

## MINUTES AUDIT COMMITTEE MEETING OF 15 MARCH 2023 at 6.00pm

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Meeting Title	Audit Committee																											
Date	15 March 2023																											
Members	<div> <div>Ms K. Driver(KD)</div> <div>Chair</div> </div> <div> <div>Cllr K. Akinolola(KA)</div> <div></div> </div> <div> <div>Mr L. Lewis (LL)</div> <div></div> </div> <div> <div>Mr N. Ratnavel(NR)</div> <div></div> </div> <div> <div>Ms M. Savage( MS)</div> <div></div> </div> <div> <div>Mr M.J. Stone(JS)</div> <div></div> </div>																											
In Attendance	<div> <div>Ms L. Raynes (LR)</div> <div>RSM</div> </div> <div> <div>Ms. R. Devan(RD)</div> <div>Director of Finance</div> </div> <div> <div>Mr R. Greenaway(RG)</div> <div>Deputy CEO</div> </div> <div> <div>Mr D. Thornton (DT)</div> <div>Director, MIS</div> </div> <div> <div>Mrs H Meredith (HM)</div> <div>Head of Governance</div> </div>																											
Key Meeting Outcomes																												
	The meeting took place remotely																											
1.	<b>WELCOMES, APOLOGIES</b>																											
1.1	There were no apologies as all members were present. The Chair welcomed Ms Raynes to the meeting in place of Mr Cheetham.																											
1.2	<b>DECLARATION OF INTEREST</b> Members confirmed that they did not have any pecuniary or other interest in any item on the agenda.																											
2.	<b>MINUTES OF AUDIT COMMITTEE MEETING OF 24 NOVEMBER 2022 AND MATTERS ARISING</b>																											
2.1	<u>Accuracy.</u> The minutes of the meeting of 24 November 2022 were accepted as an accurate record to be signed by the Chair.  It was <b>resolved</b> to note the minutes																											
2.2	Matters arising Members reviewed the action log noting the updates below <table> <tr> <td>Committee to review how to deal with another IA tender in the future- possibly as part of committee TOR.</td> <td>HM</td> <td>March 2023</td> <td>See Agenda Item 9</td> </tr> <tr> <td>RG to discuss the Amber Rag rating of progress on the Apprenticeship QIAP with the team and feedback to the Committee</td> <td>RG</td> <td>??</td> <td>Actioned</td> </tr> <tr> <td>MC offered to share benchmarking/advice from ESG colleagues.</td> <td>RSM</td> <td>??</td> <td>LR asked for more info about this</td> </tr> <tr> <td>RG will check and add any recommendations from the QA review ( June 2022) to the Tracker.</td> <td>RG</td> <td>Dec 22</td> <td>Actioned</td> </tr> <tr> <td>Review the impact of any decision by the ONS to re-classify colleges into the public sector and whether to make any changes to the Internal Audit programme as a result.</td> <td>HM</td> <td>Jan 23</td> <td>See Agenda Item 5</td> </tr> <tr> <td>Try to find a new date for the March 2023 Audit Committee meeting</td> <td>HM</td> <td>Jan 23</td> <td>Actioned</td> </tr> </table>				Committee to review how to deal with another IA tender in the future- possibly as part of committee TOR.	HM	March 2023	See Agenda Item 9	RG to discuss the Amber Rag rating of progress on the Apprenticeship QIAP with the team and feedback to the Committee	RG	??	Actioned	MC offered to share benchmarking/advice from ESG colleagues.	RSM	??	LR asked for more info about this	RG will check and add any recommendations from the QA review ( June 2022) to the Tracker.	RG	Dec 22	Actioned	Review the impact of any decision by the ONS to re-classify colleges into the public sector and whether to make any changes to the Internal Audit programme as a result.	HM	Jan 23	See Agenda Item 5	Try to find a new date for the March 2023 Audit Committee meeting	HM	Jan 23	Actioned
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3.	<b>PREVIOUS AUDIT RECOMMENDATIONS</b>																											
3.1	A Tracker Report covering previous Audit Recommendations was reviewed.																											
3.2	<b>Quality Assurance recommendations:</b> MS reported that the QL&S committee were told the previous week about a significant improvement in completion of probationary and developmental observations. <b>Curriculum Development recommendations:</b> JS reported that at the May Strategic Corporation meeting is to be presented more detail about how data and input from employers																											

	<p>is being used to drive curriculum design. RG also confirmed that SM gave a presentation on market research at the November 2022 Governors' Awayday. KD noted that governors would review how the research and data fed into curriculum design.</p> <p>It was <b>resolved</b> to note the report.</p>
<b>4.</b>	<b>INTERNAL AUDIT REPORTS</b>
<b>4.1</b>	<b>Internal Audit Progress Report</b>
<b>4.1.1</b>	<p>LR presented the report detailing the internal audits which will be carried out next term and presented to the next Audit Committee meeting. The report included briefings on</p> <ul style="list-style-type: none"> <li>• Emerging risks and</li> <li>• the ONS re-classification decision.</li> </ul>
<b>4.1.2</b>	KD asked why the Audit on Staff Utilisation had been delayed. LR explained that this was due to delays both at RSM and STCG.
<b>4.1.3</b>	LL asked whether the ONS re-classification decision will impact on the internal audit of Key Financial controls; LR did not think there would be any impact on that audit from the decision.
<b>4.1.4</b>	MS commented that 3 of the 5 themes emerging from the report relate to poor record keeping by college staff and asked whether more needs to be done to probe the reasons for that. KD agreed that the committee need to find out whether this is due to the system or the way in which staff use this.
<b>4.2</b>	<b>GDPR Advisory Review</b>
<b>4.2.1</b>	LR presented the report from this advisory review of the GDPR controls at STCG.
<b>4.2.2</b>	Whilst a formal opinion was not provided, one medium priority management action was identified – that the College should have one central Contract Log- and one low level priority action for Management to review that the policies on the STCG website are all up to date.
<b>4.3</b>	<b>Learner Journey</b>
<b>4.3.1</b>	LR presented the report from this review of the learner journey from application through to enrolment, induction and the first few weeks at the College. This covers the process of converting enquiries to applications and applications to enrolments.
<b>4.3.2</b>	The review found that the majority of control areas established were operating well and no errors were found within the Kingston sample.
<b>4.3.3</b>	<p>However, at South Thames, Merton and Carshalton Colleges issues were identified:</p> <ul style="list-style-type: none"> <li>• A sample of 20 learners, five for each campus, found that registration information for 10 learners at STC, MC and CC contained several errors or was incomplete.</li> <li>• All students should complete an induction checklist within their first week at the College confirming they have read key College documents. They should be prompted to complete this by their personal tutor. Evidence shows this is not the case at STC, MC and CC which were not able to demonstrate that they are enforcing completion of the Checklist.</li> </ul>
<b>4.3.4</b>	JS asked why the sample found such a high rate of error. RG thought that this was due to errors by agency or temporary staff. DT explained that MIS try to make the process as streamlined as possible but that it is possible that in some areas staff do not spend sufficient time completing the paperwork correctly. Errors would normally be picked up by Learner Number Audits.
<b>4.3.5</b>	KD suggested sharing this report with the Q, L & S Committee.
<b>4.4</b>	It was <b>resolved</b> to recommend the Internal Audit Reports to the Corporation.

<p><b>5.</b></p> <p>5.1</p> <p>5.2</p> <p>5.3</p>	<p><b>IMPACT OF RE-CLASSIFICATION OF COLLEGES TO THE PUBLIC SECTOR</b></p> <p>HM presented a report summarising the following key issues for STCG from the decision:</p> <ul style="list-style-type: none"> <li>• The Group will need <b>formal approval from the DfE before drawing down on its rolling credit facility (RCF)</b>. RD confirmed that the college's application for consent was refused. The college therefore cancelled the RCF( which would have had to be cancelled in July 2024)</li> <li>• The <b>ability for the college to sell land without permission may be removed in 2025</b>, so STCG needs to analyse its estate's needs and possibly bring forward any estate disposals.</li> <li>• The College had to comply with the Managing Public Money (MPM) framework since 29 November 2022. This will result in changes to the regularity framework and require external audit to factor the changes into their work.</li> <li>• In the transitional period before the publication of the new Financial Handbook for Colleges (in 2024) the DfE has produced 5 'Bitesize Guides' (included in the meeting papers) covering new processes relating to: <ul style="list-style-type: none"> <li>1. Special payments;</li> <li>2. Novel, contentious and repercussive transactions;</li> <li>3. Indemnities, letters of comfort and guarantees;</li> <li>4. Write-Offs; and</li> <li>5. Senior pay controls</li> </ul> </li> </ul> <p>RD reported that the most significant change for the Audit Committee would be a change to the financial year end for colleges to 31<sup>st</sup> March which is being talked about as likely to go ahead although nothing has yet been published to confirm this.</p> <p>It was <b><u>resolved</u></b></p> <ul style="list-style-type: none"> <li>• to note the report and</li> <li>• to include in the Risk Register review meeting any risks arising from the re-classification decision including from the possible change of financial year-end.</li> </ul>												
<p><b>6.</b></p> <p>6.1</p>	<p><b>BOARD ASSURANCE AND RISK MANAGEMENT</b></p> <p>RG presented the Board Assurance framework and Group Risk Register. Items 6.2 and 6.3 were taken first before reviewing the register . After considering those it was <b><u>resolved</u></b> to recommend the Risk Register to the Corporation.</p>												
<p>6.2</p> <p>6.2.1</p>	<p><b>COMPLIANCE PROCESS UPDATE REPORT</b></p> <p>DT presented a new report on progress under the CMAP Compliance Process reporting on compliance issues which the process has identified this year. The process tests the areas below across all GLA / ESFA funding streams; 16-19, Apprenticeships and AEB and the outcomes were RAG rated in the report by college &amp; Group.</p> <table border="1" data-bbox="363 1536 1520 1998"> <thead> <tr> <th></th><th>Test(s)</th></tr> </thead> <tbody> <tr> <td>Planned hours</td><td>a review of timetabled hours to ensure they meet the minimum threshold for the funding band claimed</td></tr> <tr> <td>Unmarked Registers</td><td>a review of unmarked registers. An unmarked register is defined as a register that hasn't been submitted after a 24-hour period</td></tr> <tr> <td>Off the Job</td><td>a review of Off the job logs; that they exist, stored in College and have been updated in the last 12 week period</td></tr> <tr> <td>Condition of Funding</td><td>a review of the % of learners not attending English and maths (and not exempt), against the 5% funding body tolerance level</td></tr> <tr> <td>Additional Learning Support</td><td>a review of additional support claim evidence, conducted in partnership with the ALS team responsible for auditing curriculum claims</td></tr> </tbody> </table>		Test(s)	Planned hours	a review of timetabled hours to ensure they meet the minimum threshold for the funding band claimed	Unmarked Registers	a review of unmarked registers. An unmarked register is defined as a register that hasn't been submitted after a 24-hour period	Off the Job	a review of Off the job logs; that they exist, stored in College and have been updated in the last 12 week period	Condition of Funding	a review of the % of learners not attending English and maths (and not exempt), against the 5% funding body tolerance level	Additional Learning Support	a review of additional support claim evidence, conducted in partnership with the ALS team responsible for auditing curriculum claims
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6.2.2	At Merton College there was an acceptable level of compliance, apart from the School of Engineering. There were various issues at Carshalton and South Thames with the highest level of non-compliance identified at Kingston College which has not been seen previously. As a result, the net risk relating to this has been raised from green to amber.
6.2.3	The MIS team send reports on non-compliance weekly to Heads of School and all managers have access to the live data.
6.2.4	JS asked the reasons for this level of non-compliance and why it has declined this year. RG thought that staff changes, notably at Kingston College, could be contributing to this in addition to staff shortages due to recruitment difficulties and pressure on staff workloads. RG agreed that the college needs to drill down to find out the reasons for this. RG and DT said that robustness of the process is positive; as this has identified compliance issues at a sufficiently early stage to allow the college to take steps to address these. The findings are escalated to management and senior management meetings to try to find ways to address the issues. KD suggested speaking to staff to find out why they feel that they do not need to comply and to find out what is going on in the classroom. DT agreed that as apart of his discussions with managers during CMAP meetings if would see if he could contribute to n this idea.
6.2.5	KA asked about the implications. DT explained that non-compliance with conditions of funding could result in the college needing to revise its funding claim and so receive less funding.
6.2.6	It was <b>resolved</b> to note this report and ask for a similar report to be presented in future to each meeting of the committee.
6.2.7	KD thanked DT and his team for creating this process to identify issues early to help improve processes for students and staff.
6.3	<b>REPORTS FROM CORPORATION COMMITTEES UNDER BOARD ASSURANCE FRAMEWORK</b>
6.3.1	The Committee reviewed the Board Assurance risk area falling within its terms of reference- in relation to loss due to non-compliance with funding body requirements or fraud- which had moved from a green to an amber risk- and was satisfied that the proposed risk level is correct and that sufficient controls and/or actions are being taken to manage the risks.
6.3.2	HM presented a report from the Committees detailing the assurance provided by each committee in relation to the risks delegated to them, apart from the Finance Committee which was yet to meet this term.
6.3.3	The HE Committee had discussed forecasts for HE Student numbers for 2023-4 which had recently been revised downwards but concluded that, despite this, the assessment of the net risk of declining HE student numbers was correct as the college was doing all it could to mitigate the risk, including extending the deadline for internal progression applications.
6.3.4	After discussion it was <b>resolved</b> to recommend the Risk Register, for approval to the Corporation.
6.4	<b>CORPORATION RISK REGISTER REVIEW MEETING</b>
6.4.1	The committee agreed to recommend that the Corporation should review the Risk Register this year, including considering the impact of re-classification to the public sector.
6.4.2	It was <b>resolved</b> to recommend including this discussion on the agenda for the Corporation strategic discussion meeting on 25 May and include the RSM 'Emerging Risks Radar' briefing (Item 4.1) in the meeting papers.

<b>7.</b>	<b>COUNTER-FRAUD</b>
7.1	There were no new reports. The Committee received updates on previously reported instances of fraud relating to false recording by members of staff. Disciplinary action was ongoing in relation to one of them, had been completed in one case and one member of staff had resigned before the conclusion of the disciplinary process.
7.2	It was <b>RESOLVED</b> to note the Fraud Register
<b>8.</b>	<b>WHISTLEBLOWING REGISTER</b>
8.1	The Committee received the Whistleblowing Register which reported on an investigation commissioned by RSM of whistleblowing allegations received relating to serious allegations of malpractice at Carshalton College made by an ex-agency member of staff.
8.2	In addition, shortly after the last Audit Committee meeting the DfE notified the college about a separate whistleblowing complaint made anonymously through the DfE website which related to the same department and issues at Carshalton College. RSM were also instructed to investigate this whistleblowing complaint at the same time as investigating the first complaint and to conduct an initial scope of the allegations and determine whether the findings warranted further independent investigation.
8.3	Summaries of RSM's assessment from their two reports were provided to the Committee. The complaint was broken down into 18 allegations. Of these allegations the investigation found that fourteen were not supported, one was supported, one was partially supported and two were inconclusive . The findings have been communicated to the complainant who has responded indicating an intention to take their complaint further.
8.4	It was <b>RESOLVED</b> to note the Whistleblowing Register report. <i>LR left the meeting at 7.25pm</i>
<b>9.</b>	<b>DISCUSSION ON HOW TO DEAL WITH A FUTURE TENDER FOR INTERNAL AUDIT SERVICE</b>
9.1	HM had circulated a paper for discussion setting out the rationale for having an Internal Audit Service(IAS) and the benefits of going through a tender process for this. The context was that the IAS tender in 2022 resulted in the re-appointment of RSM with the same lead partner and there was a feeling that the tender exercise may therefore have been a waste of time. The other firms who tendered lacked the depth of FE College Internal Audit experience due to the high proportion of FE colleges which instruct RSM. The Committee had asked to discuss this.
9.2	There is no mandatory requirement for colleges to have an internal audit service. However, ESFA Guidance on "The Scope of Work of Audit Committees and Internal Auditors" states:  <i>College corporations have overwhelmingly concluded that the obligations of an audit committee can best be discharged when an internal auditor delivers and reports on a programme of work. Corporations may also commission independent specialists to carry out reviews in areas where their expertise is required. This provides an additional layer of independence and the corporation benefits from constructive feedback and support.</i>  <i>If the committee chooses not to appoint an internal auditor, it must be satisfied that any alternative must be suitably resourced and equipped to meet this need. Regardless of whether this work is performed by an internal auditor or alternative assurance provider, the collective and individual responsibilities of governors do not change and therefore, they must assure themselves as to the adequacy and effectiveness of financial and non-financial controls in some suitable manner.</i>
9.3	The Committee acknowledged RSM as the leading internal audit provider for colleges due to the number of FE College clients noting however that longevity of an audit relationship can result in this becoming too 'cosy'. The Committee agreed that appointing a different firm on



<p>9.4</p> <p>9.5</p> <p>9.6</p> <p>9.7</p>	<p>the next tender would bring fresh eyes who might uncover different issues.</p> <p>As to when to next put the internal audit out to tender the paper suggested holding tenders for external and internal audits in separate years to ensure some continuity by changing only one auditor provider at a time. Under the ACOP the external audit contract has to be put out to tender at least every 5 years, though this does not necessarily require a different firm of auditors to be appointed.</p> <ul style="list-style-type: none"> <li>• The last external audit service tender took place in 2021 for the y/e 31 July 2021 and so must be put out to tender again no later than 2026 for y/e 31 July 2026.</li> <li>• The last internal audit service tender took place in 2022 for year commencing 1 August 2022. No decision was made on when next to put this out to tender</li> </ul> <p>RG suggested considering a hybrid approach to internal audit assurance in future , such as using RSM to provide internal audits of risk , learner numbers and key financial controls and using alternative consultants to provide other specialist assurance reports. RG mentioned that the FE Commissioner's office provides services around curriculum efficiency and last year the college commissioned a review of safeguarding practice at college by a Safeguarding Consultant. KA suggested using peer reviews and RG confirmed that Beacon Colleges offer this.</p> <p>KD suggested re-naming an extended assurance programme the 'Internal Audit and Assurance Programme'.</p> <p>After discussion it was <b>resolved</b> to recommend that each of the Corporation Committees should be asked to review the risk areas allocated to them at their next meeting and indicate any areas of concern which they would like to add to the assurance programme. At the Corporation review of the Risk Register any further reviews needed can be agreed in time for planning the Internal Audit Programme for 2023-24.</p>
	<p>The Committee also received and noted the January 2023 updated ESFA Guidance on 'The scope of work of audit committees and internal auditors in college corporations' and the five Bitesize Guides issued by ESFA with more detail on 5 areas impacted by the ONS decision to re-classify colleges into the public sector.</p>
<p>10.</p>	<p>The next meeting will take place on Thursday 22 June 2023 @ 5:30pm remotely.</p> <p>It was agreed to hold a separate Risk Register review meeting this year as an item on the agenda for the Corporation Meeting on 25 May.</p> <p>The meeting closed at 7.50 pm.</p> <p>Signed: .....Date:.....</p>

Action points		Responsible	Deadline	Signed off
From this meeting				
1.	MC offered to share benchmarking/advice from ESG colleagues. HM to provide more info to RSK about the original request for this	HM / RSM	??	
2.	Add review of the Risk Register to the May Strategic Corporation meeting or set up another Corporation meeting for that and include in that <ul style="list-style-type: none"> <li>• the RSM risk radar briefing ( from Agenda item 4.1)</li> <li>• any risks arising from the re-classification decision including the possible change of financial year-end.</li> <li>• Agreement of areas of concern to the committees which need to be added to the annual internal audit and assurance programme</li> </ul>	HM		
3.	Share the Learner journey Internal Audit report with QLS	HM	May 23	
4.	Compliance Process update report – to become a standing item each meeting	HM / DT	Ongoing	
5.	Speak to staff to find out why they feel that they do not need to comply and to find out what is going on in the classroom.	DT	On-going	

6.	Each of the Corporation Committees to review the risk areas allocated to them at their next meeting and indicate if there any particular areas of concern which they would like to add to the assurance programme.	HM / Committee chairs		
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