South Thames Colleges Group

MINUTES AUDIT COMMITTEE MEETING 22 JUNE 2023 @ 5.30pm
(All resolutions passed were the unanimous decision of the Audit Committee members present unless otherwise stated)

Meeting Title	Audit Committee
Date	22 June 2023
Members	Ms K. Driver (KD) Chair Cllr K. Akinola(KA) Mr N. Ratnavel (NR) Mr L. Linton(LL) Mr M. J. Stone (JS)
In Attendance	Mr R. Cloker (RC) Buzzacott Ms. R. Devan(RD) Director of Finance Mr P. Mayhew-Smith (PM-S) Group Principal / CEO – in place of the DCEO Mr J. O'Shea Principal, Kingston and South Thames Colleges – for Items 1-4 Ms J. Percival (JP) Interim Principal, Carshalton and Merton Colleges – for Item 1-4 Ms L. Raynes (LG) RSM Mr D. Thornton(DT) Director MIS Mrs H. Meredith(HM) Head of Governance
Key Meeting Outcomes	
	The meeting took place remotely.
1. 1.1	**WELCOME AND APOLOGIES** Apologies were received from Ms Savage. The Deputy CEO and Ms Biscoe from Buzzacott and Mr Cheetham from RSM also sent apologies. JP sent apologies in anticipation of joining the meeting late. Mr Cloker needed to leave the meeting early and so Agenda Item 7 was taken before Item 5 but the minutes appear in agenda order.
1.2	**DECLARATION OF INTEREST** There were no new declarations of interest.
2. 2.1.1	**MINUTES OF AUDIT COMMITTEE MEETING OF 15 MARCH 2023 & MATTERS ARISING** <u>Accuracy</u>. The minutes were accepted as an accurate record.
2.1.2	It was **RESOLVED** to agree the minutes.
2.2.1	<u>Matters arising.</u> Members noted the updates below:

MC offered to share benchmarking/advice from ESG colleagues.	HM / RSM		HM to provide more info to RSM about the original request for this
Add review of the Risk Register to the May Strategic Corporation meeting or set up another Corporation meeting for that and include in that • the RSM risk radar briefing (from Agenda item 4.1) • any risks arising from the re-classification decision including the possible change of financial year-end. • Agreement of areas of concern to the committees which need to be added to the annual internal audit and assurance programme	HM		Took place at Corporation Strategic Review meeting on 25 May 2023 but only had time for a very brief review- see below
Share the Learner journey Internal Audit report with QLS	HM	May 23	Actioned
Compliance Process update report – to become a standing item each meeting	HM / DT	Ongoing	Actioned – Item 4.3
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	Ongoing	See Agenda Item 4.3
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		Actioned – see Item 4.5

2.2.2	A note of the points raised by governors for consideration when reviewing the Risk Register at the Corporation Strategic Review meeting on 25 May were noted. The Corporation may re-visit this in the Autumn possibly with a governor training session – particularly for new governors . *JP and JO joined meeting at 17.38*

2.2.3	The Committee also noted two briefing papers from Buzzacott and RSM following the decision to re-classify colleges to the public sector.
3. 3.1	**PREVIOUS AUDIT RECOMMENDATIONS INTERNAL AUDIT** PMS presented a Tracker Report covering previous Internal Audit Recommendations which was reviewed by the Committee.
3.2	All bar one of the outstanding actions had been completed. The outstanding point related to GDPR and was due to be completed in 3 months' time.
3.3	JS asked about the lack of a central repository for contracts and why contracts were held by student services. DT confirmed that this was because this includes contracts with local authorities (re HNS) and sub-contracting . NR suggested that a central contract register requires a lot of resource but that it might be worth setting this up. KD suggested that the College continue to think about doing this – as this could be potentially very valuable and help towards showing that the college is tracking the use of public money wisely.
3.4	It was **RESOLVED** to note the Report.
4. 4.1.1	**BOARD ASSURANCE AND RISK MANAGEMENT** The Committee reviewed the updated Board Assurance framework and updated Board Assurance and Risk Management Policy showing changes tracked – all were minor updates. The Risk papers included the full Risk Register.
4.1.2	JS asked whether the Policy should be updated to include references to Managing Public Money. It was agreed that PM-S will ask RG to review whether MPM should be included as a criterion re other risks or whether this should be a separate risk.
4.1.3	It was **RESOLVED** to recommend the revised Board Assurance and Risk Management Policy for approval.
4.2 4.2.1	**BOARD ASSURANCE FRAMEWORK AND RISK REGISTER** PM-S presented the Risk Movement Tracker and reported that this is moving in the right direction; some of the top line risks had moved from Red to amber or green, including AEB from a red risk in Spring 2022 to a green risk in Summer 2023.
4.2.2	The committee noted that HE numbers and Adult Learning Loans are down but both are smaller funding streams. Apprenticeship provision is levelling out. There was a very positive picture at Kingston College with increasing 16-18 numbers. The RAG rating for the risk of declining student numbers remained amber however as not all of the colleges are doing so well with 16-18 numbers.
4.2.3	NR pointed out that Risks 21 and 22 had dropped off the tracker. RG to be asked to add these back noting however that the risk about Covid can probably be removed.
4.2.4	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- and was satisfied that the proposed risk level is correct and that sufficient controls and/or actions are being taken to manage the risks.
4.2.5	It was **resolved** to recommend the Risk Register to the Corporation
4.3 4.3.1	**COMPLIANCE PROCESS UPDATE REPORT** DT presented a progress update report on the CMAP Compliance Process reporting on Term Two outcomes RAG rated by college & Group. The process tests the areas below across all GLA/ESFA funding streams; 16-19, Apprenticeships and AEB.
4.3.2	Term 2 overall outcomes were amber but Carshalton College had slipped to a red rating . Business partnerships and controls around sub-contracting were included for first time and overall had very positive outcomes. There has been significant progress across the Group

4.3.3	since the introduction of the CMAP. Four schools were assessed as high risk

CEM	Carshalton School of English & Maths	Carshalton
DBX	Digital Industries, Business & Science	Kingston
AEX	Engineering	Kingston
WAE	STC Adult Education	South Thames, Wandsworth

4.3.4	The College Principals were invited to comment on compliance issues and the following points were discussed and noted : • There is still a culture of staff leaving compliance issues until a deadline and the need to change that culture. • Need to make staff understand the implications of non-compliance issues • Need to break pattern of staff preparing for CMAP instead of being fully compliant in Term 1 . • Apprenticeship compliance is challenging but will hopefully improve following the appointment of a new Head of Apprenticeships starting in September • Better compliance levels at MC – need to share that good practice.
4.3.5	JS commended the college on this thorough process and asked whether staff are finding it useful. JO confirmed that staff see the MIS team as very collaborative and understand that they are helping the curriculum team. KD thanked DT and the MIS team for this work and the positive impact from this from which there will be a positive impact for learners.
4.3.6	It was **resolved** to note this report.
4.4	**COLLEGE MPM RETURN 31 MARCH 2023**
4.4.1	The MPM return was required to provide assurance to ESFA that the College has complied with MPM requirements from 29 November 2022 to 31 March 2023. The completed return was circulated to the committee for information following the meeting.
4.5	**TO RECEIVE REPORTS FROM CORPORATION COMMITTEES UNDER BOARD ASSURANCE FRAMEWORK**
4.5.1	HM presented reports from Corporation Committees, which agreed the net scores for the risks allocated to them, and suggestions from the committees for any additional assurance reports to commission either from the Internal Audit service or from other consultants.
4.5.2	HM confirmed that the FPR Committee on 20th June also agreed the net scores for the risks allocated to it.
4.5.3	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. *JO and JP left the meeting at 18.14*
5.	**INTERNAL AUDIT REPORTS** LR, RSM, presented the Internal Audit Plan and the following Internal Audit Reports which were considered in detail by the Committee.
5.1.1	**FOLLOW UP /ACTION TRACKING** The report reviewed progress by the Group in implementing previously agreed management actions. The Audit Opinion was that South Thames Colleges Group has demonstrated 'good progress' in implementing agreed management actions.
5.1.2	It was **RESOLVED** to note the Report and Opinion.

5.2 5.2.1	**PROGRESS REPORT AGAINST THE INTERNAL AUDIT PLAN** The Report confirmed that the remaining internal audit work under the plan is in progress and that RSM will as a result be able to give the annual assurance opinion.
5.2.2	The Staff Utilisation Report was not available as RG and MC were still reviewing this and management response to this. RSM are also undertaking a subcontracting review outside of the Annual Internal Audit Plan
5.2.3	Appended to this report was a briefing summarising Common Issues from Funding Assurance Reviews - KD thanked RSM for this briefing.
5.3 5.3.1	**LEARNER NUMBER SYSTEMS** LR confirmed that this is in effect a mock funding audit which is carried out every year.
5.3.2	The report identified one '**High**' and four '**Low**' priority actions The High Priority action related to apprenticeship 12 weekly progress reviews , LR indicated that from their experience this was a good result compared to other colleges.
5.3.3.	JS asked for assurance that apprenticeship progress reviews are being sorted. PM-S confirmed that the college is setting up central management of this and is making a concerted effort to turn these issues around. DT thought that the launch of e-portfolios with digitalised reviews which can be tracked and followed up with staff will also improve this.
5.3.4	KD commended the college on the list of areas identified in this audit report as compliant.
5.3.5	It was **RESOLVED** to note the Report.
5.4 5.4.1	**KEY FINANCIAL CONTROLS** The audit testing focused on the following key areas: • Policies and procedures • General Ledger • Procurement
5.4.2	No formal recommendations were made as the Key Financial Controls were found to have been appropriately designed and complied with the College's policies and procedures. Two points were identified for the Committee to consider: • The Audit found that 4 GPC cards are not being used actively. RD confirmed that of 66 cards issued only 4 which are not used regularly – one by PM-S and one by RG. • Setting up a central Contracts Register might be worth considering. RD reported that College made a conscious decision not to have a procurement officer but there is a contracts manager within Facilities Team and IT has a contract register. NR asked about contracts which continue over a 3 or 4 year period which could reach a significant cumulative value and whether the college picks up that this happens and re-tenders at that point. RD confirmed that this is already undertaken. When procuring a contract, the college considers whether the service is for a 3 or 4 year period when determining if this needs to be tendered or re-tendered.
5.4.3	The audit opinion was that, taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.
5.4.4	It was **RESOLVED** to note the Report.

5.5 5.5.1		**HR CONTROLS** The audit testing focused on the following key areas: 1. Policies and systems 2. Sickness Absence and 3. Staff recruitment
5.5.2		The report identified three '**Medium**' priority actions relating to • the Sickness Absence Policy not having been reviewed since 2013 • documenting of sickness absence conversations with managers • documenting of the shortlisting process for job applications
5.5.3		The audit opinion was that taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effectively applied.
5.5.4		KD asked why the Policy had not been identified as needing review. PM-S confirmed this had been flagged as needing review as the Head of Executive Support flags policy review dates. However, the review had not been undertaken. *KA left the meeting at 6.40pm*
5.6		**STAFF UTILISATION AND CURRICULUM EFFICIENCY** This Audit Report was not ready for the meeting.
5.7 5.7.1		**EXAMS** The report identified one '**Low**' priority action relating to the lack of a process to ensure the accurate and timely notification of exam requirements to the Exams Office.
5.7.2		The report also raised an additional feedback point about a lack of consistency across the colleges about the choice of awarding bodies.
5.7.3		PM-S confirmed that the Group is moving the Exams Management to a central Quality Improvement Team. KD suggested sharing this audit report with that team.
5.7.4		The audit opinion was that taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.
5.7.5		It was **RESOLVED** to note the Report
5.8 5.8.1		**HIGH NEEDS FOLLOW UP** This was a review on progress to implement six previously agreed management actions. The Report found reasonable progress in implementing the actions.
5.8.2		However, one issue raised previously had been raised in priority from Medium to **'High'** to reflect the lack of progress and priority this now needs to be given. This related to identifying which apprentices need additional support.
5.8.3		Overall the audit found that reasonable progress had been made in implementing these recommendations**.**
5.9		**INTERNAL AUDIT STRATEGY 2022 - 2025 (INCLUDING THE 2021/22 INTERNAL AUDIT PLAN 2022/23)**
5.9.1		The Internal Audit Plan for 2023-24 was discussed. The plan confirmed core assurances for key financial controls, governance , risk management and learner number systems. .
5.9.2		Additional reports added to the plan for 2023-24 were: • Cyber security risks • Health and Safety • Safeguarding

5.9.3	KD asked whether Health and Safety will include wellbeing. LR offered to look at wellbeing but if so , the Audit would need to change to a mental health and wellbeing audit as the plan does not allow enough time to cover that and Health and Safety. After discussion it was agreed to swap the Health and Safety internal audit to mental health and wellbeing. *KA re-joined the meeting at 7.00pm*
5.9.4	JS asked about the emerging risks around AI. LR suggested considering AI when scoping the cyber review.
5.9.5	Subject to these changes it was **RESOLVED** to recommend approval of the Internal Audit Strategy 2022-2025.

5.10	**REFLECTION ON COMMITTEE'S CONFIDENCE FROM INTERNAL AUDIT REPORTS, ON THE ROBUSTNESS OF THE GROUP'S SYSTEMS AND COMPLIANCE**
	
	The Committee commended the very positive set of IA reports and particularly commended the 2 teams which had no recommendations :
	      1. Exams
	      2. Finance
	
	KD thanked LR for all the work on these reports

6. 6.1	**UPDATED POST-16 AUDIT CODE OF PRACTICE (ACOP) FOR 2021-22** The Committee reviewed a report from HM summarising key changes together with a full copy of the revised ACOP.
6.2	It was **RESOLVED** to note the updated ACOP.
7. 7.1	**FINANCIAL STATEMENTS AND REGULARITY AUDIT APPROACH & ENGAGEMENT LETTERS** RC, Buzzacott presented the External Audit Strategy for the audit of the financial statements for the year-ended 31 July 2023 and Regularity Audit for STCG, KCTC Limited and KSEP Ltd and drew the Committee's attention to two points: • Re-classification and MPM rules will have an impact on the scope of the Regularity Audit work and a small impact on the Financial Statements Audit; • A change in the Auditing Standards around assessing risk means that IT controls (E.g. passwords and remote access), the IT and Finance Systems and the general IT environment now fall within the scope of the Audit
7.2	**Mitigating the risks of fraud** RC drew the Committee's attention to potential risks of fraud and mitigating controls. The key areas at most risk of fraud at the College are: • The payment of unauthorised expenditure through the override of key controls; and • Third party fraud leading to payment being made to the incorrect recipient including cyber fraud. KD asked whether the exam malpractice cases needed to be considered but RD confirmed these were reported in the last financial year. There were no other out of the ordinary transactions which the committee needed to draw to the attention of the auditors.
7.3	LL asked about the potential for impairment in relation to any work being done to review the college Estate and any land disposals. RD confirmed that if the college disposes of any buildings then impairment will be considered. RD explained that the college did a significant amount of work 3 years ago including valuing each campus when there was a part disposal at Wandsworth which resulted in an impairment of the accounts.
7.4	**Going Concern** Buzzacott will review the College's assessment of going concern together with cash flow forecasts and budgets, covering at least a year from the date of signing of the financial statements. JS asked whether the challenging financial position nationally with rising inflation and interest rates will impact on that and whether they stress test the budget. RC confirmed

	that Buzzacott will look at forecasts critically and the level of stress testing depends on the amount of leeway there is in the budget depending on year-end forecast cash balances.
7.5	It was **RESOLVED** to recommend that the Corporation approves the External Audit Strategy for the year-end accounts 31 July 2023.
7.2 7.2.1	**REVISED ENGAGEMENT LETTER** RC presented the new engagement letter reflecting the updated ACOP with apologies for the late circulation of this and invited any other questions that occur following the meeting.
7.2.2	It was **RESOLVED** to recommend that the Corporation approves the revised Engagement Letter to be signed by the Corporation Chair.
8. 8.1	**FINANCIAL REGULATIONS** RD presented the updated Financial Regulations with the main changes relating to the re-classification of colleges to the public sector including a new table at Page 4 and other changes throughout the regulations to confirm the requirement to comply with MPM.
8.2	It was **RESOLVED** to recommend approval of the updated Financial Regulations.
9. 9.1	**COUNTER FRAUD** The Committee received the Fraud Register and noted that no new incidents of Fraud had been reported.
9.2 9.3	The report gave an update on matters reported to the last meeting. A disciplinary meeting took place yesterday nothing to report yet. It was **RESOLVED** to note the Fraud Report.
10. 10.1	**WHISTLEBLOWING** The Committee received the Whistleblowing update report. No new whistleblowing reports had been received since the last meeting.
10.2	It was **RESOLVED** to note the update report.
11.	*LR left before the start of this item at 7.10pm* **ANNUAL REVIEW OF PERFORMANCE AND APPOINTMENT RECOMMENDATION OF THE INTERNAL AUDIT SERVICE**
11.1	The Committee undertook the annual assessment of the performance of the internal audit service against the agreed performance indicators.
11.2	The Committee discussed whether RSM have the specialist knowledge needed to carry out some reviews – at the last meeting the committee had discussed whether to look wider for advice and that this might be appropriate for a mental health and well-being audit as they are not necessarily best placed to do that work.
12. 12.1	**MEETING DATES** The programme of meeting dates for this committee for 2023-4 was agreed as below; to include an hour for the joint Audit and FP&R meeting in November 2023:

Monday 27 November 2023	5.30-8.00pm	Virtual Meeting
Monday 11 March 2024	5.30-7.30pm	Virtual Meeting
Thursday 20 June 2024	5.30-7.30pm	Virtual Meeting

	The meeting closed at 7.20 pm

Signed: …………………………...............Date:……………… |

Action points		Responsible	Deadline	Signed off
From this meeting				
1.	Compliance Process update report – to become a standing item each meeting	HM / DT	Ongoing	
2.	Risk Register review - may re-visit this in the Autumn possibly with a governor training session – particularly for new governors	HM	Dec 2023	
3.	RG to review whether MPM should be included as a criterion re other risks in Board Assurance Policy or whether this should be a separate risk.	RG	Oct 2023	
4.	Risks 21 and 22 to be added back to the Risk Movement Tracker	RG	July 2023	
5.	Consider setting up a central Contracts Register	PMS / RG	Oct 2023	
6.	Share the Exam Internal Audit Report with the new Exams team	PM-S / JAM		
7.	Swap the Health and Safety internal audit to mental health and wellbeing. Also consider whether RSM are best placed to carry out this review.	RG	July 2023	
8.	Consider AI when scoping the cyber security IA	RG	Dec 2023	