

AUDIT COMMITTEE

Minutes of the meeting held on 8 July 2019 at City Centre Campus at 16:45

Present

Julian Young (JY), Chair	External Governor
Andrew Furse (AF)	External Governor
Andrew Parker (AP)	External Governor

In attendance

Carol Davey (CD)	Financial Statements Auditor, Mazars
Martin Harrison (MH)	Internal Auditor, ICCA-ETS
Laurel Penrose (LP)	Principal
Anne Roberts (AR)	Head of Governance
Jo Whistler (JSW)	Director, Finance & Corporate Services

1. Apologies for Absence and Welcome

There were no apologies. Carol Davey was welcomed to the meeting.

2. Declarations of Interest

None

3. Confidentiality of Items

The following item was deemed to be confidential: Curriculum Benchmarking [and the following confidential reports 5.2-5.8, 6.1-2, 7 and 8].

4. Minutes of the meeting held on 29 April 2019

The minutes of the meeting held on 29 April 2019 were approved as a correct record. There were no matters arising.

5. Internal Audit

5.1 Benchmarking: Curriculum & Support

Confidential Minute

5.2 Corporate Governance

The Committee considered the audit opinion on Corporate Governance and noted the 'reasonable assurance' conclusion, with 2 medium and 5 low recommendations. The audit had been planned to take place under the previous Clerk, though this had to be delayed and therefore taken on by the new Head of Governance. AR reported that she concurred with the findings. A member asked about the monitoring of attendance. This had been collected, but had not been regularly monitored or tracked; the Search & Governance Committee would do this in future. The Chair asked if the timescales were

feasible for completion of the actions and AR confirmed this. AR asked MH if some examples of self-assessment frameworks could be provided. **ACTION: MH**

5.3 Funding Assurance

The Committee considered the audit opinion on Funding Assurance. It was noted that there was a 'reasonable assurance' conclusion, with 8 recommendations, of which one was graded high. MH reported that a lot of work had been done in this area though there were still some areas to be set up for 2018/19. Of particular priority was section 3.5 '20% off the job training', which needed to be evidenced consistently and tracked. JSW confirmed that this was being actioned by the new Head of Apprenticeships, Business & Community and the KPI report monitored by SMT. The implementation date for this action was revised to 1/8/19.

The Chair asked for assurance that evidence could be shown in relation to attendance to mitigate against the risk of clawback of funding; this has been an area of concern in the past. LP and JD reported on the work being done by the MIS manager and the ICCA consultants to track, provide written guidance, case studies and training so that there was a legacy in place. The materiality of this would emerge later. LP reported that the ICCA contract was 'results-based' and that this contract was completely separate to the work being undertaken by MH's team. A statement on 'ethical walls' was in place. The Chair affirmed his assurance in this regard.

5.4 Health & Safety Compliance

The Committee considered the Advisory report on Health and Safety Compliance and the recommended areas for improvement. The Chair questioned the implementation date of 1 July for the actions to be completed, which seemed unrealistic. The Committee agreed that this should be amended to 01/09/19 apart from item 3.4 accident reporting that had been completed. JSW reported that staff were reminded regularly to complete the H&S training and that many people had completed this at the Staff Development day. AF asked what training was a priority. MH suggested this should be the mandatory fire safety and that the regular reminders to staff would help effect the other required training. JSW also reported that refresher training was being undertaken for duty managers in September.

5.5 Follow up on Internal Audit Recommendations

MH provided the Committee with reasonable assurance that progress with implementing previously agreed internal audit recommendations had been timely and effective. He noted the significant progress made to clear the large backlog of actions and none of these were high risk. The Chair commented on the positive relationship between Internal Audit and the Executive and this had been helped by the clear and timely internal audit reports. He recognised that there was a healthy tension between the Auditors and the Executive, and thanked everyone concerned.

5.6 Internal Audit Actions Tracker

JSW provided an update on the audit actions in the report. The tracker would be updated to take account of the latest recommendations. The Chair asked that the very old actions should be taken off where possible as, after a year of internal audit activity,

they were likely to have been overtaken by events. Members thanked JSW for managing the outstanding actions that were in existence prior to her appointment.

5.7 Internal Audit Plan 2019/20 and Strategy 2020/21

MH presented the internal audit plan 2019/20 and updated strategy 2020/21. This had been based on discussions with LP and JSW. Members asked whether financial systems had been upgraded as this could present cost and security implications. JSW confirmed that the systems would be expanded further, but the College was behind in its systems upgrade. The IT review planned would be broad and should assist in identifying the investment needed and would take place in term 3 to enable account to be taken of the digital Institute of Technology. On questioning, MH confirmed that the audit would look at the systems of control rather than penetration testing.

The Internal Audit Plan 2019/20 was agreed as set out in the report:

- Financial Planning and Management.
- Apprenticeships.
- IT Infrastructure and Disaster Recovery.
- Review of English and Mathematics.

5.8 Internal Audit Progress Report

MH presented the progress report on the internal audits that had been completed and the performance against the KPIs. Members asked MH for comment on the legacy aspect and the improved position in relation to outstanding actions relating to funding assurance. MH confirmed that reference to this would be included in the terms of reference in the ILR. His progress report was green, all the work had been completed and the annual Internal Audit Report would be presented to the November meeting. Members thanked MH and the auditors who had undertaken the reviews for all their support.

6 External Audit

6.1 Sub-Contracting Controls

CD presented the findings of the audit undertaken on the controls for managing sub-contracted delivery. This had been undertaken by a Mazars' Auditor who had previously worked at the ESFA. The key findings were positive with 3 recommendations made. All previous recommendations by the previous internal Auditors RSM had been cleared. JSW confirmed that the recommendations in relation to conflicts of interest and checks of sub-contractors statutory accounts were in hand. The Chair asked that the College ensured that its internal procedures were followed in relation to timely payments to sub-contractors. Members thanked CD for presenting this very positive report.

6.2 External Audit Strategy Memorandum

CD presented the Audit Strategy Memorandum for the year ending 31 July 2019. She briefed members on the significant key risks and key judgement areas that had to be considered – management override of controls and income recognition (i.e. risk of fraud). An assessment would be made as to whether the management accounts and financial

plan supported the going concern assumption and the Board would be asked to give its approval.

A focus would take place on the loan covenants and areas of management judgement in relation to defined benefit pension scheme assumptions, land value, depreciation, bad debt provision, clawbacks and provisions. The loan covenant waiver needed to be in place by 31 July 2019 if there had been any breach of the bank covenant. In relation to pensions, CD reported that a recent law-case (McCloud) had gone against the government and this could have implications for the public sector. CD recommended that the College actuaries took this into account when making their assumptions, and ensured before 31 July that no waiver on the bank covenant was required this year.

ACTION: JSW

In relation to the land value at Somer Campus, CD had spoken with JSW. This had been considered by the Committee last Autumn when it had been agreed to revisit this within the next two years. CD recommended that the Corporation should consider whether the land still existed in its old form with the intent to develop it in the future. This should be part of the local development strategy. It was reported that the Finance & Estates Working Group had considered this issue and had asked for a short paper to be come to the Board for consideration.

ACTION: JSW

CD commented that the bad debt provision was in a more positive position than this time last year and the auditors would consider the methodology used.

Members thanked CD for a helpful and comprehensive report, and noted the importance of the bank covenant deadline.

7 Information Governance Compliance Report

AR presented the report, largely prepared by the Director of HR & OD who was the College's Acting Data Protection Officer on any cases of whistleblowing, data breaches or FOI requests. Members were given information about the reported potential data breach and noted the actions taken to address this. The ICO had not required any regulatory action. The Committee requested that an information governance compliance report be made at each of its meetings.

ACTION: LP/AR

8 Risk Register

The Committee considered the Risk Register July 2019 update and the changes made since its last meeting. JSW reported that the financial outturn had moved from red to amber, and the GDPR risk had been updated after the internal audit report.

9 Terms of Reference and appointment of Chair

AR provided an overview of the changes made to the Audit Committee's terms of reference following the internal audit of Corporate Governance. The terms of reference had been updated to align with the 2018/19 post-16 Audit Code of Practice. Members asked about the need for external co-opted members who could be appointed if specialist expertise was required. It was agreed that care was needed if a co-opted member was appointed to ensure they could fully take part in the Committee's discussions.

The Committee agreed the revised terms of reference and asked AR to provide these to the internal auditor of the Corporate Governance audit to review and for any final changes to be made by the Chair. **ACTION: AR**

The Committee agreed to appoint JY as Chair of the Committee for 2019/20 and to re-appoint AF and AP as members.

10 Any other Business

None

11 Date of Next Meeting

18 November 2019 at 16:45

The meeting closed at 18:50

Signed (Chair).....

Date: