

**Minutes of the Audit Committee Meeting held on  
Wednesday 13<sup>th</sup> November 2019 at 3.00pm**

**Present:** Mark Grutters  
Carla Kennaugh  
Mo Kundi – Chair  
Jim Turner – Associate Governor

**In Attendance:** Jonathan Creed – ICCA  
Claire Dalrymple – Wylie & Bisset  
Eddie Green – Vice Principal Services  
Caroline Jenkinson – Director of Governance  
Andrew Winrow – Head of Finance

**Action**

**A.20.01 Item 1: Apologies for absence**

Apologies for absence were received from Richard Jacklin, associate governor.

**A.20.02 Item 2: Declarations of Interest**

None.

**A.20.03 Item 3: Minutes of the Previous Meeting – 1<sup>st</sup> July 2019**

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

There were no matters arising

**A.20.04 Item 4: Actions Summary**

All actions complete.

**A.20.05 Item 5: Confidential Items**

No agenda items were considered to be confidential.

**A.20.06 Item 6: Annual Internal Audit Report 2018/19**

Jonathan Creed, ICCA, presented the Annual Internal Report for 2018/19 which outlined the internal audit work carried out for the year ending 31<sup>st</sup> July 2019.

Based on the work undertaken during the year, and the implementation by management of previous internal audit recommendations, ICCA could provide the Audit Committee and Corporation with Reasonable Assurance that the College's governance, risk management and systems of internal control were operating adequately and effectively.

A total of 19 recommendations were made in 2018/2019, none of which were considered to be of high priority. All recommendations were accepted by management.

ICCA provided management with Substantial Assurance that progress with the implementation of previous internal audit recommendations from 2017/18 had been timely and effective. Of the 15 recommendations 14 were found to have been fully implemented by management with 1 partially implemented.

*Mark Grutters joined the meeting at 3.10pm.*

In response to a governor question ICCA confirmed they had a good working relationship with College management and had not encountered any problems.

A governor questioned how the 30 days spent supporting the delivery of the Audit Plan were utilised, ICCA stated that approximately 2/3 of the time was spent on-site carrying out testing and meeting with staff with the remainder being desk work.

Following a question from a governor regarding how the College's internal audit performance compared with other colleges, ICCA advised that comparisons were difficult to make, however, audits for areas such as HE growth strategy and curriculum review showed a similar picture over a cross-section of the sector.

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

#### **Item 7: Financial Statements**

##### **A.20.07 7.1 Financial Statements Auditor's Management Letter – 2018/19**

Governors received for information the Management Letter that accompanied the Financial Statements for 2018/19.

Claire Dalrymple, Wylie & Bisset (W&B), presented the report and outlined their findings. She confirmed that no new recommendations had been made in relation to the year ended 31<sup>st</sup> July 2019 and an unqualified opinion would be issued. One recommendation brought forward from the previous year had now been cleared.

In response to governor questions W&B advised that they do not compare the financial review information with other colleges. The College is considered as a standalone going concern with an action plan put in place for the next 12 months. Due to budgets being looked at on a regular basis any anomalies would become apparent through meetings and testing which took place throughout the year.

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

##### **A20.08 7.2 Regularity Assurance Self-Assessment 2018/19**

The Head of Finance presented the Regularity Assurance Self-Assessment report for 2018/19, which the Corporation is required to approve under the Post-16 Audit Code of Practice.

The Head of Finance advised the self-assessment checklist comprised of a standard set of questions issued by the ESFA with corresponding details of the evidence given to the auditors to enable them to come to an opinion. A copy of the completed checklist is kept by the College and auditors, the ESFA do not require a copy. As reported above, all assurance work has been completed satisfactorily and Wylie & Bisset are in a position to issue the College with an unqualified opinion.

In response to a governor question regarding value for money (vfm) for capital projects the VP Services stated that the framework in place to ensure vfm is the same for all College transactions regardless of whether they are capital or revenue items.

***The Committee resolved to recommend that the Corporation accept the Regularity Assurance Self-Assessment for 2018/19.***

#### **A.20.09 7.3 ESFA CEO July 2019 Letter to Chairs of Governors**

The VP Services presented a report with reference to a letter from the ESFA CEO Eileen Milner drawing attention to some lessons from a 2016 investigation into Bournville College. The letter listed 15 separate actions that ESFA either requires or expects governing bodies, chairs or accounting officers to undertake. The completed checklist was attached as an Annex. Upon completion of the checklist only 1 breach of the financial regulations had been identified and a 'Breach of Financial Procedures' form had been completed, as required by the Financial Regulations.

As an added precaution W&B advised that they had also prepared an additional checklist of their own based on the ESFA's checklist. This too confirmed they were already covering all the items within the external audit process.

***The Committee resolved to accept the report and advise the Corporation that it considers the requirements of the ESFA CEO letter have been addressed.***

#### **A.20.10 7.4 Report on the Consideration of Fraud and Irregularity**

The VP Services presented a completed self-assessment proforma relating to fraud and irregularity. The questions in the proforma covered the areas of governance, internal controls and management frameworks.

All senior staff and governors had signed confirmation returns stating whether they were aware of the existence or otherwise of any instances of fraud or irregularity. No issues had been disclosed.

As shown in the annual fraud register, there were no instances of actual or suspected fraud during 2018/19 or to date.

In response to a governor question the VP Services confirmed there had been no changes in key systems or processes that would involve a different type of fraud risk.

**The Committee resolved to:**

- 1. Accept the report**
- 2. Recommend the Corporation approve the Fraud and Irregularity Considerations set out in the annex attached and therefore satisfy themselves that:**
  - a. sufficient arrangements exist to detect and prevent fraud or irregularity; and**
  - b. that there is therefore a low risk of material misstatement in the financial statements.**

#### **A.20.11 7.5 Annual Report and Financial Statements 2018/19**

The VP Services presented the draft Annual Report and Financial Statements for 2018/19. He referred to paragraph 2.4 of the Executive Summary with regards to performance against the targets agreed with the Transaction Unit (TU). He advised that income had been slightly lower than originally targeted and this had affected the ratios as a percentage of income.

Governors discussed the TU targets which had been set at merger over a 7 year period up to 2023/24. The VP Services advised the budget set for 2018/19 had been ahead of the TU plan, however, the budget had not been achieved but the results were still in line with the original TU plan.

The VP Services outlined the information within the report's annexes:

- Annex 1 – Financial Statements, as shown.
- Annex 2 – a few small adjustments resulting in a total decrease in operating deficit of £28k.
- Annex 3 – in line with the original TU plan
- Annex 4 – changes to income – biggest being £15m 2017/18 and £12m 2018/19. Restructure grant of £2.7m
- Annex 5 – main differences being between original forecasts and actual outturn in relation to HE and Adult Learner Loans
- Annex 6 – highlighted the swings between positive and negative actuarial movements each year. Teachers' pensions involves higher costs, backed by government but is an unfunded scheme with no asset underpinning it. Costs for this go up and are reviewed triannually. A large increase in pension costs is due but this has been accounted for in the current year.
- Annex 7 – not yet released from ESFA. Upon receipt will go to Resources Committee and Corporation.
- Annex 8 – a requirement of the ESFA. The budget was completed in July 2019 before the year end and this showed the differences in the actual outturn compared to the forecast outturn.
- Annexes 9 & 10 – copies of the Letters of Representation from the external auditors.

The Chair advised the Committee that the Governance Committee had met earlier that day and had recommended some minor amendments to the Members' Report and Statement of Corporate Governance. An updated version would go to Corporation for approval.

**VP  
Services**

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

#### **A.20.12 Item 8: Annual Report of the Audit Committee 2018/19**

The Committee received a draft of its Annual Report to the Board and to the Principal (in his capacity of Chief Accounting Officer) for 2018/19. The report had been prepared in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice.

The report summarised the work of the Committee in 2018/19, along with the outcome of the various audits. It concluded that, in the Committee's opinion:

- i) the College's systems of internal control are adequate and effective
- ii) the College's arrangements for risk management, control and governance framework and processes for security economy, efficiency and effectiveness are adequate and effective.

It was noted that a total of 19 recommendations had been made by the Internal Auditor during 2018/19, none of which were classed as 'high priority', 9 were classed as 'medium priority' and 6 'low priority' with 4 being 'advisory'.

At each meeting the Committee reviewed progress made by management in implementing audit report recommendations and was able to report that a good level of progress had been made during the year.

The Committee believed it had fulfilled its terms of reference in 2018/19.

***The Committee resolved to accept the report and recommended it be submitted to the Corporation.***

#### **A.20.13 Item 9: Implementation of Audit Recommendations**

The Head of Finance presented his report detailing the action taken with regards to outstanding audit recommendations since the previous meeting on 1<sup>st</sup> July 2019.

It was noted that there were 7 recommendations scheduled for completion as at November 2019, 5 not scheduled for completion until after November 2019 and 7 that had been implemented since the previous Audit Committee meeting.

In response to a governor question the VP Services confirmed the risk identified in the final column at the bottom of page 8 referred to patch updates in relation to ensuring the latest versions of software were being used on the computers throughout the College.

A governor questioned the options available with regards to addressing the complexity of the administrator password outlined on page 10. The VP Services explained this password had been used in the past to install systems and any change required systems to be reinstalled. This would be a big project that would require planning further down the line. Whilst it was a vulnerability from an internal point of view it was not considered a high risk.

The Head of Finance advised that the first 3 recommendations for November 2019 were close to completion. The VP Services added the Curriculum Efficiency recommendation was for the future when KGV enrolments had grown sufficiently to allow for its implementation.

In response to a governor question regarding the IT Department the VP Services advised that the Head of IT was part of the College management group and reported directly to him. He added that 3<sup>rd</sup> line support had been bolstered following the recent employment of a new IT technician.

The VP Services advised that the Resources Committee were also looking at IT and received progress reports at each of their meetings. An Infrastructure Plan was in place and details of this were also reported back to the Resources Committee.

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

#### **A.20.14 Item 10: Review of High Risk Action Plan**

Governors received for information a report on the College's high risk action plan. The VP Services confirmed there had been no changes to the High Risk profile of the College since the Risk Management Plan was approved by the Corporation in July 2019. He advised that some risks in the plan had already been looked at by internal audit whilst others would be considered in future years. The audits undertaken or scheduled were noted in brackets within the comments column.

In response to a governor question regarding the College's ability to grow apprenticeship provision the VP Services confirmed that the larger employers that the College work with, such as the NHS, were levy payers and did have scope to expand provision.

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

#### **A.20.15 Item 11: Annual Review of the Co-ordination of the College's Auditors**

The Chair asked both auditors for their opinions regarding working together. Both reported a good working relationship based on a successful history of working alongside one another at Southport College and other colleges.

The Chair thanked the auditors for their work and contribution to the meeting.

The VP Services informed the Committee that the ESFA had recently set a new reporting requirement of producing a financial forecast in January as well as in July. The forecast would go to the Resources Committee followed by the Corporation. Governors questioned whether the forecasts should also be presented to the Audit Committee. The Director of Governance to follow this up via the FE Clerks network to ascertain what other colleges were doing in this respect.

**Dir of Gov**

**A.20.16 Item 12: Terms of Reference**

The Director of Governance presented for information the Committee's terms of reference which had not changed from the previous year.

***The Committee resolved to accept the terms of reference.***

**A.20.17 Item 13: Timetable of Business**

The Director of Governance presented for information the Timetable of Business.

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

**A.20.18 Item 14: Committee Annual Assessment**

The Director of Governance presented a report comprising of the terms of reference with corresponding dates of meetings when those particular matters had been considered.

***The Committee considered it had carried out its duties and responsibilities as set out in the terms of reference.***

**A.20.19 Item 15: Items to be reported to the Corporation**

- Audit Committee's Annual Report for 2018/19
- Internal Audit Annual Report 2018/19
- Fraud & Irregularity Report 2018/19
- Regularity Assurance and Self-Assessment Checklist 2018/19
- Financial Statements 2018/19
- ESFA Letter to Chairs
- Review of High Risks

**A.20.20 Item 16: Date of Next Meeting**

Wednesday 23<sup>rd</sup> January 2020 at 3.00pm, Southport College