



Minutes of the Audit Committee

Date: 27 November 2019

Present:	Nigel Hainsworth (Chair) John Egan (Vice Chair) James Parker Colin Forrest Paul Webley	
In attendance:	Lorraine Swift Alastair Newall Jeremy Stott Susanna Butler	Vice Principal Finance & Planning Senior Manager, Mazars Clerk Minute Secretary
Apologies:	-	
Meeting commenced:	17:57	
Meeting closed:	20:04	

The Chair welcomed back Paul Webley as a co-opted member of the committee and Alistair Newall, Senior Manager from Mazars.

17/19 **Disclosure of financial and/or personal interest**
17:57

There was no disclosure of financial and/or personal interest.

18/19 **To agree agenda and order of business as circulated**
17:58

With a few changes to the agenda, the order of business was agreed.

19/19 **To approve the minutes of the meeting held on 19 June 2019**
17:59

The minutes were approved as a true record.

20/19 **Matters arising**
18:00

The Vice Principal Finance & Planning (VPFP) fed back on the matters arising as follows:

- a) **Minute 04/19a** on pension increases - we were expecting up to a 5% increase. The figures are now out and the College has been notified that it will be a 0.8% increase per year over the next 6 years which will be easier to handle.
- b) **Minute 04/19d** - on the protocol for circulation of papers. The Clerk confirmed that governors' confidential papers are now shared only via their college Gmail accounts and J Egan confirmed that he is working with IT on setting up a trigger to alert governors that they have been sent an email to their college account.

- c) **Minute 07/19)** on previous actions. The VPFP confirmed that the Principal was aware of funding for specialist recruitment training but not utilised. Changes have since been made to the Risk Register around insolvency.
- d) **Minute 09/19d)** on the suggestion for a Marketing Review. It was confirmed that a report is going to Corporation setting out our thoughts after the audit and we are looking at producing a Marketing Strategy to try and link spend in marketing in both time and money with what income they bring in. By March 2020 the strategy should be ready for discussion.
- a) **Minute 10/19b)** on the process for re-appointing external auditors. To be addressed later on in the agenda after the auditor has left.
- b) **Minute 15/19 ii)** on the RSM Board Assurance Template. To be addressed later on in the agenda.

21/19
18:10

To consider the Regularity Self Assessment Questionnaire and recommend approval by the Corporation

The VPFP went through the questionnaire highlighting the changes from the previous year in bold. The responses have been discussed with SMT and shared with Mazars and will be signed off by the Principal and Chair of Corporation.

It was agreed to recommend for approval by the Corporation the Regularity Self Assessment Questionnaire

22/19
18:13

To receive the Audit Completion Report from Mazars and recommend to the Corporation the signing of the letters of representation

The Senior Audit Manager went through his report picking out the key points confirming the audit had progressed really well and they are proposing an unqualified opinion on the financial statements regularity report.

Section 2 is on the status of the audit and there are 3 items shown as outstanding at the time of the report: pension liability (now completed); overall review of the financial statements (almost completed); and the final item pending approval of the Corporation on the signing of the final statements.

Section 4 is on significant findings and pages 7 and 8 report on the significant risks. They have done a lot of work on those risks and found no issues to report. In light of the Bournville report, the risks are potentially significant, but no issues were identified. Pension liability has complex assumptions. They looked at the actuaries assumptions on page 10 and our approach. Mazars have their own actuaries who give their view and they compare the two. All assumptions were in the range we would expect, but salary increase was out of line with their expectations. However, they are comfortable with that as their actuaries don't take a particular sector view so don't factor in public pay constraints. Benchmarking with other colleges is provided on pensions for

information which provides assurance the College is on the right track.

Mazars have done detailed transaction testing to see if the College has followed its own controls and due processes and they are content that it has. They have made no recommendations, but 2 adjustments were highlighted in Section 6. The first was the accounts presentation of a credit balance on the debtor's ledger (an invoice paid twice by a debtor) which should have been disclosed as a creditor in the accounts. The second where Mazars had found a payment of £306 made in the new financial year which should have been recognised in 18/19, but confirmed this is not material so does not need to be adjusted.

The proposed representation letter will go to Corporation for signature. It was noted that it says 'Corporation' on one and 'governing body' on another, so this will be updated for consistency.

The Audit Completion Report was received.

It was agreed to recommend to the Corporation the signing of the letters of representation

23/19
18:32

To consider the draft Financial Statements and recommend to the Corporation agreement of:

- i) Strategic Report**
- ii) Statement of Corporate Governance and Internal Control**
- iii) Governing Body's statement on the Collee's regularity, propriety and compliance with funding body terms and conditions of funding**
- iv) the Statement of the Responsibilities of the Members of the Corporation for the Financial Statements**

The VPFP highlighted the significant pension costs this year which reduced the operating surplus of £192k. A few typos were highlighted and noted on pages 4, 7 and 12 which will be highlighted to the F&R Committee next week with a revised copy drawn up. Members are recommending up to page 27 with the assurances they have had over the last year.

It was agreed to recommend to the Corporation agreement of the above 4 reports.

24/19
18:38

To consider

- i) the letter from the ESFA relating to the investigation undertaken at Bournville College**

The Clerk presented the letter which was sent by the ESFA to alert Corporations of the investigation report they have published around the

oversight of the proper use of public funds by college governing bodies. The report has made a number of recommendations for consideration by all college governing bodies. SMT have been through the recommendations and provided a College response to see if we can answer positively to each and if we are doing what they say we should be doing.

ii) the response to the 15 questions

In considering the recommendations, it was agreed it is also about consideration of the culture of college. The VPFP confirmed we have held staff development sessions where it has been stressed that the segregation of duties is there to protect both staff and the College. Governance is a balancing act, and as long as there is challenge, and management is aware of that, it should help minimise risk. It was agreed that size is also an impact - the larger an organisation, proportionally the fewer people you have knowing the details of what is going on. The advantage of a small college is that it is much harder to get away with those things outlined in the Bournville report and for governors to not know what is going on. When information comes in, it is the governors' role to be competent to be able to challenge it.

The Senior Audit Manager was thanked for his input and he left the meeting at 18:50.

25/19
18:50 **Re-appointing external auditors for 2019/20**

The VPFP confirmed that she had obtained a quote from Mazars for a 3 year audit with the fees set out in her report. VPFP to confirm that the fee is valid for 3 years as verbal and written confirmation were different.

Subject to clarification of the future year fees, Members agreed to the reappointment of Mazars for another 3 years.

26/19
18:55 **To consider the Audit Committee's Annual Report 2018/19 to the Corporation and the Principal, including a review of the Terms of Reference**

The Clerk presented the report highlighting the 100% attendance rate. An error was noted at page 5 under the Terms of Reference on members where Mick Brannan is listed, though he had already resigned by May 19. The Clerk therefore to update and the report will be attached to these minutes to go to Corporation.

It was agreed to recommend to the Corporation the Audit Committee's Annual Report 2018/19 to the Corporation and the Principal, including a review of the Terms of Reference

27/19
18:57 **To receive a copy of the letter from the ESFA regarding the outcome of their review of the financial plan and consider the related Financial Dashboard**

The VPFP confirmed the ESFA agreed with our financial health grade of Good.

If we are still considered to be in "early intervention", a letter will come out separately. After a recent meeting with the ESFA, it was clarified that the criteria for "early intervention" now involved the ESFA looking at a 3 year trend as opposed to one year. They did suggest that if the accounts are close to our forecasts, then they may take us out of early intervention, but we've not had this formally agreed.

They provided us with a financial dashboard and mentioned devolution which may come into this area in the future. The accounts have to be submitted by 31 Dec. Next year, we won't submit the forecasts in July and Dec, but have just one submission in January, which has actually been deferred to February, so we may need an additional corporation meeting. It was queried if we anticipate any requirements for the overdraft and confirmed probably not - we have a pinch point between 26 March and 20 April, but it is difficult to tell. The worst case scenario is if Askham Bryan College don't pay on time which is £100k. Most of our data is going in the right direction. Still high staff costs as a percentage of income but no subcontracting or HE and a lot of staff (around 20%) are on learner support and we don't make money on that and just get costs back.

The ESFA letter was received.

28/19
19:05

To:

i) Consider the RSM Board Assurance Template

The VPFP shared the RSM model. This is very comprehensive but comes from their software and trying to hold it in a spreadsheet would be quite difficult. They have put in a risk management tool which generates reports for them. The report is 50 pages long. There is merit in going through their assurance to see if we can enhance our own existing model of risk management so we can learn from it without full adoption. We will look whether there are any other risks we are not thinking about and if there is any mitigation or plans that would be good to follow up.

A discussion then took place on the formatting of our Risk Register with suggestions made on how to free up some extra space for the column on assurance. It was queried how the College assesses probability and impact and confirmed through discussions at meetings with SMT, the Finance Management Group, the Clerk and the H&S manager. Agreed that although there is no formal scoring system adopted as it was assessed by a small team there would be consistency.

Members agreed we would not fully adopt the RSM model, but use it to improve our own Risk Register.

ii) Receive a progress report on the Risk Register

The VPFP highlighted the updates in blue and invited any questions. It was queried at 11a on succession planning and on the retention of key qualified staff whether we should add something about securing the succession of key post holders and giving it greater emphasis. The VPFP has spoken with the HR

Manager and they agreed it is difficult in a lean organisation to have a lot of succession planning in place. However, we are still doing some forward thinking about it. It is a risk though that requires ongoing discussion.

It was commented at 8c on T Levels that what is emerging is that they are very complicated. To gain a full qualification, all the hours have to be completed with not even half an hour short. On the employer side, they appear to be going lukewarm on long duration placements. Providing the quantity of hours is becoming increasingly harder and there is a risk about the work placement element not meeting enough quality placements. It was therefore queried if we should highlight the work placement element as a risk specifically, adding that we do have strong mitigation. **ACTION:** The VFPF agreed to add a line about work placements to the Risk Register.

The progress report was received.

iii) Consider the proposed Audit Assurance Plan for 2019/20 and recommend to the Corporation

The VFPF confirmed we talked about this last year and came up with a few ideas for a 3-year plan. However, things have moved on for some of the areas considered in December 18 but some areas were identified during the 2018/19 reviews. Catering has gone in-house and is going well. A 5 star H&S audit had been recommended at a cost of £5k, but we do not feel the need for this as yet. The ILTS service would like some penetration testing (at a cost of around £5k plus VAT) and renewal of cyber essentials (at a cost of around 2k). We have £10k in the budget, so there is room for manoeuvre. For 20/21 we had thought about timetabling as the Director of Major Programmes, which includes timetabling, will be retiring soon so it is an opportunity to look at that.

A member added that there is lots of enthusiasm for the Gatsby benchmarks, but highlighted that it is not the only tool and should we make reference to the fact it is part of the bigger picture and say instead we have assurances around appropriate career advice of which Gatsby is part of that. The VFPF agreed to look into that.

Members confirmed that they were happy with the 4 proposals for 19/20 on Gatsby Benchmarking; Penetration Testing; Renewal of Cyber Essentials; and Peer Review of Timetabling.

It was agreed to recommend to the Corporation the proposed Audit Assurance Plan for 2019/20.

29/19
19:32

To consider the outcome from the 2018/19 Audit Committee Performance Review Questionnaire

The Clerk confirmed all questions scored 4.4 or above out of 5 with the average being 4.53, very slightly less than last year. He highlighted the comments in blue that the minutes be circulated within 2 weeks for accuracy and approved at the next meeting. After a short discussion it was agreed to circulate minutes as suggested so these will be sent to members for comment

on accuracy before forwarding on to the full Corporation.

30/19
19:39

To receive details of the Governors Liability Insurance Cover

The Clerk presented the details for information stating that if governors act in good faith, with due diligence and take advice as appropriate then they can expect to be covered. P Webley asked if he is covered by the insurance as a co-opted member. Also noted that the level of cover for turnover and staff numbers seemed too low now. **ACTION:** The Clerk to double-check whether or not P Webley, as a co-opted member is covered by the Liability Insurance. VPFP to check the levels of cover.

The details were received.

31/19
19:44

To revisit the membership of the Committee following a change to the Post-16 Audit Code of Practice

The Clerk reported just a subtle change to the previous year which said a staff governor should not be a member of Audit. Now in the latest Post-16 Audit Code of Practice that advice has been changed. The emphasis is now on the Corporation, in appointing members, to maintain the committee's independence and objectivity and consider whether a staff governor on the Audit Committee meets good practice standards of independence and objectivity. Members were asked to consider whether we maintain that staff members are excluded or open it back up. A discussion took place and it was agreed it felt a positive move to have a staff member who met the requirements suggested by the guidance on the Audit Committee who could offer another perspective and that it would meet good practice. That requires a change to the Terms of Reference which the Clerk will update.

This decision will be recommended to the Corporation as part of the Annual Report and updates to the Terms of Reference at which time the opportunity will be taken to ask if any staff member wishes to stand.

32/19
19:52

To monitor the progress of the College in implementing recommendations made by Assurers /Auditors:

a) GSuite for Education Health Check

Members were asked to consider the updated action plan following the 18/19 Assurance work on the College use of G Suite for Education.

The VPFP provided feedback on what was carried out following last year's audit. The focus was on high priority areas, but work has also been done on medium priority too. They came up with a plan of action detailing some of the extra considerations made, most of which are updated with just a few still ongoing. The review of the AUP Policy was deferred to allow changes as a result of the G Suite audit to be incorporated.

The report was received.

33/19
19:54

To consider and recommend to the Corporation

i) The Acceptable Use Policy

The VPFP said this policy has had a thorough overhaul over the last few years and invited any comments. It was queried, if extremist content is discovered, do we have a mechanism for reporting through PREVENT. It was confirmed that we do as we receive alerts via Smoothwall. Reports are discussed monthly at SMT where it is decided whether anything should be reported. It was therefore suggested we add something about this to the policy.

It was agreed to recommend to the Corporation the Acceptable Use Policy with the above change.

34/19
19:56

To receive details of the significant changes to the Funding Agreement

The VPFP provided a summary of the significant changes to the Funding Agreement from the ESFA to Colleges for the 2019/20 Academic year and highlighted the number of unexpected changes with many points about how we run the College. Several changes were challenged by the sector and some were amended or retracted. These include:

- A requirement to have £10m rather than £5m professional indemnity insurance, this was retracted but the College have increased the level of insurance in this area to satisfy some procurement bids.
- The requirement to carry out Disclosure & Barring Service (DBS) checks every three years. This was replaced with the need for annual self-declarations.
- The requirement to work towards IS27001 in 2019/20. This has been removed but may be introduced in future years.
- The requirement for providers to secure ESFA permission for external media activity on their premises which was relaxed to a requirement to keep the ESFA informed.

The updates were received.

35/19
20:02

Any Other Business

i) Dates of meetings to December 2020

- Tuesday 16 June 2020 at 6 pm
- Tuesday 24 November 2020 at 6 pm

ii) To consider which recommendations/proposals are reported to the Corporation in more detail

- **Minute 21/19** on consideration of the Regularity Self Assessment

Questionnaire for approval by the Corporation

- **Minute 22/19** on recommendation to the Corporation the signing of the letters of representation
- **Minute 23/19** on recommendation to the Corporation approval of the:
 - i) Strategic Report
 - ii) Statement of Corporate Governance and Internal Control
 - iii) Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding
 - iv) the Statement of the Responsibilities of the Members of the Corporation for the Financial Statements
- **Minute 25/19** on the re-appointment of external auditors for 2019/20
- **Minute 26/19** on the Audit Committee's Annual Report 2018/19 to the Corporation and the Principal, including a review of the Terms of Reference
- **Minute 28/19iii** on considering the proposed Audit Assurance Plan for 2019/20 and recommending to the Corporation
- **Minute 31/19** on revisiting the membership of the Committee following a change to the Post-16 Audit Code of Practice
- **Minute 33/19** on recommendation to the Corporation the Acceptable Use Policy