

**Minutes of the meeting of the South Bank Colleges Audit Committee
held at 4pm on Tuesday, 5 November 2024
Via MS Teams**

Present

Steve Balmont (Chair)
Mee Ling Ng

In attendance

Ben Baker (item 18)
Simon Cruickshank
Chris Knell
Jacqueline Mutibwa
Hannah Catchpool, RSM External Auditors
Jack Stapleton, KPMG, Internal Auditors

Apologies

Fiona Morey

1. Welcome and apologies

The Chair welcomed the members to the meeting. The above apologies were noted.

The Chair of the Committee had just met with RSM, External Auditors and KPMG Internal Auditors in the absence of officers.

2. Declarations of Interest

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

3. Minutes of the previous meeting

The minutes of the meeting held on 25 June 2024 were approved as an accurate record.

4. Matters arising

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

- KPMG, internal auditors audit opinion template which would enable the Committee to understand the level of detail that would be provided in the report

had been presented to the Committee. RSM would provide the Committee with a free training session on the role and responsibilities of the FE College Audit Committee in 2025.

- The Reserves Strategy would be presented to the Committee at its next meeting in February 2025.
- On the speak up issues raised via the other channels within the College such as the grievance procedure and employment tribunals, a verbal report would also be provided at future meetings with details of the individual cases i.e. the process and the outcomes.

Financial reporting for the year end 31 July 2023

5. External Audit Findings

RSM gave a verbal report on the draft external audit year-end report 2023/24. The Committee discussed the status of the audit report which was near to finalisation subject to the ESFA funding audit and resolving the outstanding matters which were noted. The ESFA funding audit had taken longer than anticipated and had delayed the completion of the external audit report. It was unlikely that there would be a material adjustment required to the SBC accounts.

It was noted that no material weakness had been identified and most of the audit recommendations concerned the internal controls relating to the funding assurance work.

An additional Audit Committee meeting had been scheduled for 5 December 2024 to consider and endorse the complete and final year end reports and recommend them to the Board for approval at its additional meeting in December 2024.

The delay in completing the audit work had an impact on RSM resources and there were lessons learnt. RSM's external audit plan for 2024/25 was being reviewed and would include rescheduling the November meeting a week later.

6. Going Concern Statement

The Committee reviewed the assessment that the College is a going concern for the next 12 months.

The ESFA College Financial Forecast Return (CFFR) 10-year budget would be considered by the Committee.

Based on the going concern review, the Committee supported the preparation of the accounts on the going concern basis.

SBC was still dependent on the continued support of LSBU, and a letter of comfort would be shared with Committee Members prior to the Board meeting in November 2024.

7. System of Internal Control Report

The Committee discussed the annual review of the effectiveness of SBC's system of internal control, which underpins the internal control statement in the annual report and accounts. There was concern about the internal controls and the deviation from the purchase orders procedures which had resulted in a significant overspend on agency costs and an adverse impact on the year-end financial performance. The internal auditors would consider this area of work for an audit review.

The Audit Committee endorsed the system of internal control report for approval by the Board and signature of the regularity audit by the Accounting Officer and Chair of the Board. This was subject to the external and internal audit reports.

8. External Audit Letters of Representation

The Committee reviewed the draft Letters of Representation related to the audit of the financial statements of SBC and its regularity assurance engagement for the year ending 31 July 2024. The documents were subject to the external audit report.

The final draft version of the Letters of Representation would be considered at the additional Audit Committee meeting on 5 December 2024 and recommended to the Board for approval at its additional meeting in December 2024.

9. Annual Report and Accounts ending 31 July 2024

The Committee discussed the draft SBC accounts for the year ending 31 July 2024.

The 2023/24 year-end financial position was an operating deficit of £2.2m against a £1.3m agreed budgeted operating deficit. There was no improvement in the financial performance since the previous year. The reserves policy would be agreed at the next meeting in February 2025 and included in 2024/25 year end accounts.

The draft Annual Report & Accounts ending 31 July 2024 was subject to the external audit report. The final version would be considered at the additional Audit Committee meeting in December 2024 and recommended to the Board for approval at its additional meeting in December 2024.

10. BDO Internal Audit Follow up and Progress Reports 2023/24:

Internal Audit Progress Report

BDO, the Internal Auditors were changed in 2023/24. There were no issues concerning the change and no significant matters raised by BDO in the year.

SBC's 2023/24 internal audit programme carried out by BDO had been completed. The Committee reviewed the two final audit reports on Student Voice and Engagement with Employers. The Committee discussed:

- Student Voice, a review of the College's processes to obtain and use student feedback to help shape and improve the College's offering. The auditors gave a 'moderate' level of assurance over the design and a 'substantial' level of assurance on the operational effectiveness of the controls in place over engagement with students at SBC. Four low risks had been identified. Ofsted expected a higher level of assurance.
- Engagement with Employers, a review of SBC's processes for engaging with employers for the WEX (Work Experience) and Careers programmes including how feedback from this is used to determine the SBC's offering. The auditors gave a 'moderate' level of assurance over both the design and the operational effectiveness of the controls in place over employer engagement managed by WEX and Careers team to drive curriculum development. One medium risk and two low risks had been identified.

The progress on the management actions would be monitored by KPMG, the new internal auditors via their action tracker and reported to the Committee.

11. BDO Internal Audit Annual Report 2023/24

The Committee discussed the draft internal audit annual report 2023/24 prepared by BDO.

The Committee noted the internal audit annual opinion which was "generally satisfactory with improvements required in some areas" (the second highest of four ratings) and provided reasonable assurance that there were no major weaknesses in SBC's risk management, control and governance processes.

12. KPMG Internal Audit Plan 2024/25

KPMG had been appointed the internal auditors for SBC in 2023/24 to replace BDO. The Committee was presented with the proposed 2024/25 Internal Audit Plan for approval which was based on the College's risk registers, the internal audit annual report and recent internal audit reports.

The Committee discussed the proposed audit areas which included: review of core financial systems, operational risk management, strategic projects and programmes (Phase 2 capital project), IT infrastructure and student experience (36 days of work). The group audit plan offered opportunities for learning across the group on different areas of work that should be shared between the entities.

The Committee approved the proposed Internal Audit Plan for 2024/25.

13. KPMG Internal Audit Progress Report 2024/25

2024/25 audit programme was underway and would be carried out by KPMG, the new internal auditors. The management actions agreed in previous audits would be included in KPMG's internal audit action tracker to monitor progress made.

14. Audit Committee Annual Report to the Board

The Committee approved its 2023/24 draft annual report to the Board, subject to the completion of the external audit and a review by RSM external auditors. The updated annual report would be approved at the additional Audit Committee meeting in December 2024.

{Secretary's note: the Chair of the Audit Committee signed the audit committee annual report on 28 January 2025, the date on which the accounts were signed.}

15. Corporate Risk Management and Risk Appetite

The Committee reviewed the updated risk register.

The Committee discussed the new significant risks (red) identified since the last meeting in June 2024. The risks included workforce planning and control related to the high agency staff costs which had an impact on the 2023/24 year end performance. The apprenticeship provision which was subject to ESFA review and the risk of losing the capacity to deliver apprentices. Business planning and growth was a new low risk (green) related to the achievement of the timeline process agreed and had been added to the register.

The Committee noted the change on the register in terms of risk rating. The risk severity concerning SBC's financial controls had been increased, the score from amber to red. This was due to the deviation from the purchase orders procedures and the impact on the forecasts and the year-end financial performance.

There was discussion about the alignment in the risk reporting i.e. the risk disclosure in the annual report and accounts with the risk register (principal risks and those in the register).

There was no change to the risk appetite.

16. 2024/25 Updated Financial Regulations

The Committee discussed the updated financial regulations and endorsed the proposed amendments to appendix A (section 3 and 4) which would be recommended to the Board.

- section 3 on Authorisation of Contracts and Orders - to split budget holder approval into a £5k limit and a £20k limit based upon their seniority of their role and explicitly include the requirement to refer to the Vice Principal when an approval would exceed their budget allocation. All purchases between £20,000 and £250,00 require two approvers.
- section 4 on Leasing and Hire Purchase Commitments - all leasing and hire purchase approvals are undertaken by the Executive Principal, Vice Principal Finance and Performance or Board. All purchases require two approvers.

The Committee endorsed the 2024/25 updated financial regulations which would be recommended to the Board for approval at its meeting in November 2024.

17. ESFA Subcontracting Report 2023/24

The Committee reviewed the report on sub-contracting activity for 2023/24 in accordance with ESFA funding agreements and rules on managing subcontracted delivery.

The Committee noted the two areas for improvement identified in the audit review carried out by Wylie & Bisset LLP in July 2023 and an update on progress made:

- Production of a procedural document and checklist for closing/terminating subcontractor's contracts. This should include the escalation process and the person with responsibility for authorising the closure/termination. The procedural document was approved in November 2023.

- Ensuring contracts with the subcontractor are signed by both parties prior to the learning activity commencing. Contracts have been signed by the subcontractors but have not yet been signed by the College. This had been deliberately delayed to allow for potential changes following the audit.

The Committee was also provided with an update on the College's 2024/25 ESFA Funding Audit that started in September/ October 2024. The audit identified £45k clawback mainly related to the subcontractors delivery, the impact on 2024/25 finances was noted. The audit report was awaited and would be considered by the Audit Committee at its next meeting in February 2025.

Ben Baker joined the meeting

18. Health and Safety Incidents Annual Report 2023/24

The Committee received SBC's Health & Safety Incidents Annual Report for the academic year 2023/24. It included the incident trends, areas of concern, and actions recommended to improve safety and well-being across SBC.

The Committee discussed:

- the analysis of the incidents reported in the year which were 122 with students being the most affected group (77%). The highest number of incidents occurred in November 2023 (27 incidents) which was likely due to increased campus activity and adverse weather conditions. Incident numbers decreased significantly during the summer, correlating with reduced campus activity. The preventive actions that had been taken including mental health support services to address underlying issues contributing to incidents were noted.
- the most common incident type which were accidents (36%). Others included falling ill (27%) which indicated potential health issues or environmental factors. Violence-related incidents (11% including knife incidents and assaults) was an area of concern.
- the performance break down by site, most of the incidents were at Clapham (58%) which was due to the higher student population at the campus.
- the high-frequency departments which included the Inclusive Learning for young people with special learning needs (11 incidents) and the estates responsible for all building-related incidents (16 incidents).

- the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable incidents which were five and the preventive actions that had been undertaken to address the issues were noted.

There was a more rigorous reporting culture, and that the report would inform future work on training.

The Committee noted the analysis of the health and safety incidents for the academic year 2023/24 and endorsed the ongoing implementation of enhanced safety protocols, including staff training and safety communications.

Ben Baker left the meeting

19. Anti Modern Slavery Statement

The Committee noted that the LSBU Group must publish an annual statement setting out the steps taken to prevent modern slavery in their business and their supply chains, a requirement under section 54 (Transparency in Supply Chains) of the Modern Slavery Act 2015.

The Committee endorsed the group Modern Slavery Act Statement for the period August 2023 to July 2024 and recommended it to the Board for approval at its meeting in November 2024.

20. Annual Reports on GDPR and Freedom of Information (FOI) 2023/24

The Committee noted the subject access requests and FOI requests received in 2023/24. The Committee also noted the data breaches reported in 2023/24. They were all deemed not sufficient to be reported to the ICO, but advice was provided on measures taken to prevent future incidents. The Committee asked that future reports should provide more information on how SBC responded to these matters especially the FOI requests.

21. Updated Speak Up Policy 2024/25 and Report

The Group Speak Up Policy had been reviewed and no changes were recommended. The policy was endorsed and recommended to the Board for approval at its meeting in November 2024. The policy (last updated in February 2022) would be further reviewed and updated in Q1 2025 to ensure that it still meets the needs of the organisation. The updated policy would be presented to the Committee at its meeting in June 2025.

The Committee noted that there were no matters that had been raised under the Speak up policy since its last meeting in June 2024.

22. Anti-Fraud, Bribery and Corruption

The Committee noted that no incidences of fraud, bribery or corruption had been identified since the last meeting in June 2024.

23. Committee Annual Work Plan 2024/25

The Committee noted the annual work plan for 2024/25 and future meeting dates.

24. Any other business

There was no other business.

**Date of next meeting
4pm, Tuesday, 4 February 2025**

Confirmed as a true record

.....(Chair)