

Meeting of the Group Audit and Risk Committee

Supplement 3: subsidiaries update

<i>No.</i>	<i>Item</i>	<i>Pages</i>
	SBA audit committee minutes of 25 May 2021	3 - 16
	SBC audit committee minutes of 8 July 2021	

This page is intentionally left blank

**Minutes of the meeting of the South Bank Academies Audit Committee
held at 4.00 pm on Tuesday, 25 May 2021
MS Teams**

Present

Richard Flatman (Chair)
Tony Giddings
James Blastland

Apologies

Zac Yiallourous
Helena Abrahams

In attendance

Fiona Morey (minutes 6 to 11)
Michael Broadway
Natalie Ferer
Dan Cundy
Ciara Carroll
Gemma Wright (BDO)
Gumayel Miah (Buzzacott)

1. Welcome and apologies

The Chair welcomed the members and attendees to the meeting. Apologies were received from Zac Yiallourous and Helena Abrahams.

2. Declarations of interest

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

3. Minutes of previous meetings

The minutes of the meeting on 9 March 2021 were approved by the committee.

4. Matters arising

Both items on the log relating to the external audit plan and the risk register update were on the agenda and were therefore closed.

The committee noted that the trust is considering any learnings and policy changes from recent events at Pimlico Academy and the Everyone's Invited website. Any changes will be consulted with stakeholders to ensure they are appropriate and comprehensive. Key policies will include an equalities impact statement which is specific to the policy itself.

The committee heard that the schools are still operating with year group 'bubbles' in line with government guidance. There are declining numbers of staff and students required to self-isolate. The committee noted the different arrangements for national exams, which are being implemented in the schools.

5. Internal Audit reports

a. Budget setting and control

The committee noted the internal audit report on budget setting and control which was rated as 'moderate assurance' for both 'design' and 'operational effectiveness'. The report was positive with a few enhancements recommended to the process.

The committee requested that management consider the use of KPIs which track less obvious indicators such as the time available to the principals to conduct activities which drive pupil numbers up.

The committee noted the recommendation on the threshold for budget variance and was assured that management will continue to investigate all variances, rather than only those above a certain level, and that a threshold would be applied to reporting those variances to the committee. This threshold will be regularly reviewed.

The committee emphasised it was important that the monitoring mechanisms are appropriate and useful, including clear ownership of actions and time-tracked resolution of issues.

b. Progress report for 2020-21

The committee noted the addition of the student experience internal audit to the SBA plan and that work has been backloaded due to the impact of the pandemic at the start of the academic year.

A number of overdue items on the IT internal report were highlighted as being outside the control of SBA due to the fact that they were group actions, rather than being trust specific.

The committee discussed the recommendation to check that no changes have been made to supplier bank details before making BACS payments. The committee requested that management trial the use of the suggested check by the auditors and report back to the next meeting on the appropriateness of the action.

The committee noted that the password complexity requirement will be implemented for all students in the trust by the summer half term break.

c. Annual plan for 2021-22

The committee noted that the group internal audit plan for 2021/22 has been discussed by the Group Executive and will also be discussed by the Group Audit and Risk Committee. The plan is a three year rolling plan and later years in the plan will be populated when risk areas become clearer and as the organisation develops.

The committee noted that an audit of quality assurance processes will be included in the plan for 2021/22. The committee agreed that the cyber follow-up is important in the light of the increased number of cyber-attacks that are happening across the sector.

It was noted that some areas within the trust operations are not covered by internal audit, but the committee agreed that an internal audit was not likely to add enough value to be worthwhile or to be covered in other audits in the plan. A risk related to failure to comply with ESFA and DfE guidelines was identified as being covered across several different audits, rather than a specific internal audit report in its own right.

The committee agreed the annual plan proposal, subject to the inclusion of the quality assurance audit. The overall group plan would be approved by the Group Audit and Risk Committee at its meeting of 15 June 2021.

6. External audit plan, including summary of Academies Accounts Direction update 2020-21

The committee discussed the draft external audit plan. Key areas of the audit plan were highlighted; the approach to the audit will be broadly similar to last year, with an interim audit taking place in July 2021 focussing on payroll testing.

Changes to audit standards were discussed; the going concern updates will require the auditors to take a more in-depth look at the going concern evaluation, focussing on the use of management accounts and three-year budgets.

Fiona Morey joined the meeting.

The most significant outstanding issue for the external audit is that of the UTC lease agreement. A valuation is being arranged and the auditors confirmed that it would be necessary to bring the building onto the balance sheet this year.

The committee was assured that the trust has made plans to ensure that all workstreams will be completed and the audit delivered on time. The interim audit will ensure more work is done earlier in the year and the narrative reporting will be front-loaded in the summer to ensure that the annual accounts preparation is given enough time in the autumn. Buzzacott has assigned a separate resource to assist in the preparation of the accounts.

The committee noted that trustees are required to confirm in the accounts that the accounting policies in use are appropriate.

The committee discussed the restricted capital allocation of £300K for the UTC and heard that the trust has now received written confirmation of the spending guidance.

The committee noted that it should have sight of the regularity self-assessment questionnaire that management are responsible for completing and requested it be brought to the next meeting.

The committee approved the external audit plan for 2020-21.

Gemma Wright and Gumayel Miah left the meeting.

7. Annual report on effectiveness of external auditors

Management reported satisfaction with the audit process and the auditors during the financial year 2020-21 and explained that a wash-up session had been completed prior to this meeting to review the audit process and identify further points of improvement.

The committee noted that the audit process had run smoothly this year for the most part, with amendments to the trust process also credited for improvement.

The committee supported the recommendation to re-appoint the auditors for this year. The formal process of reappointing for the 2021-22 financial year will take place at the December 2021 Audit Committee meeting (and at that time every year going forward).

8. Risk management – explanation of risk review strategy

The committee noted that the requirements around the risk management process are anticipated to be widened in the next iteration of the Academies Financial Handbook (AFH) and this increased emphasis will tie in with the current work the trust is doing on risk.

Following the agreement of the risk appetite, the trust's risk registers are being reviewed to ensure that accountability and responsibility are correctly assigned.

At present the Executive Principal is working with the principals at both schools to identify seven to ten of the most significant risks that will sit on the school risk registers. This work will be completed by the end of the summer term.

The committee requested that the updated risk registers be sent to all members for review, prior to submission to the Board in July 2021.

9. **External audit findings progress review**

The committee noted that most items had already been discussed in other agenda points, in particular the UTC lease. The committee was pleased to see progress on the ParentPay debtor and was hopeful that the ESFA would respond in good time.

The committee discussed the work ongoing to digitise all personnel files and the process of integration with the group's IT software, iTrent, which has been delayed in part due to the cyber incident at LSBU.

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

There were no items to report.

11. **Speak up report**

There were no items to report.

**Date of next meeting
4.00 pm, on Tuesday, 2 December 2021**

Confirmed as a true record

..... (Chair)

This page is intentionally left blank

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 10am on Thursday 8 July 2021
via Microsoft Teams**

Present

Andrew Owen (Chair)
Steve Balmont
Mee Ling Ng

In attendance

Michael Broadway
Natalie Ferer
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Jessica Spencer, KPMG Auditors
Gemma Wright, BDO Internal Auditors

Apologies

Richard Flatman

1. Welcome and apologies

The Chair welcomed the Committee Members to the meeting and confirmed that the meeting was quorate. The above apologies were received.

2. Declarations of Interest

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

3. Minutes of previous meeting

The minutes of the meeting held on 10 February 2021 were approved as an accurate record.

4. Matters arising

The Committee noted the update on matters arising from the previous meeting.

Internal Audit Recommendation Follow up 2019/20 and 2020/21

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

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

- the outstanding actions for 2019/20. The significant and medium risks relate to audits on; the Financial Controls, Information Security and Health & Safety. The IT security recommendations were being progressed.
- the outstanding actions for 2020/21. The significant risk related to the audit on Apprenticeship.

The Committee noted that more progress needed to be made on implementing the recommendations from previous audits.

5. External Audit Plan 2020/21

The report set out KPMG's External Audit Plan for 2020/21 which included the audit of SBC's subsidiary SW4 Catering Ltd. It outlined the risk assessment and planned audit approach to be undertaken.

The Committee discussed the key risks identified for the audit which included; valuation of LGPS pension liability, valuation of fixed assets, going concern, management override of control and cyber security & recovery of IT systems.

Materiality had been defined as £500k (2% of revenue). The reporting threshold would be £25k.

On the audit approach to pension risk, the Committee challenged the need for some of the planned work to be undertaken.

The Committee noted the new requirement from the ESFA for FE Colleges to achieve Cyber Essentials, and later Cyber Essentials Plus, accreditation.

The Committee approved the SBC External Audit Plan 2020/21.

6. 2021 Accounting and Year End Audit Plan

The Committee discussed the report on preparations for the financial year end and the external audit process. The preparation work would enable sufficient time for the Committee to review the content of the financial statements and consider technical accounting matters, in particular those relating to pensions and fixed assets.

The Committee noted the report and that management would ensure that the financial statements are circulated earlier so that it had adequate time to consider the documents.

7. Internal Audit Progress Report

The Committee was provided with an internal audit progress report and the proposed changes to the 2020/21 audit plan.

The Committee reviewed the 2020/21 plan and the proposed timing changes to the following audit reviews: the Group audit of KPIs and student admissions & enrolment which were due to the IT incident since mid-December 2020. An audit on a review of the controls in place to bring the finance system up to date following the IT incident would be conducted and included in the plan. It would include a review of the controls for making payments to suppliers and staff during the IT outage.

The Committee reviewed the audit reports on Prevent and Staff Absence. The Committee discussed:

- the prevent report. The auditors gave a moderate level of assurance for both the design of the controls and operational effectiveness of the controls in place at the College to manage its obligations in relation to Prevent. Two low risks were identified which relate to the lack of formal action taken when staff do not complete the mandatory annual prevent training and the risk assessment process for external speakers and events held virtually had not been reviewed during Covid19.
- the staff absence report. The auditors gave a substantial level of assurance over the design of the controls and a moderate level of assurance over the operational effectiveness of the controls in place around staff absence management. Two medium risks were identified which relate to; absence

reporting at the College Leadership Group was ad hoc and formal KPIs in relation to staff absence had not yet been formalised and the delay in referring a member of staff to occupational health. The two low risks identified relate to; fit notes not being obtained to cover the whole period of absence on all occasions and updating of the Sickness Absence policy.

The Committee noted that the audit reports were positive and approved the proposed changes to the 2020/21 internal audit plan.

8. Internal Audit Plan 2021/22

The Committee was presented with the 2021/22 Internal Audit Plan. The 3-year Internal Audit Strategy for 2021–2024 had been approved by the Group Audit and Risk Committee in June 2021. The SBC aspect of the 2021/22 plan was based on the College's risk registers, the internal audit annual report and recent internal audit reports.

The Committee discussed the proposed SBC audit areas which included; financial controls around making bursary payments to students, admissions & enrolment, curriculum planning, quality assurance processes and safeguarding.

The Committee asked to receive internal audit assurance on regulatory compliance and also the impact of the investment plan. The Committee noted that regulatory issues are often covered as part of internal audit reports. BDO would provide an update on the regulatory areas covered by the planned audits for 2021/22.

The Committee approved the Internal Audit Plan for 2021/22.

9. Updated Corporate Risk Register

The Committee reviewed the updated risk register.

The Committee noted that further work on moderating risks in line with the Risk Appetite recommendations was still ongoing; would be implemented by Autumn 2021 and reflected in the risk register for the meeting in November 2021.

10. Business Continuity Plan Update

The Committee discussed the development of the SBC Business Continuity plan which was supported by the LSBU Health, Safety and Resilience team.

The Committee discussed some critical areas of the plan which included; ensuring that up to date contact details of students and staff are maintained and that the plan needed to be tested to ensure that the procedures and safeguards work to mitigate the risks associated not only with personnel and systems but also the three different sites (testing regime).

The Committee endorsed the approach taken to develop SBC Business Continuity Plan.

11. Updated Financial Regulations

The Committee was presented with the updated financial regulations for review and recommendation to the Board for approval.

The Committee discussed:

- the updated financial regulations which were in line with LSBU Group Financial Regulations, the main changes to the regulations were outlined in the appendix and a version with track changes would be circulated to the Committee.
- the outstanding matters that needed to be updated which included; the Group Anti-Fraud and Corruption policy, Governance Agreement between LSBU and SBC, Letters of Delegation and other operational areas. Once finalised the documents would be circulated to the Committee for review and the financial regulations would be reviewed annually.

The Committee recommended the updated Financial Regulations to the Board for approval at its meeting on 14 July 2021.

12. Value for Money

The report set out SBC's commitment, approach and framework for securing Value for Money (VfM).

The Committee discussed the report and made the following comments: that the principles should be developed in line with the LSBU group VfM Framework, assessment of VfM should include consideration of associated risks and identify the controls that would mitigate the risks and that the KPMG audit report on LSBU VfM should also be considered.

The Committee supported the proposed approach which would be reviewed annually with a case study on VfM activities presented to it.

13. Approval of Debt Write Offs

The Committee noted that there were no debt write offs for the Committee's approval for the financial year 2020/21. There were also no debts that had been approved for write-off by the Chief Financial Officer during the financial year 2020/21 to date.

14. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting in February 2021.

15. Speak Up Update

The Committee noted that there were no matters that had been raised under the Speak up policy since the last meeting in February 2021.

It was noted that a complaint report is considered by the Quality & Improvement Committee and that a summary report would be provided in the CEO report to the Board at its meeting in September 2021.

16. Any other business

KPMG audit fee proposal

The audit fees proposed at the last annual review would be confirmed.

Investment Programme

The Audit Committee's role in providing oversight of certain aspects of the significant investment programme would need to be considered.

Date of next meeting
4pm, Wednesday 10 November 2021

Confirmed as a true record

.....(Chair)

This page is intentionally left blank