

Meeting of the Group Audit and Risk Committee

4.00 pm on Tuesday, 6 October 2020
via MS Teams

Agenda

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Agenda Item 29

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

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Richard Flatman
Fiona Morey
Jacqueline Mutibwa
Michael Webb
Fleur Nieboer, KPMG External Auditors
Gemma Wright, BDO Internal Auditors

1. Welcome and apologies

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

2. Declarations of Interest

The Committee noted the following declarations of interest: Mee Ling Ng was a director of LSBU; Steve Balmont is Chair of the LSBU Group Pensions Sub-Committee.

3. Minutes of previous meeting

The minutes of the meeting held on 11 February 2020 were approved as an accurate record.

4. Matters arising

Internal Audit Report of the Financial Controls

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

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

5. Corporate Risk Register - including Coronavirus

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

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

The Committee noted the risk registers.

6. Business Continuity Plan

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

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

7. External Audit Plan

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

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

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

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

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

8. Internal Audit Progress Report

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

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

9. Internal Audit Plan

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

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

10. Updated Financial Regulations

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

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

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

The Committee approved the revised Financial Regulations.

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

11. ESFA Subcontracting Report

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

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

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

12. ESFA Audit 2019/20 Recommendations

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

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

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

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

13. Anti-Fraud, Bribery and Corruption

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

14. Speak Up Update

The Committee noted that there were no matters that had been raised under the Speak Up policy since the last meeting on 11 February 2020.

15. Updated Committee Annual Work Plan 2020

The Committee approved the updated work plan for 2020.

16. Any Other Business

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

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

Confirmed as a true record

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**Minutes of the meeting of the South Bank Academies Audit Committee
held at 10.00 am on Thursday, 2 July 2020
MS Teams**

Present

Richard Flatman (Chair)
Tony Giddings

Apologies

In attendance

Helena Abrahams
Catherine Biscoe
Michael Broadway
Natalie Ferer
Gumayel Miah
Fiona Morey
Gemma Wright

1. Welcome and apologies

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

Buzzacott were welcomed to their first meeting as external auditors.

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 12 March 2020 were approved as an accurate record.

4. Matters arising

The Committee noted the actions arising from the previous meeting.

Under item 4, it was noted that the financial controls policy is on the agenda for the meeting.

Under item 5, an update was requested on the payroll provider. The use and cost of iTrent by SBA is being explored. A declaration will have to be made to the ESFA if the cost is over £20K. Currently LSBU is running the SBA payroll with an associated cost. The committee requested that an update be provided at the next meeting.

Under item 6, an update was given on ParentPay procedures. It was explained that a proposal was being developed for the Board. The cost of catering is approximately £250K, with income received of £140K. A further update was requested for the next meeting by the Chair.

Also, under item 6, the committee required assurances that the financial controls are working well remotely. It was confirmed that all procedures and processes are working as normal, with the exception of two: wet signatures are not possible, and invoices cannot be scanned into PS Financials. The Chair requested that this be considered as part of the External Audit discussions later.

Following a question from a committee member, it was confirmed that the schools were open for business but only for a small number of students. Approximately one quarter of Year 10 and Year 12 students are currently on campus while the rest of the students are receiving remote learning, in line with government guidelines.

5. Internal audit progress report

The committee discussed the internal audit progress report. It was reported that BDO's audit of Health and Safety (H&S) has been postponed due to the completion of an alternative review by an external agency which provides suitable assurance. However, the Risk Management review commenced shortly before the date of this meeting and the Cyber Security review is close to completion.

Assurances were sought that the delay to the H&S review would not impact on the provision of the draft annual opinion, nor create additional workload for the committee in November when they are reviewing the year-end accounts. BDO confirmed that there would be no impact to the delivery of this report. The draft report will be circulated to the committee once it is complete; the Group opinion will be circulated in September 2020. The committee agreed that another meeting would not be necessary and that the report should be circulated to the committee when ready.

The committee noted that an external review of H&S had been undertaken and the report shared with BDO.

6. Internal audit draft plan, 2020/21

The committee discussed the SBA draft group internal audit plan, 2020/21. The draft plan has been mapped to the relevant risk register. Items such as the budget monitoring process, review of management controls, Health and Safety policies and procedures review are specific to SBA, with all other items relevant to the group as a whole.

It was noted that the last review of safeguarding took place two years ago and more up to date assurance would be required.

The Chair requested that any impact on financial controls caused by the coronavirus pandemic be highlighted as part of the audit work.

The committee noted that any failure to comply with the ESFA requirements identified would be reported in individual audit reports.

The committee approved the SBA aspects of the Group internal audit plan.

7. Progress with external audit action plan

Catherine Biscoe joined the meeting.

The committee discussed the external audit action plan which covers the two previous external audits.

Two areas were highlighted as requiring more evidence: compliance and the ESFA, in particular around the use of the UTC grant. The risk related to this grant has reduced significantly and management confirmed that the conditions of the grant are being met. There is some uncertainty around how this has been communicated to the ESFA; to date no reply has been received from that organisation. This will be clarified.

The Chair requested that a conversation be had with Buzzacott in relation to this matter.

The committee requested an update on the lease for the UTC site and was informed that the matter is progressing slowly. It was noted that Trinity Academy (the UTC's neighbour) is joining a new MAT.

The committee is satisfied with the progress on clearing down the action plan and requested that the remaining items are resolved as quickly as possible. The committee agreed that it is no longer necessary to review this action plan in detail at each meeting.

8. External audit draft plan, 2020/21

The committee discussed the draft external audit plan for year ended 31 August 2020. The plan has identified the main areas of focus as: true and fair view of the financial statements, regularity assurance and the academies accounts return assurance and finally the Teachers Pensions Scheme (TPS) audit.

It was noted that at the moment there is insufficient capacity to compile the accounts internally. Buzzacott would prepare the accounts.

The committee was advised that submission deadlines with the ESFA may change but the assumption made is that the accounts will be ready to file on the 31 December 2020. In light of the coronavirus pandemic and social

distancing requirements, the plan allows for as much work to be done remotely as possible. On-site visits can be conducted if necessary.

The committee were informed that the 2019-20 accounts direction has been issued. There are no significant changes; however, there are additional requirements around carbon reporting, employee engagement, business relationships, a governance statement and a clarification on the regularity statement. The auditor is confirming whether this entity meets the large company requirement; however, they advise that it is best practice to make a disclosure even if the requirement is not met.

Following changes to the Statement of Recommended Practice (SORP), the impact of the coronavirus pandemic on the Trust should be included in the trustee's report. It is expected that the Trust will receive a supplement on the impact of the pandemic from the ESFA in July.

The committee discussed the visibility of the self-assessment checklist on regularity and noted that the committee will need to approve this; it will need to be built into the timetable and to be circulated to the committee once it is complete.

Several issues of audit significance were highlighted by Buzzacotts including:

- Covid-19
- Financial climate and reserves policy
- Possible growth of MAT
- Fund accounting
- School reserves balance
- Property accounting
- Income recognition
- Related Parties Transactions
- Regularity
- Management override of controls
- Accounting estimates

The committee's attention was drawn to an update in the Academies Financial Handbook which stated that the Accounting Officer of the Trust must be an employee; the appointment of someone other than an employee had to be cleared with the ESFA. The Chair stated that the position had been discussed with the ESFA in the past; however, it was decided to reconfirm what has been agreed with the ESFA regarding this appointment before discussing it with them.

The liability provision within the letter of engagement was questioned by the Chair and it was confirmed that this just applied to the TPS audit. The statutory audit provision is unlimited.

The committee approved the proposed audit plan.
The committee approved the letter of engagement.

9. **Corporate risk register**

The committee discussed the corporate risk register. There are no significant increases in risk on the register since the previous meeting; the pandemic is the only risk listed at 9. This may change when the students return in September.

UTC recruitment numbers are expected to be satisfactory for September; this risk is anticipated to drop in September.

The risk register would now be tied into the Group risk policy, which adopts a slightly different approach to that currently employed. This had been agreed by the Group Audit and Risk Committee meeting.

The committee discussed whether a local outbreak in the university should be added to the register and it was explained that this was covered within the LSBU risk register. A detailed plan of response for a second lockdown has been created and the re-opening risk assessment is being kept under continuous review.

10. **Financial controls policy**

Fiona Morey joined the meeting.

The committee discussed the financial controls policy. The policy is aligned to the group financial regulations that are being developed. Updates from the Academies Financial Handbook 2020 updates will be added in September 2020. The committee members welcomed the policy and agreed that the format was helpful. Comments will be submitted by the members after the meeting.

The committee noted that any identified fraud in the MAT would be reported up to the Group Audit and Risk Committee. A primary aim of this document is to educate everyone in the trust about the financial procedures.

This policy will be reviewed again in a few months' time in line with the new accounts directions.

The committee approved the policy subject to the receipt of comments from the auditors.

The committee approved the Schedule of Delegations and Authority levels.

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 12 March 2020.

12. **Catering contract update**

Due to the coronavirus pandemic, the schools have been closed and the catering provision not required. This has resulted in zero costs. Management is looking at whether it would be possible to provide meals free of charge – there are approximately 400 pupils at UAE and 61 at UTC paying for their meals. Charitable funding is being sought to help fund this proposal. The committee noted that Board approval would be required. An update would be provided to the next Board meeting.

13. Speak up report

It was noted that there were no matters raised under the Speak Up policy since the last meeting on 12 March 2020.

**Date of next meeting
10.00 am, on Tuesday, 24 November 2020**

Confirmed as a true record

..... (Chair)