Minutes of the Meeting

Carshalton College **Kingston College** **Merton College** **South Thames College**

——— S O U T H   T H A M E S   C O L L E G E S   G R O U P ———

MINUTES AUDIT COMMITTEE MEETING OF 28 JUNE 2018

(All resolutions passed were the unanimous decision of the Audit Committee members present unless otherwise stated)

Meeting Title	Audit Committee
Date	28 June 2018
Members	M N. Ratnavel Chair Mr T. Byrne–Price Ms K. Driver Mr R. Foulston Mr N. Ware
In Attendance	Mr M. Cheetham RSM Mr A Savjani Buzzacott Ms. R. Devan Director of Finance Mr R. Greenaway Deputy CEO Mr A. Slade Principal, South Thames College Mr D Thornton Director of MIS Mrs H Meredith Head of Governance
Key Meeting Outcomes	

1. 1.1	**APOLOGIES** Apologies were received from Mr Roberts and from the Deputy CEO, Quality and Performance who normally attends meetings of the committee.
1.2	**DECLARATION OF INTEREST** Mr Ware declared his usual interest as a retired partner in Baker Tilly and that he undertakes consultancy work for RSM (previously Baker Tilly). RSM previously informed Carshalton College's Audit Committee that their Ethical Committee has reported that there is no conflict of interest as his association with RSM is totally separate from the audit side of the firm. Other members confirmed that they did not have any pecuniary or other interest in any item on the agenda.
2. 2.1.1	**MINUTES OF AUDIT COMMITTEE MEETING OF 15 MARCH 2018** **AND MATTERS ARISING** *Appdx A* Accuracy. The minutes were accepted as an accurate record subject to amending the heading of Item 2 to Minutes of Audit Committee meeting … and to amend 'Financed director' to 'Finance Director' on page 3. As amended the minutes were signed by the Chair.
2.1.2	It was **RESOLVED** to note the minutes.
2.2.1	Matters arising Members reviewed the action log noting the updates below:

Internal Audit tracker - in future the College to add more narrative on the action taken and systems put in place to respond to the recommendations.	DCEO	June 2018	See Item 3
The Committee asked in future to receive Executive Cover Sheets for Internal Audit Reports explaining what the issues are and what action management have taken in response	DCEO	June 2018	Actioned for this meeting
Risk Register points; At the last meeting the Committee had asked for a review of the wording of Risk 17 and this had not been changed. Members also pointed out an error in the calculation of the risk score for Risk 7A. In relation to Risk 5 members suggested splitting this into two separate risks relating to income and expenditure.	DCEO	June 2018	Actioned for this meeting
Invite the Director of MIS to come to next meeting to give a presentation on monthly DSAT assurance software reports run each month	HoG	June 2018	Actioned See Item 4

	Risk 17 to be split into different funding streams to detail the various processes for each and the work done to check compliance with the learner number funding regulations. Net assurance column on Risk 17 to be changed to a medium risk (amber) on the basis that this committee had not received assurance of compliance with the regulations.	DCEO	March 2018	Actioned for this meeting
	Members asked for a covering report relating to Risk for each meeting to confirm whether the Internal Audit Plan needs to be flexed during the year	DCEO	June 2018	

I tem 7.6 Risk Register review by the Corporation

2.2.2   Members unable to attend the March Corporation meeting asked about the Corporation's response to the committee's view that the Corporation should review the Risk Register every meeting. The Head of Governance confirmed that the full Risk Register was provided to the March meeting and is an Agenda Item for the July 2018 Corporation Meeting. However, the Chair reported that the Corporation had asked solely for the dashboard from the Audit Committee to be considered to make it easier for the Corporation to focus on key risks areas rather than consider the entire risk register every meeting. The Corporation view was that the detailed review of risks had been allocated to the committees with the Audit Committee responsible for undertaking the overall analysis.

2.2.3   Members asked for Mr Cheetham's (IAS) advice. He suggested that the Corporation review the whole Risk Register (at least) annually in order to comply with the statement of corporate governance and internal control included in the financial statements. In addition it was noted, the Internal Audit Report on Risk (last term) recommended a briefing session for the Corporation on risk management and the Committee confirmed this was an important action which could also include a session for governors to consider their approach to risk management and board assurance.

2.2.4   It was **RESOLVED** that, at a minimum, the Corporation should every meeting review the Risk Register dashboard and the Risk Movement tracker. The Committee again expressed their disquiet about the Corporation not receiving the full Risk Register at every meeting.

3.	**PREVIOUS AUDIT RECOMMENDATIONS**
3.1	**INTERNAL AUDIT** *Appdx B* A Tracker Report covering previous Internal Audit Recommendations was presented by the Deputy CEO and reviewed by the Committee.
3.2	The committee suggested some corrections. The committee noted the progress made in implementing previous internal audit recommendations. Recommendations which have been fully implemented will now be removed from the Tracker Report. Recommendations from the internal audit reports at this meeting will be added to the Tracker Report.
3.3	It was **RESOLVED** to note the Report.
4.	**PRESENTATION ON MIS ASSURANCE CONTROLS**
4.1	Dan Thornton, the STCG Director of MIS, gave a presentation on MIS Assurance Controls introducing the presentation by explaining that post merger the MIS team deals with 48,000 enrolments per annum with the largest number of these during September.
4.2	*Katie Driver joined the meeting at 6:55pm* The Presentation provided an overview of the suite of compliance reports which form part of the group's internal controls for monitoring MIS learner numbers and funding data.
4.3	Members asked about the make up of the MIS team which has resulted from the merger of three separate teams on 1st January 2018. The team will lose 3 FTE next year following the IR. Next year the team has allocated leads for funding streams E.g. HE and adult and

4.4	community learning. The Director of MIS proposed splitting the current annual ILR Internal Audit into two parts with the 16-19 audit mid year and the Adult and Apprentices audit later. Mr Cheetham offered to find out whether this would be possible, but it is dependent on when the ESFA publish the checking software, which is not normally before March or April.
5.	**INTERNAL AUDIT REPORTS** *Appdx C 1-6* Mr Cheetham, RSM, presented the Internal Audit Plan and five Internal Audit Reports as follows which were considered in detail by the Committee.
5.1	**Implementation of General Data Protection Regulations (GDPR)**
5.1.1	Mr Cheetham reported that the College had made good progress in preparing for the introduction of the GDPR and that there were no significant issues which the Group needs to address. Further IA reports on the progress re GDPR will be reported to this committee.
5.1.2	It was **RESOLVED** to note the Report.
5.2	**Learner Number Systems**
5.2.1	The Learner Number Systems audit identified two 'High', six 'Medium' and one 'Low' priority actions for management. Issues were identified in relation to each funding stream but bearing in mind the number of enrolments involved the auditors expected to find some issues. The main issues were around planned hours recorded in the ILR. Mr Cheetham reported this as an issue which happens routinely in large colleges. The MIS team carry out DSATs monthly which will help to correct any errors. The committee asked Mr Cheetham how STCG'S ILR compares to other colleges and he confirmed that this is about midway between the best and the worst.
5.2.2	The main issue, which is a national problem, relates to changes to the rules this year in relation to New apprenticeship provision and the need for evidence to confirm that the Group and employer have calculated and planned how the 20% off the job training requirement will be met. This must be calculated learner by learner and for 2017 has been based on 52 weeks. From 1st August the rules have been changed to exclude holiday. Another national issue is that the College must be able to demonstrate that it has calculated its costs and negotiated these with an employer. The process was not explained to colleges by the ESFA. The Chair asked that the conclusion should refer to the materiality of the errors.
5.2.3	It was **RESOLVED** to note the Report.

5.3 5.3.1	**Key Financial Controls** The scope of the review of Key Financial Controls, included looking at the following areas: • General Ledger • Cash and Bank • Payroll • Procurement and Payments • Other income and Debtors
5.3.2	The audit opinion is that there is reasonable assurance that the controls in place to manage this area are consistently applied. Auditors identified two 'medium' and one 'low' priority management actions with regards to the application of and compliance with the control framework some of which were pre-merger legacy issues.
5.3.3	The Committee asked for assurance that the college insurance arrangements provide adequate cover for any cash held on the premises. The Finance Director agreed to check the Group insurance arrangements for cash handling for each site. The Committee noted that the proposed audit plan for 2018-19 includes further audit work in this area next year.
5.3.4	It was **RESOLVED** to note the Report.
5.4	**Follow up / Action tracking** C4
5.4.1	This report reviewed a follow up review of progress made by Group in implementing previously agreed management actions from 31 recommendations brought forward; of which over half were legacy issues and only 16 were still applicable following the merger.
5.4.2	Members reviewed 3 recommendations where action was yet to be implemented relating to: • HE Clearing training – scheduled to take place before the end of term; • Health and Safety / Manual Handling training as appropriate - scheduled for September 2018; • A testing schedule for the Business Continuity Plan and the IT BCP – to be developed.
5.4.3	The Audit Opinion was that South Thames Colleges Group has demonstrated good progress in implementing the agreed management actions.
5.4.4	It was **RESOLVED** to note the Report.
5.5	**Quality Assurance (Draft Report)**
5.5.1	The Internal Audit Service conducted an audit on Quality Assurance at the request of the Group. This audit replaced the second part of the implementation plan.
5.5.2	The overall Audit Option Amber – Green: that the Corporation can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, the audit identified three 'Medium' and two 'Low' priority issues that need to be addressed to ensure that the control framework is effective in managing the identified area(s).
5.5.3	The Committee reviewed the 'Medium' priority actions which related to a lack of consistency with recording learning walks and following up on actions, and that the actions on the College QIP need to be more frequently reviewed and updated.
5.5.4	It was **RESOLVED** to refer this report for review by the Quality, Learning and Standards Committee.
5.5.6	It was **RESOLVED** to recommend the five internal Audit Reports to the Corporation.
5.6	**Internal Audit Strategy 2018/19 -2020/21**
5.6.1	The Internal Audit Strategy was reviewed. The plan confirmed core assurances for risk

	management and governance, key financial controls, and learner number systems. In addition, risk-based assurances would be sought for Payroll, Operational Plan and Safeguarding.
5.6.2	In response to questions from the Committee Mr Cheetham confirmed that there will be substantive testing and DSAT reviews of Learner Number Systems.
5.6.3	The proposed risk-based reviews are based around issues in the sector and Mr Cheetham invited the committee to propose any additional areas which they would like to see reviewed. Members asked whether it was possible to review the risk associated with the decline in student enrolment, which could include the impact of the marketing campaign. After discussion it was agreed that this was not appropriate for Internal Audit but that the committee would consider this further under a separate review of the Risk Register.
5.6.4	It was **RESOLVED** to recommend to the Corporation to approve the Internal Audit Strategy **2018/19 -2020/21** at a fee of £42,813 excluding VAT.

6.	**BOARD ASSURANCE AND RISK MANAGEMENT**	***Appdx E***
6.1	The Deputy CEO presented the updated Board Assurance framework and Board Assurance and Risk Management Policy. The Risk papers included the full Risk Register.	
6.2	The Head of Governance gave an update from the committees which had agreed the net scores for the risks allocated to them, apart from the QLS Committee' s position in relation to the risk as to declining student numbers which it had referred back to the full Corporation.	
6.3	Members asked how much time is spent by each of the other committees in discussing the risks allocated to them to assess whether these have been reviewed in sufficient detail. The Committee discussed whether in future a written report could be made available in advance with the committees' views on the risks allocated to them. The Committee also discussed an approach whereby the Chairs of each Committee came to an Audit Committee to explain how the Committee had reached their assessment of risk. The DCEO advised the Committee that it may wish to canvass the views of the Corporation at the briefing session identified above before making a decision or recommendation on this matter.	
6.4	There followed discussion about the need for more time for this committee to carry out a detailed assessment of the entire Risk Register. It was agreed to discuss this further at the end of the meeting. Members asked about areas of concern or comment which they suggested should be added to the Risk Register such as: - The risk relating to compliance with the Bank's loan covenant - it was agreed that this should be recognised within the Risk Register; - The college marketing strategy and impact on student enrolments.	
6.5	The Committee reviewed the Board Assurance risk area falling within its terms of reference and was satisfied that the proposed risk level is correct and that sufficient controls and/or actions are being taken to manage the risk.	
6.6	The Committee reviewed the Risk Movement Tracker that summarised the movement of risks since the review of the risk register at the last meeting.	
6.7	It was **RESOLVED** to note the Board Assurance Framework and Risk Management Report and it was agreed, based upon the information it has received including provided by the other Committees, that the Board Assurance Dashboard represented an accurate assessment of the key risk areas and the associated level of assurance.	
7.	**FRAUD AND FRAUD REGISTERS**	*Appdx F*
7.1.1	The Committee received the Fraud Register which reported on incidents of attempted or alleged malpractice in recent months at Carshalton College previously reported to the Committee in addition to a further allegation of malpractice currently under investigation. There had also been an allegation at KC currently under investigation. Members asked questions about the detail of the incidents noting that none of them apparently had any financial motive.	
7.1.2	It was **RESOLVED** to note the Fraud Report.	
8.	**POST 16 AUDIT CODE OF PRACTICE MARCH 2018 UPDATE**	
8.1	The Committee noted an update report on changes made in the March 2018 Update to the Post 16 Audit Code of Practice including: - emphasising reporting accountants may, by exception, write to ESFA and ask for a summary of any matters relevant to regularity - confirming that colleges will share their completed regularity self-assessment	

	- questionnaires with reporting accountants - clarifying that staff governors should not be members of an audit committee - clarifying that significant fraud now includes that which is systematic or unusual - simplifying reporting arrangements so that all identified significant or material fraud is disclosed in the assurance report on regularity - highlighting to external auditors their reporting responsibilities on matters of material significance - highlighting that all four annexes have been updated
8.2	It was **RESOLVED** to note the updates to the Code of Practice.
9.	**FINANCIAL STATEMENTS AND REGULARITY AUDIT APPROACH & ENGAGEMENT LETTERS**
9.1	Mr Savjani, Buzzacott presented the new Engagement Letter for South Thames College Group. The previous Engagement letters for KCTC Ltd and KSEP Ltd still stand.
9.2	Mr Savjani presented the Audit Approach Plan for the audit of the financial statements for the year-ended 31 July 2018 and Regularity Audit for South Thames Colleges Group, KCTC Limited and KSEP Ltd.
9.3	Members noted that there will be additional work needed this year to prepare the first set of Financial Statements for the Group. Members asked about plans to do this work and were advised that preparatory work will be undertaken over the summer including the alignment of accounting policies and accounting treatment of legacy issues.
9.4	It was **RESOLVED** to recommend that the Corporation approves the Audit Approach Plan for the year-end accounts 31 July 2018.
	The Auditors left before the start of this item at 8:40pm
10.	**ANNUAL REVIEW OF PERFORMANCE AND APPOINTMENT RECOMMENDATION OF THE INTERNAL AUDIT SERVICE**
10.1	The Committee undertook the annual assessment of the performance of the internal audit service against the agreed performance indicators. It was agreed that Chair of the Committee should communicate to the Head of the Internal Audit Service the points discussed.
10.2	It was **RESOLVED** to recommend to the Corporation to reappoint RSM to provide an internal audit service for the South Thames Colleges Group for the period 01 August 2018 to 31 July 2019.
11.	**MEETING DATES**
11.1	The programme of meeting dates for this committee for next year was agreed as below:

Thursday 29th November 2018	6.30-8.30pm	Merton College
Thursday 14th March 2019	6.30-8.30pm	Kingston College
Thursday 20th June 2019	6.30-8.30pm	South Thames College (Wandsworth)

11.2	It was agreed to hold an additional Risk Meeting for the Committee and the Deputy CEO to review the Risk Register in detail on Tuesday 10th July 5.30pm at Merton College. The College Principal of STC offered to assist the committee in relation to the learner number risk and the concern they had raised around marketing strategies.
	The meeting closed at 9:05 pm. Signed: …………………………..............Date:……………………

Action points		Responsible	Deadline	Signed off
From this meeting				
1	Briefing session for the Corporation to be arranged on risk management	HoG	Autumn 2018	
2	Mr. Cheetham to find out whether possible to split the IA on ILR into two audits	RSM	Autumn 2018	
3	Group insurance arrangements for cash handling for each site to be checked	FD	July 2018	
4	Refer the IA report on Quality Assurance for review by the QLS Committee.	HoG / DCEO	Autumn 2018	
5	The risk relating to compliance with the Bank's loan covenant to be added to the Risk Register	DCEO		
6	The Committee Chair of the Committee to write to the auditors about points discussed on the review of the IAS.	NR		
7	Additional Risk Meeting for the Committee and Deputy CEO to review the Risk Register to take place on Tuesday 10th July 5.30pm at Merton College.			