

AUDIT COMMITTEE

Final Meeting – Minutes Signed by the Chair as delegated by the Committee.

DATE: THURSDAY 15 JUNE 2017
PLACE: RM 410 WANDSWORTH CAMPUS
TIME: 5.30 pm.
PRESENT: Daud Ilyas (Chair), Tim Morris (External Co-Opted Governor). Michael Helene, Kazi Hossain.

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Ralph Moran, Director of Finance
Jerry Barton, Mazars, Internal Auditor
Katherine Patel, Buzzacotts

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| <p>1. Apologies for Absence
Katie Driver</p> | |
| <p>2. Declarations of Interest
None</p> | |
| <p>3. Minutes of the last meeting held on 1 March 2017.
The minutes were agreed as a true and correct record of the meeting and were signed by the Chair of the Committee. (Subject to 2 corrections noted, reference to outstanding IT Strategy should be Health and Safety Audit).</p> | Clerk |
| <p style="text-align: right;">APPROVED.</p> | |
| <p>4. Matters Arising:</p> <ul style="list-style-type: none">• Review of format - The Director of Finance confirmed that he had met with the Internal Auditors. However, in light of the proposed merger and the fact that the contract with Mazars would cease at this point, it was agreed to continue with the format approved as part of the original contract specification. The Clerk sought clarification about who the continuing Internal Auditors would be. The Director of Finance informed the Committee that RSM Tenon would be continuing as Internal Auditors for the new College. Noted.• Risk Register and Assurance Mapping – Members were informed that a comparison and review with the systems in place at Kingston had revealed that they were very similar in light of this no further work had been undertaken on the STC approach and | |

the SLT had agreed that the risk process at Kingston would be expanded and adopted across the new College. Noted.

- **Audit Tender Exercise** – As previously discussed the contact with Buzzacotts would continue for the new College as both Kingston and Carshalton were already in contractual arrangements with Buzzacotts. The Director of Finance confirmed that should the merger not proceed then special arrangements under the procurement framework would need to be made to appoint Buzzacotts to complete the financial statements and regularity audit. Noted.
- **Health and Safety Audit Report** – On the agenda.
- **Business Continuity Plan** – The Director of Finance confirmed that the walk through test for the Business Continuity Plan remained an area of outstanding work. It was hoped that this would be completed during the summer. The Director of Finance confirmed that all follow up areas would be passed to RSM Tenon to be considered as part of the annual work plan for the new College. Noted.
- **Freedom of Information Request** – completed.

Director of
Finance

5. Internal Audit Service

i) Progress Report on delivery of the Internal Strategic Plan

Presented by Mazars (Internal Auditors).

Items discussed:

- Members were informed that this was the 3rd progress report to be submitted for 2016/17.
- All outstanding areas of audit work had been completed with the exception of the Learner Numbers Audit which Mazars had been asked to postponed until July. It was anticipated that this would be completed.
- The Clerk sought assurance that the report would then roll forward to the first Audit Committee of the new College. This was confirmed by the Director of Finance.
- Members noted the summary on pages 2 and 3.

Report RECEIVED.

ii) Visit 2

a) Corporate Governance & Risk Management

- Mazars confirmed that the annual audit had been undertaken in line with the terms of reference of the audit.
- Members were reminded that this remained one of the cornerstones of the annual opinion given by the internal auditors. Members noted that the areas received substantial assurance.
- The Clerk expressed her appreciation to the auditors for the support and accessibility throughout the year for all audit matters in relation to supporting the Committee.
- The Clerk confirmed to the Audit Committee that a copy of the Corporate Governance Report had also been submitted to the Search and Governance Committee for consideration and information. Noted.

Report RECEIVED.

b)Core Financial Systems – Assets and Inventories.

- Members noted that this area had only received adequate assurance.
- Discussion followed on what this level of assurance meant for the area under review and the level of risk attached to it.
- The Director of Finance discussed the difficulties and challenges of asset management particularly in relation to IT equipment. Noted. Members discussed the 2 significant priorities and the 1 housekeeping one. The Director of Finance accepted that the reporting system for IT equipment needed to be improved.

Report RECEIVED.

c)Core Financial Systems – Cash and Banking.

- Members noted that this area also received adequate assurance.
- Members noted that there were 3 significant and 3 housekeeping recommendations.
- Discussion followed on the findings on page 2 and 3. Members discussed the cash and banking arrangements in detail. Members asked for the threshold amounts? The Director of Finance could not confirm the levels but assured Members that where there were period of peak demand i.e. enrolment then additional staff were allocated.
- Members discussed the challenge of maintaining staffing levels across times when the demand was low acknowledging that the reducing budgets make this a challenge.

Report RECEIVED.

d)Health & Safety

- Members noted that this area received adequate assurance. Members noted there were 4 significant recommendations and 2 housekeeping ones.
- Discussion followed on the need for policies and procedures to be updated across the board.
- Members also discussed the unaccepted recommendation in relation to issuing unique numbers to identify reports. Members noted the area received substantial assurance last time.
- The Director of Finance accepted that policies needed to be reviewed. Members discussed the impact of the merger and the need for this to be an area of focus in the new College.
- Members also discussed the risks and concerns that all organisations would have and the expectation that these would again come into stark relief in light of the recent high rise fire disaster.
- Members challenged the findings at 4.1. The Director of Finance and the Principal confirmed that in their view there were sufficient first aiders on call. Members were informed that all security staff were required to hold first aid certificates in the event that the scheduled first aiders were not available.
- All of the Committee were in agreement that Health and Safety would need to be a key focus for the new College. The Principal proposed that all agendas at a Campus level going forward should have a Health and Safety item as standard. Noted.

Director of
Finance

- The Principal stressed the need for tight procedures and clear communication across all of the campuses which would be vital in providing the Corporation with an assurance that the College was meeting its obligations in relation to Health and Safety. This view was endorsed by the Committee and it was agreed that this action would be taken forward and flagged up to the new Corporation.
- Discussion followed on Governors liability assurance and Corporate Manslaughter legislation in light of events elsewhere in London.
- The Clerk sought assurance that Governors liability insurance had been considered in the context of the merger.
- The Director of Finance confirmed that all insurance schedules had been considered and that insurance cover would be provided.
- The Clerk was informed that the contract would remain with the existing one negotiated by Kingston College and that the contract with Zurich would cease.
- Members of the Committee were advised that there were conversations currently underway to ensure that any claims arising from 16/17 were still dealt with appropriately by Zurich. Noted.
- The Clerk requested that the Director of Finance seek assurance that the appropriate level of cover was place in relation to the size of the new organisation and governor’s liability. Noted

Clerk

Director of Finance

Report RECEIVED.

iii) Internal Audit Operational Audit Plan for 2017/18

- The Director of Finance confirmed that following discussions with Mazars it was proposed that an outline Internal Audit Annual Plan in line with the remaining contract be presented to the Corporation for approval.
- Members were informed that it was anticipated that this would not be needed in light of a successful conclusion to the merger.
- However, should the merger fail at the last stage for any reason, all existing STC contracts including that for Internal Audit would continue.
- In this instance the default starting position for audit planning for the following year would be initiated.
- Members endorsed this approach and Mazars indicated that they were in agreement.
- Following this the Clerk requested that a brief summary be presented to the Corporation of the agreed arrangements with reference to the outline plan for the following year. Agreed.

Director of Finance

Internal Audit Plan for 2017/18 APPROVED for recommendation to the Corporation.

6. External Audit Reports – Presented by the Director of Finance.

Items discussed:

- Members noted the report and update following the external audit of the sub-contracting arrangements.
- Members noted the work was carried out by Buzzacotts in accordance with the Education and Skills Funding Agency’s guidance.

Report RECEIVED.

7. Audit Recommendations Implementation Tracker Update –

Presented by the Director of Finance.

Items discussed:

- The Director of Finance provided a brief overview of the report and invited questions. Members were informed that an end of year report would be carried forward to the auditors of the new College for information. Noted.
- Members noted the improved position in relation to the number of longstanding recommendations since the introduction of the report and thanked the Director of Finance for his work in this area.
- Members recommended that the report be carried forward to the new College as a method of monitoring the implementation of audit recommendations.

Director of
Finance

Report RECEIVED.

8. Strategic Plan for the audit of the Financial Statements and Regularity Audit 2016/17 Year. – Presented by Buzzacotts.

Items discussed:

- Buzzacotts presented the report confirming that the main work would be undertaken in October.
- Members were informed that a precise schedule had not been drawn up pending completion of the merger and confirmation of deadline dates for committees in the next academic year.
- The Clerk confirmed that the new Board was due to meet on the 17th July and it was hoped that an annual schedule would be agreed at this meeting.
- Members were informed that a new appendix from the funding body had now been included which focussed on regularity and Governance more than previous years. Noted.
- Members attention was drawn to page 5 of the report and the key risks identified by Buzzacotts, in relation to the closing of the accounts:
 - Income recognition
 - Bank loan covenants
 - Merger
 - Management override of controls
 - Related party transactions
 - Accounting estimates
 - Subcontractor/Franchise provision.
- Discussion followed on the implications of the transference of loans and Members were urged to consider how the merged College accounts should be dealt with.
- The Director of Finance confirmed that Kingston and Carshalton College dealt with depreciation significantly differently to STC. In light of this Buzzacotts recommended doing work up front to ensure that could be accommodated.
- The Director of Finance informed the Committee, that following discussions, it had been decided that this additional work would be pushed back to the end of the next financial year.
- Buzzacotts flagged up that this may incur some additional charges should extra work arise because of it. Noted.

- Member's attention as drawn to the fees proposed at Page 9. Noted.
 - Members noted the detailed timetable at page 10 which would need to be finalised pending the approval of a schedule of meetings for the coming year.
 - Members considered and discussed the following appendices:
 - Appendix 1 – Timetable
 - Appendix 2 – Terms of engagement and ethics
 - Appendix 3 – Nature and scope of work
 - Appendix 4 – Sector Developments
 - Appendix 5 Loan rate benchmarking
- External Audit Strategy APPROVED for recommendation to the Corporation.**

9. Review of the Financial Statements and Regularity Auditors –
Presented by the Director of Finance.

Items discussed:

- The Director of Finance introduced the report. The Chair of the Committee noted the excellent review and expressed his appreciation on behalf of the Corporation for the excellent service provided to the Committee over the years.
- Members discussed the service provided in some detail noted that in previous years turnover of experienced staff had caused some minor issues, however, this had not been a problem in 2016/17. Noted.

Report RECEIVED.

10. Review of the Internal Auditors – Presented by the Director of Finance.

Items discussed:

- Members discussed the review of the Internal Audit provision. It was noted that there had been some issues in previous years with the format of reports and timings of reports.
- The Director of Finance confirmed that these views had been captured in the annual review presented.
- The Chair of the Committee thanked Mazars on behalf of the Corporation for their good service and their willingness to take on board the views of the Committee.

Report RECEIVED.

11. Risk Management 2016/2017– Presented by the Director of Finance.

Items discussed:

- Members were informed that the Risk Management Policy had not been updated in light of the forthcoming merger.
- Members were advised that all policies including the risk management one would be reviewed during the course of the coming year and amended to reflect the group structure. Noted.

12. Fraud Response Plan - Director of Finance

- Members were informed that no new cases had been reported. One on-going case was being pursued by the Serious Fraud Office as previously reported.

- Members noted that financial risks had been moved from amber to red following consideration at the last Finance & Resources Committee meeting.
- Discussion followed on the red risks identified. Members discussed the College approach to risk and the Principal provided some insights from her role on Audit Committees elsewhere.
- Members agreed that there were too many top risks to be effectively monitored. The Principal also discussed the challenges in embedding a risk management approach lower down the organisation.
- Discussion followed on the need to consider likelihood and impact. Members noted that this was an area for further consideration post merger.

Update RECEIVED.

13. Whistleblowing

- The Clerk to the Corporation informed the Committee that the Interim Deputy Head of HR had confirmed that there were no new instances of Whistle blowing since the last meeting.

Update RECEIVED.

14. Freedom of Information Update – Presented by the Director of Finance.

- No new requests had been received under the Freedom of Information policy.

Update RECEIVED.

15. Any Other Business

Annual Report of the Audit Committee.

- The Clerk to the Corporation informed Members that significant areas of the Audit Committee Annual Report could only be completed once annual reports were published by the Internal and external auditors. In light of this permission was sought for approval of the final Audit Committee Annual Report to be delegated to the Chair of the Committee. This was agreed.
- The Clerk confirmed that copies would be circulated via email and that no Committee opinion save for that of the Chairs would be voiced in the report. Agreed.

Clerk

Chair of the Audit Committee

Clerk

Update on Value for Money Annual Report from the Director of Finance.

- The Director of Finance informed Members that due to pressure of work no specific end of year value for money report had been completed.
- Members were informed that value for money was addressed in audit reports submitted throughout the year.
- The Clerk proposed that as this was considered best practice that it be flagged up for consideration by the new Audit Committee for the new College. Agreed.

Clerk

Update RECEIVED.

Acknowledgements

The Chair of the Committee expressed his appreciation to all of the Committee Members for their hard work and support. He particularly thanked Mr Tim Morris for his decades of service to the College.

The Principal expressed her appreciation, on behalf the Committee and the Corporation, to Mr Daud Ilyas on his excellent Chairing of the Committee and for his hard work and support during his term of office.

16. Date and Time of the Next Meeting:

- Noted that this was the last Audit Committee meeting for South Thames College Corporation.
- Members were asked to delegate approval of the minutes of the Chair of the Committee in light of the above.

APPROVED.

Signed By: _____

Date: _____