

**Minutes of the Audit Committee Meeting held on  
Wednesday 1 July 2019 at 3.00pm**

**Present:** John Fell  
Terry Fleetwood  
Mo Kundi - Chair

**In Attendance:** Jonathan Creed – ICCA  
Eddie Green – Vice Principal Services  
Caroline Jenkinson – Assistant Clerk to the Corporation  
Joanne Jordan – Wylie & Bisset  
Jesamine Kelly – Assistant Principal Curriculum & Quality  
Andrew Winrow– Head of Finance

**Action**

**A.19.88 Item 1: Apologies for absence**

Apologies for absence were received from Jim Turner, Richard Jacklin and Gareth Catterson, Clerk to the Corporation. John Fell acted as Clerk in Gareth's absence.

**A.19.89 Item 2: Declarations of Interest**

A standing declaration of interest was received from John Fell as he is married to the Chair of the Corporation.

**A.19.90 Item 3: Minutes of the Previous Meeting – 5<sup>th</sup> March 2019**

*The Board resolved to approve the minutes as an accurate record.*

**A.19.91 Item 4: Matters arising**

There were no matters arising.

**A.19.92 Item 5: Confidential Items**

No agenda items were considered to be confidential.

**A19.93 Item 6: Internal Audit Reports 2018/19 – Semester 2**

Jonathan Creed, ICCA, presented and outlined the findings from the internal audit reports that had been completed since the last Audit Committee meeting:

**6.1 Curriculum Efficiency**

ICCA concluded the College had a well-designed control framework which was consistently well applied. An overall Substantial level of assurance had been achieved. Jonathan explained the report provided the committee with a high level understanding of how the College ensures the curriculum is efficient. He confirmed there had been no major recommendations resulting from the report which also included comparisons with competitors within the sector.

A governor questioned whether it was common practice to close classes with less than 10-12 students and how this would allow for future growth if small classes were not able to be run. Jonathan confirmed it was common practice across the sector and due to the current environment it was necessary instead to consider what the best alternative would be for a particular student. The Assistant Principal confirmed monthly and periodic reviews were undertaken which included looking at general market intelligence and talking to students and employers regarding the subjects they wished to be available.

The Chair questioned if staff were working more than their contracted hours. The Vice Principal Services confirmed a large number of staff work in excess of their contracted hours and do get paid for it. The Chair also questioned why the DCSI department were the only department not to be above 100% staff utilisation. The Vice Principal explained there were not as many skills shortage areas within that particular department, whilst the department with the highest utilisation rates, CESS, had the highest skills shortage areas.

***The Committee resolved to accept the report***

## **6.2 Compliance with GDPR and Data Protection Bill**

ICCA concluded the College had a well-designed framework of control and based on the number of recommendations the overall level of assurance opinion was Reasonable which was still considered to be a positive assurance.

The audit had identified four areas for improvement and the resulting recommendations were set out in the Action Plan. It was explained that having a control framework in place mitigated the impact of any fines or penalties that may be imposed by the European Commission should a breach occur.

Overall the recommendations from the audit were typical of those seen across the sector as a whole.

A governor questioned how archived data was cleansed. The Vice Principal Services confirmed this was a difficult process due to the different IT systems used across the College and also the various different archive and retention rules for particular funding and awarding bodies. One of the recommendations was to commence departmental GDPR reviews and this would be one of the themes of the reviews.

***The Committee resolved to accept the report.***

## **6.3 Fundamental Financial Controls**

ICCA's report provided a Substantial overall level of assurance opinion. One advisory recommendation was raised with regards to demonstrating best value in procurement, this being the College using the full functionality of the finance system by uploading quotes and tenders received to ensure they are held centrally.

A governor queried reference to 'Finance and Resources Committee' on page 5. It was confirmed that this was an error by ICCA and should read 'Resources Committee'.

***The Committee resolved to accept the report.***

#### **6.4 Follow-up of Previous Recommendations**

ICCA's report provided a Substantial overall level of assurance opinion. 14 of the 15 previously agreed recommendations had been implemented, 1, regarding Lockdown procedures, had been partially implemented with staff training to follow. The Vice Principal Services confirmed the training was scheduled for 27/28 August 2019.

***The Committee resolved to accept the report.***

#### **6.5 IT Data Security, Infrastructure & Disaster Recovery**

ICCA's report provided a Reasonable overall level of assurance opinion. A number of recommendations had been made, although recognition was given to the substantial work that has been undertaken within this area. The substantive issue being with regards to IT Disaster Recovery, which College management recognise is a high risk and is accordingly included in the high risk register. The Vice Principal Services explained the Disaster Recovery plan is based on a "cold start" whereby all equipment could be replaced within four hours within a support contract, however, the configuration, back up, restoring etc would take substantially more time. A governor questioned the cost of reconfiguring the IT infrastructure and this was confirmed at approximately £150k which has been built into the rolling programme of upgrade for this area. A completed programme plan would be available from the end of July 2019 and was expected to be implemented by Summer 2020, with milestone projects throughout this period. External consultants have and would continue to be employed at different stages of the programme to bolster in-house expertise.

The Chair requested the ~~e Audit Committee~~ ~~e-Audit Committee~~ receive regular reports on progress and questioned if some of the work would be outsourced. The Vice Principal Services confirmed this would be the case with the College overseeing the overall project. Timing of the work would also have an impact on timescales due to the system switch offs that would be required.

***The Committee resolved to accept the report.***

***The Assistant Principal left the meeting at 3.45pm***

#### **A.19.94 Item 7: Implementation of Audit Recommendations**

The Head of Finance presented his report showing the action taken with regards to outstanding audit recommendations from the previous meeting on 5<sup>th</sup> March 2019 and those recommended in ICCA's report today at Item 6.4. He confirmed there were a total of 19 recommendations outstanding which had been split into Annexes A and B of the report.

The Chair queried the dates of implementation at 7.3 and 7.4. The Head of Finance confirmed item 7.3 was close to implementation, having been an advisory recommendation. Item 7.4 would be dependent upon recruitment at KGV and therefore ongoing.

***The Committee resolved to accept the report.***

**A.19.95 Item 8: Risk Register, Summary of Changes in High Risks and Risk Assurance**

The Vice Principal Services presented his report for the Committee to consider before presenting to the Board at its meeting next week. He confirmed the only change was the merging of risk items O17 and O15.

The Chair questioned the continued inclusion of risk O11 in the register. The Vice Principal Services confirmed this risk had been debated at length and the decision had been made to leave it in the register for the time being due to a number of staff still having different contracts, however, the gross level of risk would be lowered.

***The Committee resolved to accept the report and determined the internal audit plan is sufficient to provide the required levels of assurance for the Corporation.***

**VP Servs**

**A.19.96 Item 9: Post-16 Audit Code of Practice**

The Vice Principal Services presented his report on the ESFA's recently released new version of the Audit Code of Practice. He confirmed the new Code had not changed significantly from the earlier version, the biggest update being with regard to the new anti-fraud checklist which the College will use when the report is compiled for the 2018/19 Financial Statements in November.

***The Committee resolved to accept the report.***

**Jonathan Creed and Joanne Jordan left the room at 4.00pm.**

**A.19.97 Item 10: Review of Internal Audit Performance Indicators**

The Vice Principal Services presented his report and confirmed ICCA's audit process had been found to be effective and reporting good. A governor added his recognition of the quality and professionalism of ICCA's reports.

***The Committee resolved to accept the report and recommend to the Corporation the reappointment of ICCA for 2019/20 (subject to agreement of fees).***

**A.19.98 Item 11: Reappointment of Internal Auditor and Proposed Fees for 2019/20**

The Vice Principal Services presented his report which set out ICCA's proposed fees for 2019/20. He confirmed the proposed fee increase of 1.8% was in line with ICCA's previously agreed annual review.

Governors discussed ICCA's three year appointment from 1<sup>st</sup> August 2016. The Vice Principal Services confirmed the Audit Committee would determine whether to keep ICCA's contract rolling or go out to tender. He explained that the Financial Regulations allow for extensions of contract and historically internal auditors had been in place for nine years.

A governor referred to the agreed 30 days undertaken by ICCA and asked if it was open to change by the College. The Vice Principal Services confirmed this was the case however all days had been provisionally allocated with areas of contingency if, for example, the College was subject to an Ofsted inspection. Following discussion governors agreed the 30 days and keep under review if necessary.

***The Committee resolved to recommend to the Corporation the reappointment of ICCA at a fee level of £16,560 (£13,800 plus VAT) for 2019/20.***

**Jonathan Creed and Joanne Jordan returned to the room at 4.10pm.**

**A.19.99 Item 12: Internal Audit Annual Plan for 2019/20 and Updated Strategy 2020/21**

Jonathan Creed, ICCA, presented the report and confirmed he and the Vice Principal Services had met to set out the key roles and responsibilities. He confirmed the Plan set out a number of reviews that had been agreed by the College Executive Team.

Governors discussed the plan and noted the contingency days available allowing the College flexibility to move days around should the need arise.

***The Committee resolved to accept the report and recommend to the Corporation approval of the Internal Audit Plan 2019/20 and Updated Strategy 2020/21.***

**A.19.100 Item 13: External Audit Plan for 2019/20**

Joanne Jordan, Wylie & Bisset, presented the report, passing on her colleagues apologies for not being able to attend the meeting. She stated the Plan gave an overview of preliminary audit planning procedures in relation to the financial statements of the College for the year ended July 2019.

A governor questioned if the same audit team as the previous year would be involved in the audits for the following year. It was confirmed that the team would, once again, be led by the same Audit Partner but would involve a new Audit Senior and Junior.

The Vice Principal Services referred to Item 5 of the report and confirmed the missing dates from the table were 13<sup>th</sup> November 2019 for the presentation of accounts to the Audit Committee and 4<sup>th</sup> December 2019 for the Board meeting to approve the accounts.

***The Committee resolved to accept the report and recommend to the Corporation approval of the External Audit Plan 2019/20.***

**A.19.101 Item 14: Audit Engagement Letters**

The Vice Principal Services presented his report and confirmed there had been no changes to this year's engagement letters.

***The Committee resolved to accept the report, approve the Engagement Letters and approve management to sign them.***

**Jonathan Creed and Joanne Jordan left the meeting at 4.30pm.**

**A.19.102 Item 15: Committee Self-Evaluation**

To consider at the next Audit Committee meeting.

**A.19.103 Item 16: Items to be reported to the Corporation**

- Reappointment of Internal Auditors
- Internal Audit Plan for 2019/2020
- External Audit Plan for 2018/2019 Financial Statements

**A.19.104 Date of Next Meeting**

Wednesday 13<sup>th</sup> November 2019 at 3.00pm, Southport College