

SOUTH HAMPSHIRE COLLEGE GROUP
JOINT AUDIT & RISK COMMITTEE AND CORPORATION MEETING
18 December 2023

Audit Members Present: Kerrie Clark Ian Harris (Chair)
Phil Harris-Bridge Bernie Topham

Corporation Members in attendance: Frances Butler Emma Champion
Sarah Harder Collins Julia Martin
Emily Morey Collins Ntim
Colin O'Donoghue Sandra Prail
Tanya Richardson Karen Shreves
Andy Wannell

Staff/Others In attendance: Georgina Flood (Director of Governance)
Clarence Mpfou (TIAA (internal auditor))
Andrew Kaye (CEO (Chief Executive Officer))
Chris Mantel (Alliotts external auditor) **from 5pm**
Frances Millar (RSM external auditor)
Anoushka Ottley (ExecDirector Business & Civic Partnerships) **from 5pm**

The Audit & Risk Committee held a private Meeting with External Auditors RSM at the end of the Audit & Risk meeting. This meeting was held in the Committee room with no officers' present from 16.45 – 17.00

27/22 Item 1: Apologies for absence

No apologies for absence were received from Audit & Risk Committee members. Apologies for absence were received from Corporation members Natalie Wigman and Irene Tichy.

28/22 Item 2: Declaration of Interests

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting. No interests were declared.

29/22 Item 3 & 4: Minutes of the meeting held on the 21 November 2023 and actions/matters arising

The minutes of the meeting held on the 21 November 2023 were reviewed – a member raised a point of clarification in respect of Item 06/23 para 3 noting that the suggested 'complacency' referred to, was that of wider society rather than the College. Aside from this, the minutes were agreed as a true and accurate record. There were no matters arising from them which were not covered elsewhere on the agenda.

DECISION: Aside from one note of interpretation(resolved) the minutes of the meeting held on 21 November 2023 were agreed a true and accurate record

30/22 Item 5: Self-Assessment with Regularity and Propriety Requirements (RSAQ) for 2023 for Fareham College and City College Southampton.

Members reviewed both Self-Assessments with Regularity and Propriety Requirements (RSAQ) for 2023. There were no issues of concern, and the reports were approved.

DECISION: The Committee recommended the Self-Assessment with Regularity and Propriety Requirements (RSAQ) of Fareham College for 2023 to the Corporation for approval

DECISION: The Committee recommended the Self-Assessment with Regularity and Propriety Requirements (RSAQ) of City College Southampton for 2023 to the Corporation for approval

In response to a question, the COO confirmed that the Eastleigh College accounts have been delayed until 31st March, with the audit commencing in the first 2 weeks of January 2024.

31/22 Item 6: Annual report of the Audit Committee to the Corporation for 2023

Members reviewed the Annual report of the Audit Committee to the Corporation for 2023 from both City College Southampton, and Fareham College. There were no issues of concern, and the reports were approved. A member noted that these summary reports are a helpful synopsis of work completed, what are we doing to ensure the controls in place in individual colleges are either replicated or delivered within the wider group? The COO confirmed we have established group financial regulations and wider governance docs which provide the basis of many of the controls, we have a programme of internal audit as well as other mechanisms to ensure ongoing scrutiny – there is an expectation we will replicate that is in place in colleges at a group level.

DECISION: The Committee recommended the annual report of the Audit Committee to the Corporation of City College Southampton for 2023 for approval

DECISION: The Committee recommended the annual report of the Audit Committee to the Corporation of Fareham College for 2023 for approval

32/22 Item 07: IA (Internal Audit) annual report for Fareham College for 2023

TIAA introduced this report to members, noting that TIAA had reviewed and taken on board the feedback received at the last Audit & Risk Committee meeting. Members were reminded that TIAA as Internal Auditors, are required to deliver a judgement for internal controls and provide a statement of internal controls assurance. TIAA is satisfied that, for the areas reviewed during the year, Fareham College has reasonable and effective risk management, control, and governance processes in place.

Members discussed the fact that some of the received assurances for internal audits of both key financial controls and ICT are 'reasonable' - are we comfortable with this as an outcome, or taking into consideration we have agreed a 'cautious' approach to compliance, should we be aiming for 'substantial' assurance in key audit areas? All discussed that we should be aiming for substantial assurance especially in key areas, with a focus on the 'distance' between reasonable and substantial being part of the recommendations and feedback received.

Members were asked to note since City College Southampton ran a hybrid model of commissioned audits via specialist providers, there was no similar report from a single audit source.

DECISION: The Committee approved the IA report for Fareham College for 2022-23 and recommended this to the Corporation for approval.

33/22 Item 08: South Hampshire College Group IA Plan for 2023-4

TIAA presented the finalised Audit plan for 2022-23 previously reviewed at the June meeting. Members were informed this has been compiled using suggested areas for audit, within a 30-day programme which will run until 31 December 2024. Going forward, TIAA would be looking to set audit dates in line with the audit committee meeting schedule.

Members discussed the plan and raised concern around the lack of inclusion of any audit around key financial

controls as well as cyber security. The COO reminded the Committee that the 30-day plan from TIAA did not represent the entirety of audit or external review within the group, noting the intention to use specialist providers e.g., JISC to deliver a cyber security audit.

A member queried the inclusion of a 'progress on plan' audit if project management team Rockborn were still being employed. The CEO confirmed that with effect from this week, Rockborn's project team would no longer be working directly with us and as such this was a means of ensuring the group don't lose sight or track of important deliverables. We do have additional resources to distribute to this oversight, arguably this would be best superseded by key internal controls.

A member endorsed the Committee's view on the importance of audit around key financial controls noting that they were surprised 9 of the 30-day plan is allocated to 'advisory' audits when a focus on compliance/reducing risk is a priority with a 'cautious' risk appetite. In their view, there is sufficient eyes on the merger delivery via KPI review and PIMS monitoring and endorse the view this is an audit that could potentially be dropped from the plan.

The Chair reiterated disappointment this was the first opportunity that the Committee had had, to really scrutinize the audit plan since TIAA had not been in attendance at the previous meeting. Another member suggested the Committee should outline the overarching internal audit priorities based on the risk register and appetite and then look at delivery via either TIAA or other partners. The Chair agreed this was not the 'final' plan and that additional work would need to be done in revision.

The DG suggested due to timescales and the need to start delivering audit as soon as possible, that the Audit & Risk Committee re-convene for a single item agenda in January. In advance of this, the ELT could draft a wider internal audit/external scrutiny plan for the Audit Committee to review and then to work with TIAA to produce a re-drafted plan for the elements they will be commissioned to deliver. All agreed.

ACTION: DG to set an additional Audit& Risk Committee date in January

ACTION: ELT to draft an internal audit/external scrutiny plan based from the risk register and risk appetite

ACTION: TIAA to re-draft the IA plan in light of ELT direction, TIAA to attend the additional meeting in January

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At 16.45, the Chair of Audit & Risk Committee noted that in order for the Audit & Risk Committee to have short 'private' meeting with RSM with no officers present, there would be a short comfort break and the meeting of the Corporation would commence from 5pm.

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34/22 Declaration of Interests

As above

35/22 Apologies for absence

As above

36/22 Item 9: Audit & Risk Committee recommendations for Corporation approval

The Audit & Risk Committee formally recommended the following items for Corporation approval;

- **RSAQ (Regularity Self-Assessment Questionnaire) for 2023 for CCS and FC**
- **Annual report from the Audit Committee to the Corporation for 2023 for CCS and FC**
- **IA Annual report for 202-23 for Fareham College**

DECISION: The Corporation formally approved the same.

37/22 Item 10&11: Alliotts Presentation of the 2022-23 Accounts for City College Southampton

Chris Mantel from Alliotts introduced this report with key items of note including;

- Whilst CCS not a 'going concern', accounts have been prepared as if they are due to merger
- Pension Liability has not been recognised within the financial statements and an adjustment made to reduce the overall asset to £Nil (in line with the accounting standards and much of the FE College and Academy sectors)
- Fair to note CCS working with skeleton staff however controls sufficient to give assurance needed.
- Data has improved (notably for apprenticeships), clearly intending to hand over 'clean' data

The Chair queried the issues noted re: bank mandates and potential fraud risk - were any additional checks undertaken in respect of annual accounts? Alliotts confirmed ultimately everything was approved correctly and as such there was nothing to indicate higher concern re: fraud. Testing completed during the year, confirmed that mandates had been updated and therefore the issue was considered resolved.

A member noted that as surviving entity Fareham College would take on impairment responsibility, can they assume this was done in advance of handover of accounts and there were no material differences. Further that,

work would be done now accounts are completed to ensure there will not be double impairment etc.? Alliotts confirmed, yes assets at year-end were as reflected, with debtors etc. assessed as usual. In terms of post accounting work, the COO will be working to pull comparative balance sheets together.

The Audit & Risk Committee recommended and the Corporation approved, the City College Southampton 2022-23 accounts.

38/22 Item 12&13: RSM Tenon Presentation of the 2021-22 Accounts

Frances Millar from RSM introduced this report noting the intention to provide an unqualified opinion with no adjustments. For members awareness, key risk findings included;

- Income recognition – looked to reconcile ESFA statements, tested detail of individual learner return (ILR)
- Going concern – harder to evidence due to merger, looked at high level forecasts, considered cash balances as well as 16-18 income. Sensitivities were considered e.g., how much income would need to fall/ expenses would have to rise, as well as the significant funding from DfE - on this basis agreed a going concern
- Pension scheme –not recognized as an asset in the report as per CCS, wider sector norm
- Subcontractor agreements – focus on them being signed and in place in advance, noted the ESFA funding audit from 2021-22 and the significant recommendations.

A member queried the volume and context of the apprenticeship errors and if they were legacy or new errors? RSM confirmed these were new errors but not notable. Due to the volume and complexity of apprenticeship data and its volume, it's unlikely a college would ever get a 'clean' audit. FM went on to note that significant improvement has been made in respect of data held and there are no new material concerns. A member thanked RSM for the reassurance and suggested the apprenticeship process deep dive is re-delivered to the newly constituted Corporation for re-review. All agreed.

ACTION: Apprenticeship deep dive to be added to a future Corporation agenda

DECISION: The Audit & Risk Committee recommended and the Corporation approved, the Fareham College 2022-23 accounts.

39/22 Item 14: Tender for sub-contracting provision 2023-24

EDB&CP reminded members that at the Corporation meeting on 18 October, the total value of subcontracting tender had been approved at £1.176m. This report provided detail of the specific suppliers and individual values. Members were informed that generally SHCG will continue to reduce the number of sub-contractors we engage with, contracts for 23-24 for approval here, are a reduction on that in place for 22-23. It was noted due diligence checks have been completed to provide confidence all are in a sufficiently stable financial position to deliver the contracts as outlined.

A member queried the 'clear water' between the highest scoring applicant and the applicant selected. EDB&CP confirmed this referred to what was considered a 'high risk' course, noting provision of this by the highest scoring candidate would be entirely new provision for this supplier. There was preference to continue with a more tried and tested supplier, where we have a higher-level assurance of quality.

DECISION: The Corporation approved the sub-contracting suppliers and values for 2023-24

40/22 Item 15&16: AOB/Reflection on the meeting

The DG confirmed there was no required poll on meeting impact on this occasion.
There were no further items of business and the meeting ended at 17.35.