

MINUTES AUDIT COMMITTEE MEETING OF 29 NOVEMBER 2018

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

Meeting Title	Audit Committee			
Date	29 November 2018			
Members	Mr N. Ratnavel (Chair)			
	Ms K. Driver			
	Mr A. Roberts			
	Mr N. Ware			
In Attendance	Mr M. Cheetham	RSM		
	Ms E. Gipson		RSM	
	Ms H. Haddock		Buzzacott	
	Mr G. Churcher		KPMG	
	Mr P. Mayhew-Smith		Group Principal / CEO	
	Ms. R. Devan		Director of Finance	
	Mr R Greenaway		Deputy CEO	
	Mr A. Slade		Principal, South Thames College	
	Mr D.Thornton		Director of Planning & Curriculum Information Services	
	Mrs H Meredith		Head of Governance	
1.	APOLOGIES			
1.1	Apologies were received from Mr Byrne–Price and Mr Foulston. The Group Principal / CEO attended the meeting at the invitation of the Audit Committee.			
1.2	DECLARATION OF INTEREST			
	Members confirmed that they did not have any new pecuniary or other interest in any item on the agenda other than interests which have previously been declared that Mr Mayhew-Smith holds an unpaid directorship of KSEP Ltd and that Mr Ware is a retired partner in Baker Tilly and that he undertakes consultancy work for RSM. RSM had previously informed Carshalton College’s Audit Committee that their Ethical Committee have reported that there is no conflict of interest as his association with RSM is totally separate from the audit side of the firm.			
2.	ELECTION OF CHAIR AND VICE-CHAIR			
2.1	Mr Ratnavel was elected as Chair of the Committee			
2.2	The election of vice-chair of the committee was deferred to the next meeting.			
3.	MINUTES OF LAST MEETINGS 28 JUNE 2018 AND 10 JULY 2018 AND MATTERS ARISING			
3.1	<u>Accuracy.</u> The two sets of minutes were accepted as an accurate record by those present at the meetings and were signed by the chair.			
3.2	<u>Matters arising</u> Members noted the following updates on the Action Log:			
	Briefing session for the Corporation to be arranged on risk management	HoG	Autumn 2018	Completed 13 November 2018
	Mr. Cheetham to find out whether possible to split the IA on ILR into two audits	RSM	Autumn 2018	RSM confirmed that this is possible-arrangements to be agreed following the meeting.
	Group insurance arrangements for cash handling for each site to be checked	FD	July 2018	Actioned

	Refer the IA report on Quality Assurance for review by the QLS Committee.	HoG / DCEO	Autumn 2018	On Agenda for Dec 2018 meeting
	The risk relating to compliance with the Bank's loan covenant to be added to the Risk Register	DCEO		Actioned
	The Committee Chair of the Committee to write to the auditors about points discussed on the review of the IAS.	NR		Actioned
	Additional Risk Meeting for the Committee and Deputy CEO to review the Risk Register to take place on Tuesday 10 th July 2018			Actioned
3.3	It was resolved to note the minutes.			
4.	PREVIOUS AUDIT RECOMMENDATIONS			
4.1	The Deputy CEO presented the 'Tracker Report' to provide assurance to the Committee of the progress being made by each College in relation to recommendations made by the Internal and Financial Statements Auditors. The Internal Audit Service also reviews these. No issues of concern were noted by the Audit Committee.			
4.2	It was resolved to note the report.			
5.	AUDIT REPORTS			
5.1	Internal Audit Report Governance			
5.1.1	Mr Cheetham, RSM, presented the report confirming that the committee can take the highest level of assurance (substantial assurance) in relation to this which is a good outcome in the context of the Group post-merger.– report conclusion below:			
	<p>Internal audit opinion: Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.</p>			
5.1.2	The committee asked about action taken in response to a low level recommendation about Group Policy Review The DCEO confirmed that the Head of Executive Support has responsibility for ensuring that the cycle of policy review is kept up to date.			
5.1.3	It was resolved to note the report.			
5.2	Provider Assurance Report KPMG			
5.2.1	Mr Churcher, KPMG, presented the report. Members noted that the ESFA undertakes a number of funding assurance reviews across the FE college sector each year. South Thames Colleges Group was selected for a review for the funding year 2017 to 2018, which took place in September 2018. The review was undertaken by KPMG and covered the following funding streams:			
	<ul style="list-style-type: none"> • Carry-in apprenticeships and adult education budget • New apprenticeships (for starts from 1 May 2017) • 16 to 19 study programme • ESF match funding, and • Advanced learner loans. 			
5.2.2	Mr Churcher reported that the Group has a good grip on the data. The audit resulted in an overall difference in the reconciliation statement of approx. £26k which is small in the context of what is seen elsewhere.			
5.2.3	The recommendations made in relation to Apprenticeships raised 3 of the 5 issues faced			

<p>5.2.4</p> <p>5.2.5</p>	<p>nationally by colleges this year. In relation to the other two apprenticeship areas where other colleges face issues there was good strong evidence to demonstrate that the Group is compliant with these funding rules.</p> <p>The committee were pleased to note that overall the adjustments made on the reconciliation were small compared to the scale of the audit and asked for their congratulations to be passed to the MIS Team on this achievement.</p> <p>It was resolved to note the report. <i>Ms Haddock joined the meeting at 6:40pm</i></p>
<p>5.3</p> <p>5.3.1</p> <p>5.3.2</p> <p>5.3.3.</p>	<p>INTERNAL AUDIT ANNUAL REPORT 2017- 2018</p> <p>Mr Cheetham, RSM, presented the Annual Internal Audit Report for the year 2017-18 which set out the following opinion:</p> <p><i>“The organisation has an adequate and effective framework for risk management, governance and internal control.</i></p> <p><i>However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective. “</i></p> <p>This is the second highest of the four opinions which RSM provide – this was positive but recognising that there were some areas which could be improved.</p> <p>It was resolved to recommend the Internal Audit Annual Report 2017-18 to the Corporation.</p>
<p>5.4</p> <p>5.4.1</p> <p>5.4.2</p>	<p>INTERNAL AUDIT PLAN FOR 2018-19 PROGRESS REPORT</p> <p>Ms Gipson, RSM updated the committee that by the date of the meeting, no internal audit work for 2018-19 had taken place, however audit dates for 2018-19 had been agreed with management in accordance with the previously agreed plan:</p> <p>It was resolved to note this Internal Audit Progress Report and not to propose any changes to the Internal Audit Plan for 2018-19.</p>
<p>6.</p> <p>6.1.1</p> <p>6.1.2</p> <p>6.1.3</p> <p>6.1.4</p>	<p>FINANCIAL STATEMENT YEAR ENDED 31 JULY 2018. POST AUDIT MANAGEMENT REPORT, & LETTERS OF REPRESENTATION</p> <p>As required by the Post 16 Audit Code of Practice, a copy of the Group’s draft Financial Statements and Annual Report 2017-18 was made available along with the Post-Audit Management Report from the Financial Statements & Regularity Auditor for the year ended 31 July 2018 and the Letters of Representation for South Thames Colleges Group; KSEP Ltd and KCTC Ltd.</p> <p>Ms Haddock (Buzzacott) presented the Financial Statements for South Thames Colleges Group for the Year ended 31 July 2018 explaining that these have been prepared on a going concern basis as confirmed by cash flow forecasts prepared by the College.</p> <p>The Management Report covered the work of the Financial Statement Auditor (FSA) on the audit of the Financial Statements and Regularity Audit. The Financial Statement Auditors (FSAs) are required to issue two audit opinions:</p> <ul style="list-style-type: none"> • An opinion on the financial statements addressed to the College • An opinion on the regularity of financial transactions addressed to the College and the Education and Skills Funding Agency (ESFA). <p>Ms Haddock confirmed that the FSA intends to issue an unqualified regularity assurance conclusion on regularity and confirmed:</p> <ul style="list-style-type: none"> - in all material respects income and expenditure have been applied to the purposes intended by Parliament; and - that South Thames Colleges Group’s financial transactions conform to the authorities who govern them. <p>Both opinions are confirmed in the South Thames Colleges Group Draft Financial Statements</p>

	<p>and Annual Report for the year ended 31 July 2018. In addition to the opinion, the audit reports confirmed the following:</p> <ul style="list-style-type: none"> No internal control issues of any were identified during the audit.
6.1.5	<p>Ms Haddock took comments and answered questions on the Financial Statements. As a result some typographical errors and missing information will be revised in the final version of the Financial Statements. Questions from the committee also covered the following issues:</p> <ul style="list-style-type: none"> Whether the college has done a compliance mapping exercise against the Code of Governance. The Head of Governance confirmed that one issue picked up in relation to guidelines as to the maximum number of terms of office that governors can serve is being reviewed further (by the Search Committee on 30 November 2018); Clarification needed about the term of the loan (loan terms to be renewed every 5 years although repayment period 20 years); Page 40 onwards whether all the headings should state “Combined and restated”; Page 56 Note re FRS 102 needs more detail to provide clarity about the nature and amount of the adjustments.
6.1.6	<p>The two co-opted members asked how close the college was to breaching bank covenants and about the forecasts in relation to the bank covenants for 2018-19. The Deputy CEO confirmed that the Group is forecasting to be within the bank covenants during 2018-19.</p>
6.1.7	<p>It was resolved to recommend the Report and Financial Statements of South Thames Colleges Group for the year ended 31 July 2018 to the Corporation for approval.</p>
6.2	POST AUDIT MANAGEMENT REPORTS FOR SOUTH THAMES COLLEGES GROUP
6.2.1	<p>It was resolved to recommend that the Corporation approve the Post-Audit Management Letters on the year-end accounts 31 July 2018 for South Thames Colleges Group, KCTC Ltd and KSEP Ltd.</p>
6.3	LETTERS OF REPRESENTATION
6.3.1	<p>Letters of Representation for South Thames Colleges Group, KSEP Ltd and KCTC Ltd adopting a standard format were presented by Buzzacott and reviewed.</p>
6.3.2	<p>Members noted that Letters for KSEP Ltd and KCTC Ltd were in a standard format.</p>
6.3.3	<p>It was resolved to recommend that the Corporation approve the Letters of Representation for South Thames Colleges Group, KSEP Ltd and KCTC Ltd.</p>
6.4	REGULARITY AUDIT CHECKLIST FOR SOUTH THAMES COLLEGES GROUP
6.4.1	<p>The Director of Finance confirmed that the practice is for this to be signed with the Financial statements. The checklist is a template provided by the ESFA completed to inform the work of the regularity auditors.</p>
6.4.2	<p>It was resolved to recommend this checklist for signature by the Group Principal / CEO and Chair of the Corporation.</p>
7.	BOARD ASSURANCE AND RISK MANAGEMENT
7.1.1	<p>The Deputy CEO presented the Group Risk Register.</p>
7.1.2	<p>The specific risk delegated to the Audit Committee is Risk 17: Failure to comply with the procedures and regulations connected to learner funding as set out by each funding body including the utilisation of expected compliance processes such as PDSAT.</p>

7.1.3	Following the outcome of the recent Provider Assurance Audit (Item 5.2 above) the risk was considered by the committee to be low risk.
7.2	REPORTS FROM CORPORATION COMMITTEES UNDER BOARD ASSURANCE FRAMEWORK
7.2.1	The Head of Governance presented a report from the Corporation Committees with extracts from their minutes this term in relation to their review of the risks delegated to them. The committee reviewed the assurance provided by each committee in relation to the risks delegated to them. Mr Ware challenged the assurance level for the risk relating to declining student numbers which he felt should be red – this will be reported to the next meeting of the QLS Committee on 3 December by the Head of Governance.
7.2.2	After discussion, and subject to any further review undertaken by the QLS Committee at its meeting on the 3 rd December 2018 it was resolved to recommend the Risk Register for approval to the Corporation.
8.	FRAUD AND FRAUD REGISTERS
8.1.1	The Committee received the Fraud Register for South Thames Colleges Group. It was confirmed no instances of fraud have been identified since the last meeting.
8.1.2	At the June meeting of the Committee it was notified of allegations of malpractice at Kingston College. An extensive investigation by an Assistant Principal was carried out and found no evidence that any staff involved in the matter committed fraud or malpractice. No further action will therefore be taken.
8.1.3	It was resolved to note the Fraud Register
8.2	WHISTLEBLOWING REPORT
8.2.1	The Head of Governance confirmed that no whistleblowing reports have been received since the last meeting.
8.2.2	It was resolved to note this report.
9.	CONFIDENTIAL SESSION (IF REQUIRED)
9.1	The Audit Committee and auditors were offered the opportunity for a closed session to allow auditors to raise any matters of concern directly with the Committee.
9.2	Neither the Committee nor auditors chose to take up this opportunity as there were no matters of concern to raise.
10.	SELF ASSESSMENT AUDIT COMMITTEE'S ANNUAL REPORT 2017/18
10.1.1	The Post 16 Audit Code of Practice states that the annual report of the Audit Committee is to be written for both the governing body and the Principal as the accounting officer of the College. The annual report should be used as a summary explaining the work of the Committee during the course of the year. The Annual Report must offer an opinion from the Audit Committee to both the Corporation and Principal.
10.1.2	The Committee received and reviewed the draft Annual Report for the work of the South Thames Colleges Group Audit Committee. The following opinion was agreed: As specified in the Post 16 Audit Code of Practice (JACOP) the Audit Committee advises the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. This is done through reports it

10.1.3	<p>recommends and refers to the Corporation throughout the year, reporting back by the Chair of the Committee and the submission of its minutes for consideration by the Corporation.</p> <p>There are no matters that the committee wishes to bring specifically to the attention of the Corporation, based on the information provided to them by the College; the work, reports and audit opinions of South Thames Colleges Group's Internal and Financial Statement & Regularity Auditors; and the opinions and assurances received from South Thames Colleges Group Corporation Committees, the Audit Committee's opinion is that that South Thames Colleges Group's risk management, control and governance systems and its internal processes for securing economy, efficiency and effectiveness at the College are adequate and effective and that the Corporation should have confidence in relying upon them. The Committee is satisfied that where weaknesses are identified they have been responded to in an appropriate and timely manner.</p> <p>The Committee is satisfied with the financial reporting of South Thames College Group and the performance of the internal and financial statement & regularity auditors.</p> <p>The Audit Committee considers that South Thames Colleges Group Corporation's responsibilities have been satisfactorily discharged and recommends this report to the Corporation.</p> <p>It was resolved to recommend the Annual Report for approval by the Corporation and the Chair of the Audit Committee was authorised to sign and date the annual report on behalf of the Audit Committee (subject to finalising this to include the opinions from the Internal Audit Annual Report and Post Audit Management Report which had not been available when the report was written) to provide the assurance required by the Corporation.</p>
<p>10.2</p> <p>10.2.1</p> <p>10.2.2</p> <p>10.3</p> <p>10.3.1</p> <p>10.3.2</p> <p>10.3.3</p> <p>10.3.4</p>	<p>TERMS OF REFERENCE AND SELF ASSESSMENT OF WORK OF COMMITTEE FOR 2017-18</p> <p>Terms of Reference Members considered the committee's Terms of Reference and it was agreed to recommend these for approval.</p> <p>It was resolved to recommend the Terms of Reference (as attached to the Audit Committee Annual Report as Appendix 1) for approval by the Corporation.</p> <p>Planned Business for the Year It was resolved to agree the revised Planned Business for the year as attached to the Audit Committee Annual Report.</p> <p>SELF ASSESSMENT OF WORK OF COMMITTEE FOR 2017-18</p> <p>The Committee considered a checklist of questions to prompt their self-assessment of the committee's effectiveness for 2017-18.</p> <p>Members asked for papers to have an executive cover sheet highlighting key issues and setting out whether the item is for decision or noting, aligned with the Agenda.</p> <p>One member asked about the location of meetings highlighting his difficulty in reaching Wandsworth in time for meetings.</p> <p>No changes were considered necessary to the membership of the committee or benchmarking data received by it.</p>
	<p><i>(The auditors left the meeting at this point at 7:35pm)</i></p>

<p>11.</p> <p>11.1</p> <p>11.2</p>	<p>ANNUAL REVIEW OF PERFORMANCE OF FINANCIAL STATEMENTS AND REGULARITY AUDITORS</p> <p>The Committee undertook the annual assessment of the performance of the Financial Audit and Regularity Audit Service against agreed Performance Indicators.</p> <p>It was resolved to re-appoint Buzzacott to provide a financial audit and regularity audit service for the College Group for the period 01 August 2018 to 31 July 2019</p>									
	<p>MEETING DATES - TO NOTE</p> <table border="1" data-bbox="322 459 1544 524"> <tr> <td>Thursday 21st March 2019</td> <td>6.30-8.30pm</td> <td>Kingston College NB Revised date</td> </tr> <tr> <td>Thursday 20th June 2019</td> <td>6.30-8.30pm</td> <td>South Thames College (Wandsworth)</td> </tr> </table> <p>It was agreed previously that the Group Principal / CEO should attend the November Audit Committee meeting each year and will be invited to attend other meetings if audit findings require his attendance.</p>				Thursday 21 st March 2019	6.30-8.30pm	Kingston College NB Revised date	Thursday 20 th June 2019	6.30-8.30pm	South Thames College (Wandsworth)
Thursday 21 st March 2019	6.30-8.30pm	Kingston College NB Revised date								
Thursday 20 th June 2019	6.30-8.30pm	South Thames College (Wandsworth)								
Action points	Responsible	Deadline	Signed off							
From this meeting										
1	Election of vice-chair deferred to next meeting.	HoG	21 March 19							
2	Risk relating to declining student numbers which should be red – to be reported to QLS Committee on 3 December 2018.	HoG	3 Dec 2018							
3	Final Audit Committee Annual Report to include opinions from the Internal Audit Annual Report and Post Audit Management Report	HoG	11 Dec 2018							
4	Meeting papers to have an executive cover sheet highlighting key issues and setting out whether the item is for decision or noting, aligned with the Agenda.	Report writers	Ongoing							
Date of Next Meeting	<p>The next meeting will take place on THURSDAY 21 MARCH 2019 @ 6:30PM</p> <p>The meeting closed at 7:45pm.</p> <p>Signed:Date:.....</p>									