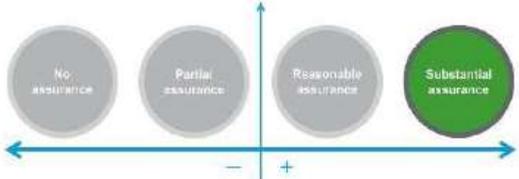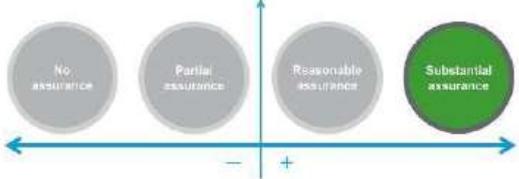**MINUTES AUDIT COMMITTEE MEETING OF 21 MARCH 2019**
(All resolutions passed were the unanimous decision of the Audit Committee members present unless otherwise stated)

Meeting Title	Audit Committee	
Date	21 March 2019	
Members	M N. Ratnavel	Chair
	Ms K. Driver	
	Mr A. Roberts.	
	Mr N. Ware	
In Attendance	Mr M. Cheetham	RSM
	Ms. R. Devan	Director of Finance
	Mr R. Greenaway	Deputy CEO
	Mr D. Thornton	Director , MIS
	Mrs H Meredith	Head of Governance

Key Meeting Outcomes		
1.	**APOLOGIES**	
1.1	Apologies were received from Mr T. Byrne–Price and Mr R. Foulston.	
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. RSM have 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. Other members confirmed that they did not have any pecuniary or other interest in any item on the agenda.	
2.	**MINUTES OF AUDIT COMMITTEE MEETING OF 29 NOVEMBER 2018 AND MATTERS ARISING**	
2.1	Accuracy. The minutes were accepted as an accurate record subject to one amendment to Item 6.1.4 to add the word 'kind' so that this reads "no internal control issues of any kind were identified during the audit. "As amended in manuscript the minutes were signed by the Chair.	
2.2	It was **resolved** to note the minutes.	

Matters arising Members reviewed the action log noting the updates below:

Election of vice-chair deferred to next meeting.	HoG	21 March 19	See Item 3
Risk relating to declining student numbers which should be red – to be reported to QLS Committee on 3 December 2018.	HoG	3 Dec 2018	Actioned
Final Audit Committee Annual Report to include opinions from the Internal Audit Annual Report and Post Audit Management Report	HoG	11 Dec 2018	Actioned
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	Ongoing

3.	**ELECTION OF VICE CHAIR**	
3.1	Ms Driver was elected as Vice-Chair of the Committee.	
4.	**PREVIOUS AUDIT RECOMMENDATIONS**	
4.1	A Tracker Report covering previous Internal Audit Recommendations was received and reviewed by the Committee and was presented by the Deputy CEO.	
4.2	It was **resolved** to note the report and that all actions marked as completed should be removed from the tracker before the next meeting.	

5. **5.1**	**AUDIT REPORTS** **SUB-CONTRACTING CONTROLS 2017-18 - EXTERNAL ASSURANCE**
5.1.1	The Principal, South Thames College presented Assurance reports on Sub-contracting controls 2017-18 completed by Buzzacott LLP in September 2018 which confirmed that the systems and controls in place for managing sub-contracting during 2017-18 complied with the ESFA funding agreement rules.
5.1.2	The Principal reported that the Auditors are currently undertaking additional assurance work which will form part of the External Assurance Audit for 2018-19.
5.1.3	The Principal, South Thames College reported that applying the principle that contracts must be aggregated it appears that the Group's recruitment of subcontractors will be subject to the procurement regime of the Public Contract Regulations 2015.
5.1.4	It was **resolved** to note the Report.
5. 5.2	**INTERNAL AUDIT REPORTS** **Internal Audit Report Governance** Mr Cheetham, RSM, presented the report confirming that the committee can take the highest level of assurance (substantial assurance) in relation to this- report conclusion below: The committee noted the 2 recommendations: 1. To include in Terms of Reference of each committee how often they are expected to meet; 2. To prepare an Annual cycle of business for the Corporation
5.3	**Internal Audit Report Risk Management** Mr Cheetham presented the report confirming that the committee can take the highest level of assurance (substantial assurance) in relation to this- report conclusion below: The committee noted that there was just one recommendation: 1. The Group will ensure the responsibilities of all staff involved in the risk management process is defined.
5.4	It was **resolved** to recommend the two Internal Audit Reports to the Corporation.
6.	**OFFICE FOR STUDENTS 2016-17 INDIVIDUAL LEARNER RECORD (ILR) RECONCILIATION EXERCISE**
6.1	The Director MIS presented a letter from the OFS and a report detailing action taken in response to the recommendations from the OFS following a full reconciliation of the South Thames College (only) 16/17 HE ILR. The reconciliation was requested by the OFS because actual delivery reported at year-end was significantly lower than planned in HEIFIS 16, and

	outside of the funding tolerance. This was due to underperformance of the LCCA subcontract.
6.2	The committee noted that the reconciliation related only to HE provisions at STC in 2016/ 17 and that Carshalton and Kingston Colleges were not in scope for the reconciliation.
6.3	Members asked how this arose and what has been done since to prevent such errors occurring again. The Director MIS explained that this arose because at the time, management of this sub-contracting was not under the remit of the Business Centre which deals with the management of all other sub-contracting. MIS have reviewed HE procedures since merger and have made the following changes to working practice: • A new very experienced MIS Manager has assumed responsibility for all STCG HE returns since the start of the 2018/19 academic year. • MIS will be working closely with curriculum colleagues to ensure that modular / completion data is accurately recorded at year end and the potential weakness in module collection identified will be taken forward through the HE matrix group. • The Group no longer works with this delivery partner and does not subcontract any HE.
6.4	The Director MIS reported that OFS have been back to the Group to check how procedures have changed post merger.
6.5	It was **resolved** to note the Report.
7.	**BOARD ASSURANCE AND RISK MANAGEMENT**
7.1.1	The Deputy CEO presented the Board Assurance framework and Group Risk Register.
7.1.2	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. Members discussed the mitigating action: "Report to Audit Committee on controls and process to ensure compliance with each funding body." noting that the Director of MIS made a presentation on controls and processes to the November 2018 Audit Committee. The Committee requested that this should be an annual presentation.
7.1.3	The Committee was satisfied that the risk level for this risk was correct and that sufficient controls and / or actions are being taken to manage these risks.
7.4	The Chair asked why the Risk movement tracker is showing more red in terms of movement over time and asked whether there is sufficient buy-in from colleagues in relation to mitigation of Risk. The Deputy CEO explained that the reason is the decline in student numbers, funding and income identified as a significant risk. The Group is commissioning a curriculum review of Group provision to be discussed by governors on 14th May 2019. The Principal, STC reminded the committee of the need for the Group to capitalise on growth including an increase in 16-18 demographics in a few years' time which needs to be taken into in Curriculum planning strategy for the coming years.
7.5	It was **resolved** to note the Report.
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.
7.2.2	Members asked for the next meeting of the QLS Committee to clarify their discussion about

	the risk in relation to declining student numbers.
7.2.3	After discussion 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 which reported that no instances of fraud have been identified since the last meeting of the Audit Committee.
8.1.2	It was **RESOLVED** to note the Fraud Register
8.2	**FRAUD POLICY AND POST -16 AUDIT CODE OF PRACTICE 2018-19 ANTI-FRAUD CHECKLIST**
8.2.1	The Committee reviewed a summary report from the Head of Governance highlighting changes to the latest version of the Post-16 Audit Code of Practice including a new anti-fraud checklist (at Annex D). The Head of Governance presented a completed response to the checklist which was circulated to the Committee with copies of: • An extract from STCG Financial Regulations on Receiving Gifts and Hospitality • The STCG Fraud Policy • The STCG Anti-bribery Policy • The SCTG Fraud Response Plan
8.2.2	After discussion was **RESOLVED** to recommend the following action in response to the Anti-Fraud Checklist: • Q2 The Group does not have a counter fraud strategy. As this is a requirement of the new Code of Practice the Corporation *must* establish a counter fraud strategy • Q2 The Group does not have a fraud risk assessment process and *must* establish one. • Q6 The Group *must* establish a process to consider fraud risk within the risk management process.
8.2.3	**FRAUD POLICY** Members challenged the definition of fraud in the Group Fraud Policy and recommended substituting the definition from the Fraud Act 2006: *"The making of a false representation of failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets. "* Mr. Cheetham also recommended that the Policy include misrepresentation of Student Data.
8.2.4	**FINANCIAL REGULATIONS** It was **RESOLVED** that the Audit Committee, instead of the Finance, Planning and Resources Committee, should in future take responsibility for reviewing the Group's Financial Regulations.
9.	**WHISTLEBLOWING REGISTER**
9.1	The Committee reviewed the Whistleblowing Register reporting on a complaint received in December 2018 which was treated as a Whistleblowing Report and has been investigated under the Group Confidential Reporting ("Whistleblowing") Policy.
9.2	The Committee reviewed its duties as set out in its Terms of Reference in relation to whistleblowing. It was agreed that when these are next revised the committee's duties in relation to oversight of fraud and whistleblowing should be separated. This should clarify that the responsibility of the committee in relation to whistleblowing is for oversight of the process.

9.3	It was **RESOLVED** to note the Whistleblowing Register report
10.	**UPDATED POST-16 AUDIT CODE OF PRACTICE FOR 2018-19**
10.1	The Committee received and reviewed the updated Post-16 Audit Code of Practice and a summary report from the Head of Governance highlighting changes to the latest version of this including a new anti-fraud checklist at Annex D discussed under Item 8 above.
10.2	Members noted that the Group carries out a compliance review against the whole code annually through the process of completing the Regularity Self assessment questionnaire in preparation for the Regularity Audit. The completed questionnaire is reviewed by this committee annually and the revised Code confirms that this year's' checklist will be updated to align this to changes to the revised Code of Practice.
10.3	It was **RESOLVED** to note the updated Code of Practice.
Date of Next Meeting	The next meeting will take place on Thursday 20 June 2019 @6:30pm at South Thames College, Wandsworth The meeting closed at 7:45 pm. Signed: …………………………..............Date:………………………………

Action points		Responsible	Deadline	Signed off
From this meeting				
1	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	Ongoing
2	All actions marked as completed to be removed from the tracker before the next meeting.	DCEO	13 June 2019	
3	Presentation to Audit Committee on controls and process to ensure compliance with each funding body to be an annual presentation.	D MIS	November 2019	
4	Group *must* establish a counter fraud strategy	D CEO	September 2019	
5	Group must establish a fraud risk assessment process	D CEO	September 2019	
6	Group *must* establish a process to consider fraud risk within the risk management process.	D CEO	September 2019	
7	Revise definition of Fraud in Fraud Policy to Fraud Act definition and include misrepresentation of student data	DoF	September 2019	
8	Audit Committee to take responsibility for reviewing the Group's Financial Regulations. (instead of FPR Committee)	H oG	September 2019	