

MINUTES AUDIT COMMITTEE MEETING OF 30 NOVEMBER 2017

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

Meeting Title	Audit Committee	
Date	30 November 2017	
Members	N. Ratnavel(Chair) T. Byrne-Price K. Driver R. Foulston A Roberts N. Ware	
In Attendance	Lorna Raynes Helen Haddock Katherine Patel	RSM Buzzacott Buzzacott
	Mr P. Mayhew-Smith Ms. R. Devan Mr R. Moran Mr C. Wright Mrs H Meredith	Group Principal / CEO Director of Finance & Information , Kingston and Carshalton Colleges Director of Finance & Estates, South Thames College Deputy CEO Head of Governance
Key Meeting Outcomes		
1.	APOLOGIES	
1.1	Apologies were received from Mr Greenaway, Deputy Principal, who normally attends meetings. The Group Principal / CEO attended the meeting and will attend the committee once a year at the November meeting.	
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.	
2.	ELECTION OF VICE-CHAIR	
2.1	Mr Byrne-Price was elected as vice-chair of the committee.	
3.	MINUTES OF AUDIT COMMITTEE MEETINGS OF CARSHALTON COLLEGE AND KINGSTON COLLEGE 29 JUNE 2017 AND SOUTH THAMES COLLEGE 15 JUNE 2017 AND MATTERS ARISING <i>Appdx A</i>	
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:	
3.2.1	<u>South Thames College Audit Committee Minutes</u> The Director of Finance & Estates presented the following updates and an updated Tracker Report: <ul style="list-style-type: none"> Staffing structures and other Business Continuity Plan (BCP) arrangements will need to be reviewed in the light of the merger. The existing BCP for South Thames College will be passed to the Director of Facilities so that a Group Level BCP can be produced. 	

<p>3.2.2</p> <p>3.2.3</p> <p>3.2.4</p>	<ul style="list-style-type: none"> • Health and Safety recommendations have been reported to the Facilities Manager Vince Hallett; • The same level of Directors' and Officers' insurance cover is in place for governors as was in place prior to the merger. <p>Members asked about the minute that “<i>there were too many top risks to be effectively monitored</i>”. The Director of Finance & Estates confirmed that the South Thames College Risk Register had 24 top risks. The new Group Risk Register has now been adopted. (Item 8).</p> <p>Members asked what was meant by the reference to STC and KC and CC dealing with depreciation “<i>significantly differently</i>.” The Director of Finance & Estates confirmed that work has not yet been started on merging accounting policies and that previously different depreciation rates were used by the Colleges.</p> <p>It was resolved to note the minutes.</p>
<p>4.</p> <p>4.1</p>	<p>TERMS OF REFERENCE AND DELEGATED AUTHORITY <i>Appdx A</i></p> <p>The Committee suggested some revisions to the committee’s Terms of Reference. It was agreed that the Head of Governance would make the amendments and bring a further draft to the next meeting for approval.</p>
<p>5.</p> <p>5.1</p> <p>5.1.1</p>	<p>MERGER IMPLEMENTATION UPDATES:</p> <p>BOARD ASSURANCE FRAMEWORKS</p> <p>The Group Principal / CEO reported that the College had produced a new Risk Register (see Item 8) for the merged college but the work to produce a revised Board Assurance Framework has not yet been undertaken. Prior to the merger the Kingston and Carshalton Corporations agreed a Board Assurance Framework and Risk Management Policy which included a requirement for each committee to provide an assessment and opinion on risk areas falling within their Terms of Reference to the Audit Committee. The plan is to have a new Board Assurance Framework ready by the date of next term’s committee meetings.</p>
<p>5.2</p> <p>5.2.1</p> <p>5.2.2</p>	<p>WHISTLEBLOWING POLICY <i>Appdx C</i></p> <p>Members received a draft updated Group Policy which had been reviewed by the Head of Governance to include Guidance for Employers published by the Department for Business, Innovation & Skills in 2015 and recent employment law advice that Whistleblowing Policies should include reference to a direct line to the NSPCC in respect of safeguarding concerns.</p> <p>Members suggested some amendments to the Policy and as amended resolved to recommend the policy for approval by the Corporation.</p>
<p>6.</p> <p>6.1</p> <p>6.1.1</p> <p>6.1.2</p>	<p>INTERNAL AUDIT <i>Appdx D 1 & 2</i></p> <p>Tracker Reports covering previous Internal Audit Recommendations were received and were reviewed for each College.</p> <p><u>KINGSTON COLLEGE AND CARSHALTON COLLEGE TRACKER REPORT</u> <i>Appdx D 1</i></p> <p>The Director of Finance & Information presented the ‘<i>Tracker Report</i>’ 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 majority of actions had been completed apart from the Board Assurance action (See Item 5.1) and work on reviewing and updating policies across the Group. There will be an Internal Audit of the Risk management and Board Assurance framework in February 2018</p> <p>There were no issues of concern noted by the Audit Committee’.</p> <p>It was resolved to note the Report.</p>

<p>6.1.3</p>	<p><u>SOUTH THAMES COLLEGE TRACKER REPORT</u> <i>Appdx D 2</i> An implementation tracker was presented by the Director of Finance and Estates. The committee asked for work on the Business Continuity Plan (BCP) to be a priority. The Group Principal / CEO confirmed that the plan is to draw together all staff from across the sites to bring this work together confirming that currently each site has their own BCP which is fully functional.</p> <p>6.1.4 It was <u>resolved</u> to note the Report.</p>
<p>6.2</p> <p>6.2.1</p>	<p><u>INTERNAL AUDIT ANNUAL REPORTS 2016- 2017</u></p> <p><u>KINGSTON COLLEGE AND CARSHALTON COLLEGE INTERNAL AUDIT ANNUAL REPORT 2016-17</u> <i>Appdx D 3</i></p> <p>Ms L Raynes, RSM, presented the Annual Internal Audit Report for the year 2016-17 and the following opinion was confirmed:</p> <p style="padding-left: 40px;"><i>“The organisation has an adequate and effective framework for risk management, governance and internal control.</i></p> <p style="padding-left: 40px;"><i>However, our work has identified further enhancements to the framework of 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 all positive but recognised that there were some areas which could be improved. The internal audit for Quality Assurance for Carshalton College found some compliance issues – resulting in reasonable assurance opinion for design and partial assurance opinion for operation. These recommendations and some older recommendations about health and safety were included on the tracker report. The Chair asked about the older issues. Ms Raynes was not unduly concerned as the issue was about escalating training to managers and actions had taken place towards concluding the recommendations.</p> <p>It was RESOLVED to recommend the Internal Audit Annual Report 2016-17 for Carshalton and Kingston Colleges to the Corporation.</p>
<p>6.2.2</p>	<p><u>SOUTH THAMES COLLEGE INTERNAL AUDIT ANNUAL REPORT 2016-17</u> <i>Appdx D 4</i></p> <p>In the absence of the Internal Auditors, Mazars, this report was presented by the Director of Finance & Estates. Members noted the opinion from Mazars that</p> <p style="padding-left: 40px;"><i>“On the basis of our audit work, we consider that South Thames College’s governance, risk management and internal control arrangements are generally adequate and effective to manage its achievement of the college’s objectives. Certain weaknesses and exceptions were highlighted by our audit work, none of which were considered fundamental. This and all other matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being, addressed as detailed in our individual reports. “</i></p> <p>The Director of Finance & Estates explained that this is the highest level of opinion which Mazars provide.</p> <p>Of the audits carried out during the year three showed substantial assurance and four showed adequate assurance. Members noted from the Tracker Report that all of the outstanding recommendations were completed during the year.</p> <p>It was RESOLVED to recommend the Internal Audit Annual Report 2016-17 for South Thames College to the Corporation.</p>

6.3.1

KINGSTON COLLEGE AND CARSHALTON COLLEGE LEARNER NUMBER SYSTEMS REPORT

Appdx D 5

The Audit Report was presented by Ms L Raynes, RSM. Members noted that the work was carried out later than usual as the ESFA data was published late.

The audit identified a number of exceptions where Kingston and Carshalton Colleges had not complied with the SFA Common Funding Rules 2016-17, Adult Education Budget Funding Rules 2016-17, Apprenticeship Framework Funding Rules 2016-17, and the EFA Funding Regulations April 2016. However the exceptions identified had not resulted in any significant errors in the funding being claimed.

The Opinion is the second highest of the opinions which RSM give and Ms Raynes confirmed that there are no issues which impact on funding and this provides reasonable assurance.

The auditors identified two 'High', five 'Medium' and six 'Low' priority issues requiring management actions. The high and medium level issues were discussed as follows :

- Seven apprenticeships where one or more functional skills as recorded on the ILR had no evidence of participation;
- For ten EFA learners at Kingston and three at Carshalton the planned hours recorded on the ILR did not reconcile to those on the timetable and the errors crossed a funding band.
- Two learners recorded as fully funded in the ILR where they should be co-funded;
- Three learners who had transferred course where there was no adjustment to funding made to reflect the learning already received.
- Issues around evidence required for a very small number of learners at Carshalton in receipt of learning support;
- Three issues relating to attendance including the start or end date per the ILR not matching that on the register or a learner not being withdrawn sufficiently promptly.

Members questioned the sample size of just fewer than 4% of learners and Ms Raynes confirmed that this is in line with funding body audit sizes. Members asked whether the number of issues found are in line with those found at other colleges and Ms Raynes confirmed that similar issues have been found at other colleges. The Committee commented that being consistent with a sector norm was not necessarily acceptable if the sector itself had a norm that was unacceptable. Members noted that the ESFA carries about 50-60 learner number audits each year (some being risk based and some are random) and errors found can result in clawbacks in funding. Kingston and Carshalton were last checked by a Funding Body Audit in 2013.

It was **resolved** to note the Report.

6.3.2

SOUTH THAMES COLLEGE LEARNER NUMBER SYSTEMS REPORT

Appdx D 6

The report was presented by the Director of Finance & Estates. Mazars' assurance on compliance by South Thames College with funding rules based only on their review of Provider Data Self-Assessment Toolkits (PDSATs) was that South Thames College was Compliant with EFA funding rules and Partially Compliant with SFA funding rules including Loans. The PDSAT toolkit is a suite of exception reports to identify learners close to the funding thresholds. The College routinely runs these reports each month and corrects any errors identified.

Mazars found no fundamental issues to be addressed and four lower level issues picked up were corrected as part of the process. There were no issues on the AEB budget (£10m provision) and the only issues related to the Apprenticeship provision (£1m provision). Members noted that South Thames College had an external SFA Learner Numbers' Audit at the start of the year (206-17) which the college passed successfully.

It was **resolved** to note the Report.

<p>6.4</p> <p>6.4.1</p> <p>6.4.2</p> <p>6.4.3</p>	<p style="text-align: right;"><i>Appdx D 7</i></p> <p>INTERNAL AUDIT PLAN FOR 2017-18 PROGRESS REPORT</p> <p>This report was presented by Ms Raynes, RSM. By the date of the meeting, no internal audit work for 2017-18 had taken place, however the audit dates for 2017/18 had been agreed with management. Members noted the following changes to the previously agreed plan:</p> <p>IT Cyber / Data Security At the request of management, the IT Cyber / Data Security audit was pushed back to January 2018.</p> <p>Learner Number Systems - PDSATs South Thames College and Merton College had a PDSAT review in July 2017, whilst Kingston College and Carshalton College underwent mock funding audits completed by RSM in 2016/17 so it was felt that a PDSAT review was not necessary and the College management cancelled the Learner Number Systems audit planned for immediately following the merger. RSM are discussing with management another audit to replace that later in the year, possibly as part of the Learner Numbers data review. Members agreed that it was important that this review should be undertaken during the year.</p> <p>Members questioned whether Internal Audit work on the General Data Protection Regulations scheduled for late March would be too late for any recommendations to be implemented in time by May 2018. The Deputy CEO assured members that the College Group will be compliant with the GDPR by the implementation date in May 2018. Members asked that the Head of MIS should either write a report or attend the March 2018 Audit Committee to report on progress towards implementation of the GDPR.</p> <p>It was resolved to note the Internal Audit Progress Report and not to propose any changes to the Internal Audit Plan for 2017-18</p>
<p>7.</p>	<p>FINANCIAL STATEMENT YEAR ENDED 31 JULY 2017. POST AUDIT MANAGEMENT REPORT, & LETTERS OF REPRESENTATION</p> <p>The following reports were received for this agenda item:</p> <ul style="list-style-type: none"> • Financial Statements and Annual Report Year-ended 31 July 2017 for Carshalton College • Financial Statements and Annual Report Year-ended 31 July 2017 for Kingston College • Financial Statements and Annual Report Year-ended 31 July 2017 for South Thames College • Post Audit Management Reports for Carshalton and Kingston Colleges, and for South Thames College • Letter of Representation Carshalton College • Letter of Representation Kingston College • Letter of Representation South Thames College • Letter of Representation KSEP Ltd • Letter of Representation KCTC Ltd <p>As required by the Post 16 Audit Code of Practice, a copy of each of the three College's draft Financial Statements and Annual Report 2016-17 was made available along with the Post-Audit Management Reports from the Financial Statements & Regularity Auditor for the year ended 31 July 2017 and the Letters of Representation. The Management Reports 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: 'Unqualified (good), or 'Qualified' (not good)</p> <ul style="list-style-type: none"> • An opinion on the financial statements • An opinion on the regularity of financial transactions <p>The Financial Statements opinion is addressed to the College. The Regularity opinion is addressed to the College and the Education and Skills Funding Agency (ESFA).</p>

<p>7.1</p>	<p>DRAFT FINANCIAL STATEMENTS AND ANNUAL REPORT YEAR ENDED 31 JULY 2017 FOR CARSHALTON COLLEGE <i>Appdx E 1</i></p> <p>Ms Haddock (Buzzacott) presented the Post-Audit Management Report covering Carshalton, Kingston, KCTC Ltd and KSEP Ltd.</p> <p>Ms Haddock confirmed that for Carshalton College, Buzzacott intend to state that in the course of their work, nothing has come to their attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.</p> <p>Members asked whether KSEP Ltd is still a going concern, noting that the staff have transferred to the merged college group from 1st August 2017. The Director of Finance & Information confirmed that the company is still a going concern and the plan is to make it dormant.</p> <p>Ms Haddock reported that within the going concern section of their report for Carshalton College, the auditors included the following paragraph to reflect the merger with Kingston College and South Thames College on 1 August 2017.</p> <p style="padding-left: 40px;">“We draw attention to note 1 in the financial statements, which indicates that the Corporation of Carshalton College has prepared the financial statements on a basis other than a going concern basis. This is due to a legal transfer of all activities, assets and liabilities of Carshalton College to Kingston College with effect from 1 August 2017. There were no adjustments that were required upon adoption of a basis other than going concern. Our opinion is not modified in respect of this matter.”</p> <p>Ms Haddock confirmed that the FSA has issued an unqualified opinion on the Financial Statements of Carshalton College and confirmed that these give a true and fair view and have been properly prepared in accordance with the FE & HE SORP.</p> <p>Ms Haddock confirmed that the FSA has issued 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 Carshalton College’s financial transactions conform to the authorities who govern them. <p>Both opinions are confirmed in the Draft Financial Statements and Annual Report for the year ended 31 July 2017. In addition to the opinion, the audit reports confirmed the following:</p> <ul style="list-style-type: none"> • No internal control issues of any kind were identified during the audit. <p>It was resolved to recommend the Report and Financial Statements of Carshalton College for the year ended 31 July 2017 to the Corporation for approval.</p>
<p>7.2</p>	<p>DRAFT FINANCIAL STATEMENTS AND ANNUAL REPORT YEAR ENDED 31 JULY 2017 FOR KINGSTON COLLEGE <i>Appdx E 2</i></p> <p>Ms Haddock (Buzzacott) presented the Financial Statements for Kingston College for the Year ended 31 July 2017 explaining that these have been prepared on a going concern basis as confirmed by cash flow forecasts prepared by the College.</p> <p>As required by the Post 16 Audit Code of Practice, a copy of the College’s draft Financial Statements and Annual Report 2016-17 was made available along with the Post-Audit Management Report from the Financial Statements & Regularity Auditor for the year ended 31 July 2017 and the Letter of Representation.</p> <p>Ms Haddock took the Committee through the Post–Audit Management letter for the four</p>

entities. At page 5 Members noted that the Operational Surplus for Kingston College should be £654k on both places on that page (error to correct)

Ms Haddock confirmed that Buzzacott has issued an unqualified opinion on the Financial Statements of Kingston College and confirmed that these give a true and fair view and have been properly prepared in accordance with the FE & HE SORP.

Ms Haddock confirmed that the FSA has issued an unqualified regularity assurance conclusion on regularity and confirmed:

- in all material respects income and expenditure have been applied to the purposes intended by Parliament; and
- that Kingston College's financial transactions conform to the authorities who govern them.

Both opinions are confirmed in the Kingston College Draft Financial Statements and Annual Report for the year ended 31 July 2017. In addition to the opinion, the audit reports confirmed the following:

- No internal control issues of any were identified during the audit.

It was **resolved** to recommend the Report and Financial Statements of Kingston College for the year ended 31 July 2017 for the year ended 31 July 2017 to the Corporation for approval.

7.3

DRAFT FINANCIAL STATEMENTS AND ANNUAL REPORT YEAR ENDED 31 JULY 2017 FOR SOUTH THAMES COLLEGE

Appdx E 3

Ms Patel (Buzzacott) presented the South Thames College Financial Statements for the Year ended 31 July 2017 and the Post-Audit Management Report covering South Thames College.

Ms Patel confirmed that for South Thames College, Buzzacott intend to state that in the course of their work, nothing has come to their attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Ms Patel reported that within the going concern section of their report for South Thames College, the auditors included the following paragraph to reflect the merger with Kingston College and Carshalton College on 1 August 2017.

“We draw attention to note 1 in the financial statements, which indicates that the Corporation of South Thames College has prepared the financial statements on a basis other than a going concern basis. This is due to a legal transfer of all activities, assets and liabilities of South Thames College to Kingston College with effect from 1 August 2017. There were no adjustments that were required upon adoption of a basis other than going concern. Our opinion is not modified in respect of this matter.”

Ms Patel confirmed that the FSA has issued an unqualified opinion on the Financial Statements of South Thames College and confirmed that these give a true and fair view and have been properly prepared in accordance with the FE & HE SORP.

Ms Patel confirmed that the FSA has issued an unqualified regularity assurance conclusion on regularity for South Thames College and confirmed:

- in all material respects income and expenditure have been applied to the purposes intended by Parliament; and
- that South Thames College's financial transactions conform to the authorities who govern them.

Both opinions are confirmed in the Draft Financial Statements and Annual Report for the year

ended 31 July 2017. In addition to the opinion, the audit reports confirmed that there were only minor changes to the Accounts Direction which have been reflected in the financial statements of the College for the year ended 31 July 2017. These include:

- 19+ Discretionary Learner Support funds and Free School Meals funds are no longer disclosed as agency funds because the College has increased discretion over the application of the funds. These amounts have been included as income and expenditure for the year ended 31 July 2017;
- A sensitivity analysis has been provided as part of the disclosures relating to the Local Government Pension Scheme setting out the impact of changes to the actuarial assumptions on the overall pension liability.

The Chair asked why there are plans to restate the 2015-2016 South Thames College Financial Statements. The Director of Finance and Estates explained that there was a mistake on the holiday pay accrual which impacts on the balance sheet which was overstated by millions of pounds. For the years ended 31 July 2015 and 31 July 2016 the holiday pay accrual was calculated based on the full payroll cost, instead of using the cost of the holiday allowance, for each employee. This resulted in an overstatement of liabilities of £2,431,680 in the prior year. The error has therefore been adjusted in the financial statements for the year ended 31 July 2017 by restating the income and expenditure reserves opening balance as at 1 August 2015 and restating the 2016 comparative for the holiday pay accrual to £489,000.

Ms Patel presented Appendix 2 to the Post –Audit Management letter which set out four Audit Observations and recommendations. Members asked about the action being taken in response to the recommendations and further progress updates on these will be included in the next audit recommendations tracker report.

A page was missing from the Financial Statements (Notes 2-5.) In addition members asked for a brief narrative to be included in the Financial Statements to explain why the deficit is so much larger than forecast and it was **agreed** that the Director of Finance and Estates would include these in the Financial Statements to be presented to the Corporation for approval.

It was **resolved** to recommend the Report and Financial Statements of South Thames College for the year ended 31 July 2017 to the Corporation for approval, following the inclusion of the missing page and extra narrative requested at this meeting.

7.4 **POST AUDIT MANAGEMENT REPORTS FOR CARSHALTON AND KINGSTON COLLEGE AND SOUTH THAMES COLLEGE**

7.4.1 Members asked why the ratio of EBITDA as a percentage of income for South Thames College was negative for the 2017 year end calculation. (Management Letter page 18) The Director of Finance and Estates explained that this ratio previously excluded the pension deficit but since the inclusion of the pension deficit the ratio has become negative but that this will not impact on the financial health assessment.

7.4.2 Based on the EFSA financial health model, the statutory financial statements indicate that South Thames College would be graded as satisfactory. The Director of Finance and Information asked how that Financial Health Grade was calculated – Buzzacott confirmed that they include the financial health ratios which include capital grants and accepted that this results in their assessment of the financial health looking better than the funding bodies' own financial health assessments would look.

7.4.2 It was **resolved** to recommend that the Corporation approve the Post-Audit Management Letters on the year-end accounts 31 July 2017 for Carshalton College, Kingston College and South Thames College, KCTC Ltd and KSEP Ltd.

<p>7.5</p> <p>7.5.1</p> <p>7.5.2</p> <p>7.5.3</p>	<p>LETTERS OF REPRESENTATION</p> <p>Letters of Representation for Carshalton College, Kingston College, South Thames College, KSEP Ltd and KCTC Ltd were presented by Buzzacott and reviewed. Members noted that the format was standard apart from the amended going concern paragraph in the letters for Carshalton and South Thames Colleges.</p> <p>Members asked in future for an Executive Cover sheet with all committee papers explaining what the committee is asked to do in relation to each report/ document.</p> <p>It was resolved to recommend that the Corporation approve the Letters of Representation for Carshalton College, Kingston College, South Thames College, KSEP Ltd and KCTC Ltd.,</p>
<p>7.6</p> <p>7.6.1</p> <p>7.6.2</p> <p>7.6.3</p>	<p>COMMITTEE REPORTING REQUIREMENTS RE VALUE FOR MONEY</p> <p>The Head of Governance reported that the Audit Committee of South Thames College used to receive reports on Value for Money & Procurement but that this has not been part of the reporting cycle previously for Carshalton and Kingston Audit Committees. The Committee discussed their reporting requirements to ensure that they can fulfil their monitoring of the adequacy and effectiveness of the College's systems for ensuring value for money (Terms of Reference 3.1)</p> <p>Members noted that reporting on this could be quite arbitrary and challenging and it was agreed that the Finance Directors should take advice on this from the internal auditors.</p> <p>It was resolved that a value for money report should be presented once a year to the June meeting of the committee.</p>
<p>7.7</p> <p>7.7.1</p> <p>7.7.2</p> <p>7.7.3</p>	<p>REGULARITY AUDIT CHECKLISTS FOR CARSHALTON, KINGSTON AND SOUTH THAME COLLEGES</p> <p>The Director of Finance and Estates confirmed that the South Thames College checklist had already been signed by the Group Principal / CEO and sent to the auditors.</p> <p>At Carshalton College and Kingston College the practice is for these to be signed with the Financial statements.</p> <p>It was resolved to recommend these checklists for signature by the Group Principal / CEO and Chair of the Corporation.</p>
<p>8.</p> <p>8.1</p> <p>8.2</p>	<p>BOARD ASSURANCE AND RISK MANAGEMENT <i>Appdx F</i></p> <p>The Group Principal / CEO explained at Item 5.1 that the work to update the Board Assurance framework post merger had not yet been undertaken. The Group Principal / CEO presented the new Group Risk Register.</p> <p>After discussion it was resolved to recommend the Risk Register for approval to the Corporation but that at its next review the Group Principal / CEO should review the following:</p> <ul style="list-style-type: none"> • the phrase ' <i>built into budget</i>' to be changed to ' <i>contingency</i>'; • Risk 17 - failure to comply with regulations re learner - to amend this to reflect some of the language re checking PDSAT reports; • Risks 7–to be broken down into two risks: learners suffer if insufficient accommodation and a separate risk that in some parts of the college estate there is too much accommodation; • Risk 8 refining of the risk – instead expressing this as a risk that staff might become un-motivated and leave the college
<p>9.</p> <p>9.1</p>	<p>FRAUD AND FRAUD REGISTERS <i>Appdx G 1, 2 & 3</i></p> <p>The Committee received the Fraud Register for Carshalton College, Kingston College and</p>

<p>9.2</p> <p>9.3</p>	<p>KSEP. It was confirmed no instances of fraud have been identified since the last meeting.</p> <p>RM presented the Fraud Response Plan Update for South Thames College which reported on an issue identified during 2009/10 as a result of which South Thames College was required to repay funding to the SFA for 2009/10 totalling approximately £70k relating to sub-contracted activity. There was no suggestion that South Thames College or any of its officers were in any way implicated with any fraudulent activity. Since then the College has implemented significant improvements to the controls over subcontracted activity including bi-annual internal audits of sub-contracted activity. The SFA also introduced a requirement for a separate annual external audit of subcontracted activity, compliance and controls. The Audit of Subcontracted provision will be brought to the committee next year. There is an on-going investigation going on by the Serious Fraud Office and it was agreed that the College should prepare a press release for when the outcome of the case is reported.</p> <p>It was RESOLVED to note the Fraud Register</p>
<p>10.</p>	<p>CONFIDENTIAL SESSION (IF REQUIRED)</p> <p>The Audit Committee were offered the opportunity for a closed session with the auditors to allow them to raise any matters of concern directly with the Committee. The Committee chose not to take up this opportunity as the auditors confirmed that they had no matters of concern which they needed to raise.</p>
	<p><i>(The auditors left the meeting at this point)</i></p>
<p>11.</p> <p>11.1</p> <p>11.2</p> <p>11.3</p> <p>11.4</p> <p>11.5</p>	<p>AUDIT COMMITTEE'S ANNUAL REPORTS 2016/17</p> <p>The Committee received and reviewed three draft Annual Reports for the work of the Carshalton, Kingston and South Thames Audit Committees.</p> <p>There is a requirement in the Post 16 Audit Code of Practice which 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.</p> <p>The Head of Governance explained that normally through this report the committee would review its own work for the previous year. However it was recognised that the three reports contained summaries of the work carried out by the pre-merger Audit Committee and that the members present therefore could not sign off all of the reports from their personal knowledge. Therefore the former Chair of each Audit Committee had been asked to agree the content of the Annual Report.</p> <p>Each Report is meant to cover the period up to the date of this meeting including the Opinions provided by the Internal Auditors and from the External Auditors in their Annual Report or Post Audit Management Report. However these had not been available to the previous committee Chairs at the end of July 2017.</p> <p>It was resolved that when presenting these three reports to the Corporation the Head of Governance should produce a cover sheet setting out the opinions from the Internal Audit Annual Reports and Post Audit Management Reports for each College to provide the assurance required by the Corporation.</p>
<p>11.1</p> <p>11.1.1</p>	<p>DRAFT ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE CORPORATION AND THE CHIEF ACCOUNTING OFFICER FOR CARSHALTON COLLEGE</p> <p>The following opinion was agreed by the Carshalton Audit Committee and was approved by the Carshalton Corporation in July 2017:</p> <p><i>There are no matters that the committee wishes to bring specifically to the attention of the Corporation Overall, based on the information provided to them by the College; the work, reports and audit opinion of issued by College's Internal</i></p>

11.1.2	<p><i>Auditor; and the opinions and assurances received from the Corporation Committees (Quality & Curriculum Committee and the Finance & Resources Committee); the Audit Committee’s opinion is that that the College’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 Governing Body 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.</i></p> <p><i>The Committee is satisfied with the financial reporting of Carshalton College and the performance of the internal and financial statement & regularity auditors.</i></p> <p><i>The Federation Audit Committee considers that the Corporation’s responsibilities have been satisfactorily discharged and recommends this report to the Corporation.</i></p> <p>It was RESOLVED to recommend the Annual Report for Carshalton College 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 amending this to state that Buzzacott were re-appointed – not appointed as FSA..</p>
11.2 11.2.1 11.2.2	<p>DRAFT ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE CORPORATION AND THE CHIEF ACCOUNTING OFFICER FOR KINGSTON COLLEGE</p> <p>The Committee received and reviewed the draft Annual Report of the work of the Kingston Audit Committee. The following opinion was agreed:</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 Kingston College’s Internal and Financial Statement and Regularity Auditors; and the opinions and assurances received from Kingston Corporation Committees, the Audit Committee’s opinion is that that Kingston College’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 Governing Body 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 Kingston College and the performance of the internal and financial statement & regularity auditors.</p> <p>The Audit Committee considers that Kingston 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 amending this to state that Buzzacott were re-appointed – not appointed as FSA.</p>
11.3 11.3.1 11.3.2	<p>DRAFT ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE CORPORATION AND THE CHIEF ACCOUNTING OFFICER FOR SOUTH THAMES COLLEGE</p> <p>The Committee received and reviewed the draft Annual Report of the work of the South Thames Audit Committee.</p> <p>The Report was drafted before the dissolution of the Corporation of South Thames College and before the year end reports were received from the Internal and External Auditors. The report included the following statements:</p>

11.3.3	<p>“The Committee, via this report, seeks to advise the College Corporation on the adequacy and effectiveness of the Corporation’s assurance framework. As at the 31st July 2017 the Audit Committee and the Corporation had not yet received the Internal Audit Annual Report and the Corporation is therefore advised to review this document in conjunction with this Committee report when it is available.</p> <p>In addition, the Committee had not had sight of the Management Letter which accompanies the Financial Statements nor the Financial Statements themselves at the time the report was approved by the Chair of the Audit Committee. The Corporation is therefore also urged to review these documents in detail to gain full assurance.”</p> <p>The following opinion was agreed:</p> <p>a) <i>There are no matters that the Committee wishes to bring specifically to the attention of the Corporation overall, based on information provided to them by the College, the work, reports and assurances provided by the College’s Internal Auditors and the assurances received from the Corporation Committees. Therefore, In the Committee’s view, the College and the Corporation appear to have established adequate and effective assurance arrangements as at the date of this report.</i></p> <p>b) <i>Also in the Committee’s view the framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of the College assets appears to operate satisfactorily.</i></p> <p>c) <i>The deficit attributable to the Local Government Superannuation Scheme remains as always a concern, and should continue to be carefully reviewed and monitored by the new Corporation. It is noted, however, that the deficit is based on the performance of the scheme and is decided by the actuaries and is therefore outside of the control the Corporation and the College</i></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 changing the reference in the report from the Joint Audit Code of Practice to the Post 16 Audit Code of Practice.</p>
12.	<p>REVIEW OF PERFORMANCE OF THE FINANCIAL STATEMENT & REGULARITY AUDITOR AND TO AGREE PROCESS / DATE FOR REVIEW OF PERFORMANCE OF IAS</p> <p>12.1 The Committee undertook the annual assessment of the performance of the Financial Audit and Regularity Audit Service against agreed Performance Indicators.</p> <p>12.2 The Internal audit service was reviewed at the Carshalton / Kingston Audit Committee meeting in June 2017. It was agreed that the review of the Internal Audit Service should take place at the June 2018 meeting.</p> <p>12.3 It was RESOLVED to re-appoint Buzzacott, subject to price, to provide a financial audit and regularity audit service for the College Group for the period 01 August 2017 to 31 July 2018.</p>
13.	<p>MEETING DATES - TO NOTE/ AGREE:</p> <p>13.1 The following changes were agreed:</p> <ul style="list-style-type: none"> • Future committee meetings to move to the earlier start time of 6:30pm • Next meeting to be held on THURSDAY 15 MARCH 2018 @ 6:30PM <p>13.2 It was resolved that the Group Principal / CEO should attend the November Audit Committee meeting each year and that for other meetings he would be invited to attend if audit findings require his attendance.</p>

Action points		Responsible	Deadline	Signed off
From this meeting				
1	HoG to make further amendments to TOR and bring a further draft to the next meeting for approval.	HoG	End Feb 2018	
2	Board Assurance Framework to be ready for next meeting	PM-S	End Feb 2018	
3	Members agreed that it was important that an Internal Audit of Learner Numbers should be undertaken during the year.	FD	July 2018	
4	Head of MIS should either write a report or attend the March 2018 Audit Committee to report on progress towards implementation of the GDPR.	Head of MIS	March 2018	
5	Updates on STC Post-Audit Management recommendations to be included in the next tracker report.	FD	End Feb 2018	
6	Changes needed to STC Financial Statements to include Notes 2-5. & more narrative to explain why the deficit is so much larger than forecast	RM	4 /12 / 2017	
7	Members asked in future for an Executive Cover sheet with all committee papers explaining what the committee is being asked to do. (Note/ approve etc)	All officers	All meetings	
8	Value for money reporting – FD to take advice from IAS and VFM report to be presented once a year to the June meeting	FD	End of May 2018	
9.	Next review of Risk Register to consider points raised at Minute 8.2	PM-S	Jan 2018	
10.	The Audit of Subcontracted provision will be brought to the committee next year.	FD	March 2018	
11.	The College to prepare a press release for when the outcome of the SFO case re sub-contracted provision is reported.	PM-S	Jan 2018	
12.	Amendments need to Committee Annual Reports: CC and KC to state that Buzzacott were re-appointed as FSA and to update the reference to the Code of Practice in the ST Report.	HoG	Dec 2018	
13.	Review of the Internal Audit Service to take place at the June 2018 meeting.	HoG	June 2018	
14.	FDs to obtain a price from Buzzacott for the 2017-18 Financial Statements and Regularity Audit and Subcontracting Audit for the Group	FDs	Dec 2018	
Date of Next Meeting	<p>The next meeting will take place on THURSDAY 15 MARCH 2018 @ 6:30PM</p> <p>The meeting closed at 8:30 pm.</p> <p>Signed:Date:.....</p>			