibilities at each stage of the process, including the initial assessments, enrolment of the apprentice, and the completion of monthly progress reviews.
- The job descriptions for the new roles of Employee Engagement Manager and the skills coaches clearly outline the responsibilities of the roles. However, the structure to implement these roles has not yet been finalised.
- The central dashboard on OneFile is reviewed to identify overdue tasks and outstanding evidence. The tutors are then chased to ensure the evidence is uploaded.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

KEY FINDINGS:

Five findings have been raised; one of high significance, one of a medium significance and three of a low significance.

The high significance finding relates 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 medium significance finding relates to the OneFile system not being consistently used by tutors to evidence the apprentice's journey.

The low significance findings relate to responsibilities relating to apprenticeships not being formally communicated and synergies between the College and LSBU not having been fully utilised, specifically around having a joint marketing approach and common policies and templates.

CONCLUSION:

As a result of our review we are able to provide moderate assurance over the design of the controls and moderate assurance over the operational effectiveness of the controls in place over the apprenticeships process.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

DETAILED FINDINGS

RISK: DECISION MAKING PROCESSES OVER THE APPRENTICESHIP STRATEGY AND DIRECTION ARE NOT CLEARLY DEFINED OR ROBUST

Ref	Sig.	Finding
1	▲	Actions required to implement the objectives set out in the College's Apprenticeship Strategy have not been defined and progress towards achieving the objectives is not being monitored.

The Group Apprenticeship Strategy was developed in September 2019, and a supporting strategy for Lambeth College was developed in May 2020. The Strategy for the College includes specific objectives which align to the overall group vision. We were informed that the Apprenticeships Strategy was due to be reviewed in late 2020 to ensure the resources available at the College align with the overall Strategy and needs to be brought to the College Leadership Group.

However, there was no evidence of actions required to implement the objectives being defined, and subsequent progress against the strategy being monitored.

Where progress against the defined objectives is not regularly monitored, there is a risk that the growth in apprenticeships offering at the College not being achieved.

RECOMMENDATION:

An action plan for the objectives outlined in the College's Apprenticeship Strategy should be developed and monitored on a quarterly basis. The action plan should include the following aspects:

- The objectives outlined in the strategy
- Specific actions required in order to achieve the objective
- The person responsible for delivering the action
- Any additional resources required
- The due date for the action, including key milestones.

MANAGEMENT RESPONSE:

It is agreed the college Apprenticeship strategy needs to be reviewed in light of the new five year Group and College strategy and that an operational plan is required to define measurable, realistic, time bound actions for specific individuals who have the authority and support to implement the actions. This work will begin immediately.

Responsible Officer:	Sammy Shummo, LSBU Group Director Apprenticeships Philip Cunniffe, Assistant Principal Student Success
Implementation Date:	30/02/2021

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

RISK: THE GROUP'S APPRENTICESHIP STRATEGY AND FOCUS DOES NOT ALIGN WITH THE COLLEGE'S NEEDS AND/OR CONSIDER ITS APPRENTICESHIP OBJECTIVES

ROLES, RESPONSIBILITIES AND REPORTING LINES IN RELATION TO THE COLLEGE'S APPRENTICESHIP PROCESSES HAVE NOT BEEN CLEARLY DEFINED OR ASSIGNED, MEET THE NEEDS OF THE COLLEGE OR UNDERSTOOD BY THOSE EXPECTED TO BE INVOLVED IN THE PROCESS LEADING TO:

- KEY ACTIVITIES NOT BEING COMPLETED
- DUPLICATIONS OF ACTIVITIES BEING PERFORMED
- DATA NOT BEING CAPTURED CORRECTLY
- ONEFILE NOT BEING KEPT UP TO DATE.

Ref	Sig.	Finding
2	■	The OneFile system is not being consistently completed to record the apprentice's journey.

The aim of OneFile is to stop data being stored in different spreadsheets or paper files. It should allow the student, their employer and Apprenticeships team to have access to all of the relevant information. Training was provided to tutors on how to use OneFile, and help is available via the support function in the system.

Our review of the central dashboard on OneFile, which monitors whether tasks are being completed on time, identified that at 20 October 2020 there were:

- 50 reviews overdue
- 57 apprentices with no planned visits recorded
- 67 learners who are behind target.

We were informed that reviews are likely to be taking place, however there is an issue with the tutors recording the evidence on OneFile. Any outstanding documents are chased by the Administrator.

As there are a lot of outstanding tasks on OneFile, this means that the Apprenticeships team does not have oversight of the learner journey, which should be a transparent process. The Apprenticeships Manager has overall responsibility for the quality of apprenticeships, but this cannot be managed if OneFile is not being used appropriately as she cannot regulate the process.

In addition, OneFile can be used to quickly and easily record each apprentice's progress and assessments. Videos, photos or audio files can be uploaded, which is the key benefit of using OneFile over the paper based system. However, we identified that the full functionality of the system is not being regularly used by the tutors.

If OneFile is not kept up-to-date, there is a risk that the learner journey is not being appropriately recorded, which could result in quality issues not being identified and addressed in a timely manner. Also, student experience could potentially be impacted if OneFile is not being used as it was intended.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

RECOMMENDATION:

The guidance documents on how to use the system should be distributed to all tutors as a refresher. Any instances where tutors are consistently not updating OneFile should be escalated to their line managers.

MANAGEMENT RESPONSE:

OneFile training has been consistently implemented to ensure staff have the required knowledge and skills to complete the required tracking. The responsibility for OneFile training and completion is assigned to the HoF of the relevant curriculum area. HoFs are responsible for ensuring that the training is actioned as part of appraisal process and appropriate actions are taken where there are compliance issues. The Head of Apprenticeships will monitor compliance and completion of the use of OneFile and will provide monthly reports to CLG on use of OneFile.

| Responsible Officer: | Heads of Faculty - OneFile training and completion |
| | Head of Apprenticeships monthly reporting to CLG on cross-college compliance and use of OneFile |

| Implementation Date: | 12/02/2021 |

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

RISK: DECISION MAKING PROCESSES OVER THE APPRENTICESHIP STRATEGY AND DIRECTION ARE NOT CLEARLY DEFINED OR ROBUST		
Ref	Sig.	Finding
3	🟢	The decision-making responsibilities of staff have not been clearly communicated to the Apprenticeships team.

We were informed by the Apprenticeships team that it is unclear as to whether they have the authority to make their own decisions regarding apprenticeships, or whether approval from the Group is required. This has resulted in delays in a number of operational decisions, such as the recruitment of staff, reporting lines within the team and the template apprenticeship contracts used.

An example of this is the decision on the reporting lines for the new Employee Engagement Manager, and whether their role should cover both the University and the College to enable cross-selling of apprenticeships between the different types of employers engaged by each organisation. The delay in outlining the job role and reporting lines resulted in delays in recruiting to the post, which is key to ensuring that growth in the College's apprenticeships is achieved.

Decision making processes for apprenticeships and recruitment were explained to us by the Principal, LSBU Group Director Apprenticeships, Deputy Principal Quality but it appears these have not been clearly documented and communicated to the Apprenticeships team.

Fortnightly catch ups are held between the College's Apprenticeships Manager and the Group Apprenticeships Director. These meetings are informal catch ups that are held to review current work in progress, rather than planning for the future and ensuring key decisions are made.

Where decision making responsibilities have not been clearly communicated, there is a risk that this could result in delays in key processes, or decisions could be made that do not benefit the Group as a whole.

RECOMMENDATION:

The responsibilities over key decisions in the apprenticeships process should be clearly communicated. This should include clarification over the responsibilities for operational tasks and strategic decision making.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

MANAGEMENT RESPONSE:

The Group Director Apprenticeships will provide clear structure and reporting lines for college apprenticeship provision which will be shared with all college staff involved in Apprenticeship provision at the College.

It is agreed that it is critical that operational and strategies roles and remits are communicated to staff including the planned introduction of the Skills Coach role. An Apprenticeship briefing event will be held for all college managers involved in Apprenticeships and cover Apprenticeship strategy, growth and quality targets, roles and responsibilities.

The Head of Apprenticeships and AP Student Success will attend fortnightly meetings with the LSBU Group Director Apprenticeships to review progress against Apprenticeship targets including growth, quality, compliance and funding.

The AP Student Success and Head of Apprenticeships will hold monthly Apprenticeship meetings with all college managers involved in Apprenticeships to review progress against Apprenticeships targets including growth, quality, compliance and funding.

The Head of Apprenticeships will provide an apprenticeship policy that details the roles and responsibilities for delivery of Apprenticeships that the AP SS will take to CLG for sign off.

The growth, development and oversight of apprenticeships will follow college processes and procedures in relation to quality, business planning and growth.

Existing documents will be reviewed and updated as required in collaboration with the LSBU Group Director Apprenticeships and communicated to staff. Any structural changes will be facilitated by HR as part of a change management process.

Responsible Officer:	Sammy Shummo, LSBU Group Director Apprenticeships
	Philip Cunniffe, Assistant Principal Student Success
	Head of Apprenticeships
Implementation Date:	12/02/2021

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

RISK: ROLES, RESPONSIBILITIES AND REPORTING LINES IN RELATION TO THE COLLEGE'S APPRENTICESHIP PROCESSES HAVE NOT BEEN CLEARLY DEFINED OR ASSIGNED, MEET THE NEEDS OF THE COLLEGE OR UNDERSTOOD BY THOSE EXPECTED TO BE INVOLVED IN THE PROCESS LEADING TO:

- KEY ACTIVITIES NOT BEING COMPLETED
- DUPLICATIONS OF ACTIVITIES BEING PERFORMED
- DATA NOT BEING CAPTURED CORRECTLY
- ONEFILE NOT BEING KEPT UP TO DATE.

Ref	Sig.	Finding
4	🟢	The joint marketing plan for the College and University was yet to be finalised and implemented.
		Our interviews with staff identified previously there had been duplications in the marketing activities for apprenticeships undertaken by the College and the University, such as apprenticeships week. A plan for the joint marketing events scheduled for the upcoming year was in development, but it had not been formalised and communicated to the apprenticeships team.
		If joint marketing activities are not completed, this could result in the cross-selling of vocational apprenticeships to some of the University's larger employers not being achieved.

RECOMMENDATION:

The joint marketing plan for apprenticeships should be finalised and agreed, and it should include specific objectives for the marketing activities. Progress against the plan should be monitored on a regular basis, to ensure the marketing events are achieving the required outcomes.

MANAGEMENT RESPONSE:

It is agreed that a recruitment and marketing plan is now required to define how College's apprenticeship provision recruitment targets will be met through a centralised team.

Responsible Officer:	Sammy Shummo, LSBU Group Director Apprenticeships Head of Marketing
Implementation Date:	30/02/2021

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

> **RISK: ROLES, RESPONSIBILITIES AND REPORTING LINES IN RELATION TO THE COLLEGE'S APPRENTICESHIP PROCESSES HAVE NOT BEEN CLEARLY DEFINED OR ASSIGNED, MEET THE NEEDS OF THE COLLEGE OR UNDERSTOOD BY THOSE EXPECTED TO BE INVOLVED IN THE PROCESS LEADING TO:**
> - **KEY ACTIVITIES NOT BEING COMPLETED**
> - **DUPLICATIONS OF ACTIVITIES BEING PERFORMED**
> - **DATA NOT BEING CAPTURED CORRECTLY**
> - **ONEFILE NOT BEING KEPT UP TO DATE.**

Ref	Sig.	Finding
5	🟢	There are no Group-wide policies, procedures or template documents for the apprenticeships process.

The College and University each has its own suite of documents. However, our review of the College's Apprenticeships Handbook identified that the policies and procedures could be applied to both organisations eg the commitment from the apprentice, employer and the College. Also, we reviewed the template contracts and enrolment form for apprentices and we confirmed that an over-arching template would suffice for both the College and the University.

If Group-wide apprenticeship policies, procedures and templates are not developed, there is a risk that there is inconsistency in the processes applied.

RECOMMENDATION:

The current University and College documents and templates should be consolidated into one suite of Group apprenticeship documents and templates If there are specific statements that need to be included for the College or University, they should be included as an appendix to the document.

MANAGEMENT RESPONSE:

We will review existing documentation and identify where shared central documentation for the group is appropriate and beneficial.

Responsible Officer:	Sammy Shummo, LSBU Group Director Apprenticeships
	Philip Cunniffe, Assistant Principal Student Success
Implementation Date:	26/03/2021

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Fiona Morey	Principal, SBC
Hassan Rizvi	Deputy Principal, SBC
Alison May	Group Director Apprenticeships
Philip Cunniffe	Assistant Principal, Student Services, SBC
Uzma Sadiq	Apprenticeships Manager, SBC
Casey Asiedu	Administrator, SBC
Sammy Shummo*	Head of Business Engagement, LSBU
Heather Collins	Apprenticeships Implementation Manager, LSBU

*Now LSBU Group Director of Apprenticeships

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial ●	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate ■	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited ⬡	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No ▲	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High ▲	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium ■	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low ●	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

LONDON SOUTH BANK UNIVERSITY, SBC – APPRENTICESHIPS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide independent assurance over whether the College has appropriate structures in place over its apprenticeship programme.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The Group's apprenticeship strategy and focus does not align with the College's needs and/or consider its apprenticeship objectives
- Decision making processes over the apprenticeship strategy and direction are not clearly defined or robust
- Roles, responsibilities and reporting lines in relation to the College's apprenticeships processes have not been clearly defined or assigned, meet the needs of the College or understood by those expected to be involved in the process leading:
  - o Key activities not being completed
  - o Duplications of activities being performed
  - o Data not being captured correctly
  - o OneDrive not being kept up to date.

SCOPE OF REVIEW:

The review will cover:

- Alignment of apprenticeship strategy and objectives with the Group's approach and whether the College benefits from this approach
- Decision making processes over the apprenticeship programme
- Roles, responsibilities and reporting lines over the end to end apprenticeship process.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will assess whether the Group's apprenticeship strategy has considered the College's needs and whether objectives are clearly aligned.

We will assess whether decision making processes and structures over the College's apprenticeship programme have been clearly defined and are robust.

We will walk through the end to end apprenticeship process and ascertain whether roles and responsibilities for each activity is clearly defined and assigned. We will also assess whether reporting lines are clearly defined and working in practice.

FOR MORE INFORMATION:

RUTH IRELAND

+44 (0)20 7893 2337
ruth.ireland@bdo.co.uk

www.bdo.co.uk

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 11am on Tuesday 3 November 2020
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
Fleur Nieboer, KPMG External Auditors
Jessica Spencer, 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 is 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 4 June 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.

      The SBC internal audit action tracker would be reviewed under matters arising.

      Financial reporting for the year end 31 July 2020

5.   **External Audit Findings**

KPMG presented the interim external audit year-end report 2019/20. It was noted that the audit had not been completed due to the Pension adjustment and that the final version would be provided to the Committee prior to signing the accounts in November 2020.

The Committee discussed the draft report and noted the impact of Covid19 on the audit approach for 2019/20 on disclosures concerning the valuations of investments, fixed assets and LPFA Pension assumptions.

The Committee discussed the assessment of the control environment. There were no significant control deficiencies but 4 other control deficiencies in relation to: Journal Controls, Regularity of Payments, Management of Fixed Assets and Accounting for Bursary Income. Recommendations (priority rating 2) had been made to address the control deficiencies and also a follow up on the recommendations from the previous year's audit.

The Committee was provided with an update on the LPFA Pension review of the appropriateness of the assumptions and that adjustments would be made to the pension liability in the annual accounts. The auditors thanked SBC staff for the help and support on the audit work during a difficult year.

The Committee reviewed the key findings in the draft report and that no material weakness had been identified.

6.   **Going Concern Statement**

The Committee reviewed the assessment that the College is a going concern for the 12 months from the date the accounts are signed.

It was noted that the statement (par 3) would be amended to read 'South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control by London South Bank University'. The assurance note on financial sustainability which supports the going concern statement would include a reference to the letter of support provided by LSBU to SBC.

The Committee agreed with the appropriateness of the use of going concern assumptions in preparation of the SBC accounts ending 31July 2020.

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 2020 attached to the report (appendix1).

8.   **Corporate Governance Statement**

The Audit Committee noted the draft Corporate Governance statement for inclusion in the annual report which would include a note on the Covid19 pandemic and its effect on the governance arrangements.

9.   **External Audit Letter of Representation**

The Committee reviewed the draft letter of representation.

The Executive confirmed to the Committee that they know of no reason why the letter of representation cannot be approved by the Committee.

The Committee recommended the letter of representation to the Board for approval at its meeting on 18 November 2020.

10.   **Annual Report and Accounts ending 31 July 2020**

The Committee was presented with the draft SBC accounts for the year ending 31 July 2020. The presentation of the accounts would be reviewed to show a comparative financial position of 6 months of trading rather than 12 months for 2018/19.

The Committee discussed the draft annual report and financial statements. It noted the outstanding items which included the revised pension disclosures awaited from actuaries Barnet Waddingham and that adjustments needed to be made to the accounts. The final accounts would be presented to the Board at the meeting on 18 November 2020.

The Committee reviewed the draft Report and Accounts for 2019/20.

11.   **Internal Audit Progress Report and Annual Report 2019/20**

The Committee was provided with a progress report on the internal audits for 2019/20. The Committee reviewed the audit reports which covered the following areas: Health & Safety, Risk Management, IT Security and Data Quality.

The Committee discussed:

- the Health & Safety audit report. The auditors gave a limited level of assurance for the design and moderate level of assurance for the operational effectiveness of controls which was mainly due to the COSHH assessments, being rated high significance. The recommendations were being addressed.

- the IT security report. Critical weaknesses had been identified related to the outdated network devices and operating systems in use which significantly increased the likelihood of cyber security incident occurring. The report gave moderate assurance over the design of the controls in place and limited

assurance over the operational effectiveness of the information security controls in place. An IT upgrade (from the ESFA capital fund) would be undertaken as part of the LSBU group IT investment project. An update on cyber risk at Group and SBC level with a group action plan on how the issues are being addressed would be presented to the Committee at the meeting in February 2021.

The Committee noted the internal audit progress report for 2019/20 and that an action tracker of the progress being made on implementing the recommendations would be provided. The Board would be provided with an update on the Health & Safety and IT Security audits via the Executive Principal's report (18 November 2020).

The Committee was provided with a progress report on 2020/21 programme. The audit areas were: Covid19 response, Apprenticeships and Management Information & KPIs; and that work was underway.

<u>Internal Audit Annual Report 2019/20</u>

The Committee was provided with the Internal Audit Annual Report 2019/20.
A SBC specific annual report would be circulated to the Committee.

The Committee noted the audit opinion:

- provided Limited assurance on the design of the controls in place for Accounts Payable and Health & Safety audits and limited assurance was provided on the effectiveness of controls for the IT Security audit.

- provided reasonable assurance that there were no major weaknesses in SBC's risk management, control and governance processes.

12. LSBU Group Financial Regulations

The Committee was presented with the updated financial regulations and approval was sought that SBC and its subsidiary SW4 Catering adopt the Group Financial Regulations.

The Committee noted:

- the updated financial regulations were in line with LSBU Group Financial Regulations and that the Committee would be provided with the regulations that apply specifically to SBC (with track changes).

- the company specific areas for SBC highlighted in the report. SBC would review the regulations that apply across the Group and consider any substantive changes to the SBC aspect of the Group Financial Regulations.

The updated financial regulations would be approved at the next meeting in February 2021.

13. Key Performance Indicators

The Committee would review the Financial KPIs for 2019/20 and 2020/21 at the meeting in February 2021.

14. Corporate Risk Register

The Committee reviewed the two risk registers, the Covid19 risk register (appendix A) and the Non Covid19 risk register (appendix B).

On the Non Covid19 risk register, the Committee noted the two additional risks associated with the high level of sub-contractor use and fraud. The long-term risks relating to the second lockdown were sector risks and not specific to SBC.

The risks direction of change in the register would be reviewed to ensure that it shows the right direction of movement. The College Leadership team would closely monitor the risks.

15. Audit Committee Annual Report

The Committee reviewed the Audit Committee's annual report for 2019/20.

The Committee noted that the report was consistent with the internal audit opinion and external audit finding report.

The Committee reviewed its draft annual report and 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.

The Chair of the Audit Committee agreed to sign the report at the point of approval of the accounts.

{Secretary's note: the Chair of the Audit Committee signed the audit committee annual report on 23 November 2020, the date on which the accounts were approved.}

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

The Committee reviewed the FOI requests received at SBC in 2019/20 and in 2020/21 to date.

There was discussion about GDPR compliance and that the College's Data Protection team was working closely with LSBU group team. The Committee noted that there was no data breach reported in the last 18 months and that it would be provided with a GDPR report at its next meeting in February 2021.

17. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting on 4 June 2020.

18. **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 4 June 2020.

The area of work would be reviewed to ensure that staff were aware of the policy and that it was effective. Also a near miss reporting procedure would be considered. The Committee would be provided with an updated report at its meeting in February 2021.

19. **Committee Annual Work Plan 2021**

An annual review of the committee's effectiveness would be included in the plan. The Committee noted the annual work plan for 2021 and future meeting dates.

20. **2020/21 Group Risk Policy and LSBU Risk Appetite**

The 2020/21 Group Risk Policy was approved by LSBU Group Audit Committee at its meeting in June 2020. The policy and risk appetite were presented to the Committee for information and would be discussed in detail at its next meeting in February 2021.

21. **Any Other Business**

The Chair thanked staff and the auditors for the work undertaken on the year end audit and reports especially under the difficult circumstances.

**Date of next meeting
4pm, Wednesday 10 February 2021**

Confirmed as a true record

…………………………………..(Chair)