

MINUTES AUDIT COMMITTEE MEETING OF 20 JUNE 2019

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

Meeting Title	Audit Committee																																		
Date	20 June 2019																																		
Members	M N. Ratnavel	Chair																																	
	Mr T. Byrne–Price																																		
	Ms K. Driver																																		
	Mr M. J. Stone																																		
	Mr N. Ware																																		
In Attendance	Ms E Gipson	RSM																																	
	Ms H Haddock	Buzzacott																																	
	Ms. R. Devan	Director of Finance																																	
	Mr R. Greenaway	Deputy CEO																																	
	Mr A. Slade	Principal, South Thames College																																	
Key Meeting Outcomes																																			
1.	APOLOGIES																																		
1.1	Apologies were received from Mr R. Foulston and Mr Roberts. Apologies were also received from Mr Cheetham RSM, Mr Savjani (Buzzacott) and from H Meredith (Head of Governance). It was noted that R Greenaway would act as the Clerk for this meeting.																																		
1.2	<p>DECLARATION OF INTEREST</p> <p>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.</p>																																		
2.	MINUTES OF AUDIT COMMITTEE MEETING OF 21 MARCH 2019 AND MATTERS ARISING																																		
2.1.1	<u>Accuracy</u> . The minutes were accepted as an accurate record and were signed by the Chair.																																		
2.1.2	It was RESOLVED to note the minutes.																																		
2.2.2	<p><u>Matters arising Members</u> reviewed the action log noting the updates below:</p> <table border="1"> <tr> <td>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.</td> <td>Report writers</td> <td>Ongoing</td> <td></td> </tr> <tr> <td>All actions marked as completed to be removed from the tracker before the next meeting.</td> <td>DCEO</td> <td>13 June 2019</td> <td></td> </tr> <tr> <td>Presentation to Audit Committee on controls and process to ensure compliance with each funding body to be an annual presentation.</td> <td>D MIS</td> <td>November 2019</td> <td></td> </tr> <tr> <td>Group must establish a counter fraud strategy</td> <td>D CEO</td> <td>September 2019</td> <td></td> </tr> <tr> <td>Group must establish a fraud risk assessment process</td> <td>D CEO</td> <td>September 2019</td> <td></td> </tr> <tr> <td>Group must establish a process to consider fraud risk within the risk management process.</td> <td>D CEO</td> <td>September 2019</td> <td></td> </tr> <tr> <td>Revise definition of Fraud in Fraud Policy to Fraud Act definition and include misrepresentation of student data</td> <td>DoF</td> <td>September 2019</td> <td></td> </tr> <tr> <td>Audit Committee to take responsibility for reviewing the Group’s Financial Regulations. (instead of FPR Committee)</td> <td>H oG</td> <td>September 2019</td> <td></td> </tr> </table>			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		All actions marked as completed to be removed from the tracker before the next meeting.	DCEO	13 June 2019		Presentation to Audit Committee on controls and process to ensure compliance with each funding body to be an annual presentation.	D MIS	November 2019		Group must establish a counter fraud strategy	D CEO	September 2019		Group must establish a fraud risk assessment process	D CEO	September 2019		Group must establish a process to consider fraud risk within the risk management process.	D CEO	September 2019		Revise definition of Fraud in Fraud Policy to Fraud Act definition and include misrepresentation of student data	DoF	September 2019		Audit Committee to take responsibility for reviewing the Group’s Financial Regulations. (instead of FPR Committee)	H oG	September 2019	
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<p>3. 3.1</p> <p>3.2</p> <p>3.3</p>	<p>PREVIOUS AUDIT RECOMMENDATIONS</p> <p>INTERNAL AUDIT</p> <p>A Tracker Report covering previous Internal Audit Recommendations was presented by the Deputy CEO and reviewed by the Committee.</p> <p>The Committee requested that were items were carried forward that a deadline resolution date should be included in the report.</p> <p>It was RESOLVED to note the Report.</p>
<p>4.</p>	<p>INTERNAL AUDIT REPORTS</p> <p>Ms Gipson, RSM, presented the Internal Audit Plan and the following Internal Audit Reports which were considered in detail by the Committee. It was noted that a number of the reports were in draft format as there had not been sufficient time between the issue of the reports and the Audit Committee meeting for managers to review and finalise the reports with the IAS. It was agreed that should the final reports vary significantly from the draft reports they would be referred back to the next meeting of the Audit Committee.</p>
<p>4.1</p>	<p>Learner Number Systems (Draft)</p> <p>a) The Learner Number Systems audit identified two 'High' eight 'Medium' and one 'Low' priority issues requiring management action.</p> <p>b) Although the High issues related to common national apprenticeship issues managers were disappointed that the actions put in place to respond to these issues had not made the progress expected. An action plan had been developed and progress would be reported on at the next meeting of the Audit Committee.</p> <p>It was RESOLVED to note the Report.</p>
<p>4.2</p>	<p>Sub-contracting Controls - 2018-19</p> <p>a) The report was still in draft at the time of the meeting and a number of findings had been identified shortly before the meeting which management had not had time to consider.</p> <p>b) The Committee noted that the 2018-19 report produced by RSM identified a greater number of issues than identified in the 2017-18 report produced by Buzzacott. It was confirmed that the basis of the audit work was much wider than the 2017-18 work as a result of discussions at the Corporation meeting in November 2018.</p> <p>It was RESOLVED to note the Report and that once the report is finalised it should be referred to the Finance Planning and Resources Committee for information given its role in monitoring sub-contracted provision.</p>
<p>4.3</p>	<p>Key Financial Controls</p> <p>The scope of the review of Key Financial Controls, included looking at the following areas:</p> <ul style="list-style-type: none"> • General Ledger and month end processing • Other income and debtors • Cash, Banking and treasury management • Purchases and tendering procedures. <p>The audit opinion is that there is substantial assurance that the controls in place to manage this area are consistently applied. The Committee congratulated the Finance Team for the outcome of this audit as it was recognised that it was very unusual to have no issues and recommendations identified.</p> <p>It was RESOLVED to note the Report.</p>

4.4	<p>Follow up / Action Tracking</p> <p>This report reviewed a follow up review of progress made by Group in implementing previously agreed management actions.</p> <p>The Audit Opinion was that South Thames Colleges Group has demonstrated good progress in implementing the agreed management actions.</p> <p>It was RESOLVED to note the Report.</p>
4.5	<p>Payroll</p> <ul style="list-style-type: none"> a) The draft payroll audit identified two "Medium" and four "Low" priority management actions in relation to the design of the control. It was noted that audit work had only just been completed and further time was required for management to respond to the draft report. b) It was noted that the group would move to a single payroll system from 2019-20. c) The audit opinion is that there is reasonable assurance that the controls in place to manage this area are consistently applied. <p>It was RESOLVED to note the Report.</p>
4.6	<p>Operational Plan</p> <p>The operational plan audit identified one 'Medium' priority issue in relation to the design of the control framework.</p> <p>The audit opinion is that there is substantial assurance that the controls in place to manage this area are consistently applied.</p> <p>It was RESOLVED to note the Report.</p>
4.7	<p>Safeguarding</p> <p>The safeguarding audit identified one 'Medium' priority issue in relation to the design of the control framework.</p> <p>The audit opinion is that there is substantial assurance that the controls in place to manage this area are consistently applied.</p> <p>It was RESOLVED to note the Report.</p>
4.8	<p>Internal Audit Strategy 2019/20 -2020/21</p> <p>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.</p> <p>The proposed risk-based reviews are based around issues in the sector and Ms Gipson invited the committee to propose any additional areas which they would like to see reviewed.</p> <p>Under the Governance review an option was included in the review to consider the effectiveness of the Governing Body through the observation of an agreed meeting. This was in addition to the normal review of meeting papers and minutes. Some members had experience of this type of approach which was found to be positive. The Committee considered this option and felt that this approach should be included in the review in 2019-20.</p>

	It was RESOLVED to recommend to the Corporation to approve the Internal Audit Strategy 2019/20 -2020/21 which should include the observation of an agreed Governing Body meeting in 2019-20.
5.1	General Data Protection Regulations (GDPR) – implementation update
5.1.1	This item was deferred to the next meeting.
6.	BOARD ASSURANCE AND RISK MANAGEMENT
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 had emailed an update from the committees, which agreed the net scores for the risks allocated to them, although some of the committees had asked for further information / assurance.
6.3	The Audit Committee noted that the Finance, Planning and Resources Committee had discussed whether the committee receives sufficient reports to make a judgment on the risk that 'staff performance detrimentally impacts on learners'. This committee reviewed HR data on staff turnover, sickness and stress but monitoring of the Group Wellbeing Strategy is carried out by the Health, Safety and Safeguarding Committee. It was suggested that the Audit Committee should consider re-allocating this risk to the HSS Committee. The Audit Committee considered this request and identified that Risk Areas were linked to individual committees rather than every individual risk making up a Risk Area. The assessment of individual risks was a role for the senior leadership team. Requiring Committees to review individual risks rather than overall Risk Areas could mean they are crossing into risk management at a management role. Therefore, the Committee suggested that the Finance, Planning and Resources Committee may wish to seek the view of the Health, Safety and Safeguarding Committee to assist it in informing its view of this Risk Area.
6.4	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.
6.5	The Committee reviewed the Risk Movement Tracker that summarised the movement of risks since the review of the risk register at the last meeting. 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
7.1.1	The Committee received the Fraud Register which reported that there have been no incidents of Fraud reported since the last meeting.
7.1.2	It was RESOLVED to note the Fraud Report.
8.	WHISTLEBLOWING REPORTS
8.1	The Committee received the Whistleblowing update report. No new whistleblowing reports had been received since the last meeting.
8.2	It was RESOLVED to note the update report.

9.	FINANCIAL STATEMENTS AND REGULARITY AUDIT APPROACH											
9.1	Ms Haddock, Buzzacott presented the Audit Approach Plan for the audit of the financial statements for the year-ended 31 July 2019 and Regularity Audit for South Thames Colleges Group, KCTC Limited and KSEP Ltd.											
9.2	The Committee noted that approach that would be taken to the sale of part of the Wandsworth campus and the impact this would have on the year end position. It was RESOLVED to recommend that the Corporation approves the Audit Approach Plan for the year-end accounts 31 July 2019.											
10.	<i>The Auditors left before the start of this item at 8:xxpm</i>											
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.											
10.2	Earlier in the meeting the Committee had noted that the issue of some of the reports had been delayed. Some reports had been issued with some inaccuracies and at least one report had made reference to other colleges indicating that the report had been “copied and pasted” and not checked for accuracy. The difference between the on-site staff and the excellent services provided by the partner and manager was also discussed.											
10.3	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 2019 to 31 July 2020.											
11.	MEETING DATES											
11.1	The programme of meeting dates for this committee for next year was agreed as below:											
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Thursday 28 November 2019</td> <td style="padding: 2px;">6.30-8.30pm</td> <td style="padding: 2px;">Merton College</td> </tr> <tr> <td style="padding: 2px;">Thursday 26 March 2020</td> <td style="padding: 2px;">6.30-8.30pm</td> <td style="padding: 2px;">Kingston College</td> </tr> <tr> <td style="padding: 2px;">Thursday 18 June 2020</td> <td style="padding: 2px;">6.30-8.30pm</td> <td style="padding: 2px;">South Thames College, (Wandsworth)</td> </tr> </table>			Thursday 28 November 2019	6.30-8.30pm	Merton College	Thursday 26 March 2020	6.30-8.30pm	Kingston College	Thursday 18 June 2020	6.30-8.30pm	South Thames College, (Wandsworth)
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	Signed:Date:.....											

Action points		Responsible	Deadline	Signed off
From this meeting				
1	It was agreed that should the final IAS reports vary significantly from the draft reports they would be referred back to the next meeting of the Audit Committee.	DCEO	Nov 2019	
2	Once the Subcontracting IA report is finalised it should be referred to the FPR Committee for information .	HoG	Sep 2019	