

Approved



**Minutes of the Meeting of the
AUDIT COMMITTEE**

**held on Tuesday 2 July 2019
at 2.30pm**

Present:	Steve Davies [<i>meeting Chair</i>]	External Member
<i>and by remote participation:</i>	Chris Payne [<i>Chair</i>]	External Member
	Gillian Lancaster	External Member
	Amali de Alwis	External Member
In attendance:	Gill Winward	Clerk to the Board
	Jayshree Shah	Finance Director
	Mark Smith	CEO
	Shachi Blakemore	Buzzacott LLP [<i>for Item 3</i>]
<i>and by remote participation:</i>	Ben Higgin	Observer
Apologies: [-]		
Declarations of Interests:	None stated	

As the Committee Chair was unable to attend in person that day, it was agreed that Mr Davies should chair this meeting. It was also agreed that agenda Item 3 be taken first, to facilitate the participation of the Buzzacott representative.

Mr Higgin was then introduced as an audit specialist who was a prospective co-opted Member for the Committee, and who was participating in this meeting as an observer.

Action

3 APPOINTMENT OF EXTERNAL AUDITORS

Ms Blakemore presented the proposed External Audit Plan from Buzzacott, for the conduct of the 2018/19 Financial Statements and Regularity Audit work. Three particular areas were highlighted:

- High Risk areas based on the position at the time of the audit planning meeting, including the Property Strategy
- 'Going Concern' issues
- Fees

A discussion took place on matters connected to the Property Strategy. Ms Blakemore explained that if the proposed development was not going ahead, then associated costs would need to be shown in the accounts as a single figure write-off. This led to a number of questions being raised, including on the timings of events and how that would sit alongside the audit work.

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The accounting treatment of the sums in question was also debated. The External Auditors' view was that it would form part of the Profit and Loss account. The Committee's considered opinion was that any 'hit' in the accounts should be taken as soon as possible.

A question was also asked about the writing-off of fees, how this would affect the Financial Health rating of the college and how it all may be perceived by others. The Finance Director agreed to check this in the relevant Financial Health calculations. She also confirmed that the accounts would not be published until the end of December.

JS

Discussion moved on to factors connected to the Working Capital loan. In response to a question from Ms Blakemore, the Finance Director clarified current expectations, including discussions with the Department for Education (DfE), which would crystallise once the college's 2019/20 budget had been approved by the Board.

Members then asked if the 'Going Concern' statement would generate similar issues to the previous year's debate. Ms Blakemore expressed the opinion that as matters had moved on with the Property Capital Project, this should be less of an issue for the 18/19 accounts. However, care would still need to be taken in assessing that area.

In conclusion, Ms Blakemore highlighted various changes to sector regulations that would have implications for the content of the written Statements contained in the accounts document. These included Regularity Audit revisions, the new Senior Remuneration Code and the Insolvency regime. The Clerk confirmed that the Board had received two briefings on the latter topic. She also pointed out that the college had not adopted the Code of Good Governance for English Colleges (of which the Remuneration Code was a new annex) and thus the reporting compliance provisions did not strictly apply, although the underpinning sentiments and propriety considerations were fully understood by all.

The Committee **AGREED** to recommend to the Board that Buzzacott LLP be appointed to carry out the 2018/19 statutory and regularity audit work and for the fees as quoted.

JS/Clerk

Ms Blakemore left the meeting

The Clerk reminded the Committee that this would be the last of the first 3 years of audit work and which had been contracted to Buzzacott.

The Committee **AGREED** that a tender exercise should be prepared in the autumn, for the 2019/20 Financial Statements work and beyond, with the timeline of launching this publicly in January 2020 and making a selection of preferred provider in the March.

JS

JS/Clerk/
Committee

1 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 20 March 2019 were **APPROVED** to be signed by the meeting Chair as an accurate record.

2 MATTERS ARISING

Following a request made at the previous meeting, the Clerk had produced a written summary showing the current status of actions and follow-up items from the previous meeting. This had been considered by all but two particular points were aired for discussion:

- a) **Item 3 – Internal Audit 18/19 Reviews: Business Continuity** - The Finance Director advised that this would now be completed in 2 parts, with an estimate that the work would be fully complete by the 30 September. The resulting report would therefore be available for the Committee’s November meeting. **JS/Clerk**
- b) **Item 3 – Internal Audit 18/19 Reviews: IT Penetration Testing** – The Finance Director was still to check with Deloitte if their report on cyber security could be shared with external parties, such as Bank of America. **JS**

The other ‘cleared’ and ‘in progress’ items were **NOTED**.

4 INTERNAL AUDIT 2018/19: REVIEW OF HR SYTEMS AND PROCESSES

The Finance Director gave an overview of the outcomes and action points. She acknowledged the importance of the various recommendations and the need for speed by management to implement them. It was noted that a new HR Manager had been appointed and would be in post by the autumn and that much of the necessary work would fall to her.

The Clerk asked how much awareness there was amongst staff of the provisions of various college policies that were already in place, given some recent experiences had cast doubt on this, such as pay authorisation levels. The CEO acknowledged that there was more work to be done on educating and informing relevant people of the agreed procedures and that having the new manager, totally dedicated to HR work and no other topics, would aid the improvements. The CEO also responded to Members’ questions on induction procedures. **SLT**

In reply to a question on how beneficial this review exercise and report had proven, the Finance Director commented that the output recommendations could perhaps have been more useful. She also described how the commissioning of the exercise had operated in practice.

The report and its recommendations were **NOTED**.

5 ASSURANCE FRAMEWORK AND INTERNAL AUDIT 2019/20

The Committee had requested at the previous meeting that the Assurance Framework be brought back for review.

The Finance Director presented and explained the purpose and useage of the document, for the benefit of newer Members. This was to help develop appropriate controls in order to manage identified risks. It was acknowledged that there was some linkage to, and overlap with, the Risk Register.

The Clerk added that the Board had to make an important statement in the annual accounts document each year, relating to the system of internal controls and its adequacy. Using a framework of this kind had the additional benefit of providing the assurances needed to underpin such a statement. A further useage was to help identify what areas of the business could benefit from detailed examination by the internal auditors each year, thus informing the content of the Annual Internal Audit Plan.

Mr Davies summarised his understanding of the 'green' and 'red' prioritisation codings on the list, with the aim being to monitor all areas such that all the important controls warranted a 'green' rating, whilst also having sufficient comfort in any 'red' items. The CEO confirmed that the tool was used for monitoring purposes at the management level as well.

The Committee **AGREED:**

- [i] that the Assurance Framework document should be included in the Committee's papers for the next meeting again, fully updated with SLT actions **JS/Clerk**
- [ii] that there should be an aim to have just one 'risk' document in the college in future. **MS/JS**

The Internal Audit Plan for the next year ideally needed to be presented to the Board for sign-off at the upcoming Board meeting, therefore some suggestions were made as to what themes to recommend. These included GDPR and also OFS requirements. In view of the shortage of time, it was also **AGREED:**

- [iii] that the Finance Director would circulate proposals to the Committee within the week, for agreement via email, prior to submitting a recommended plan for 2019/20 to the Board for approval at its July meeting. **JS**
JS/Clerk

6 AUDIT FINDINGS IMPLEMENTATION TRACKING

The Finance Director presented the monitoring report, which contained an 'annual summary' on progress achieved. The Committee agreed that this was a useful addition to the information presented but also that it would provide even greater benefit if any outstanding actions were labelled as 'on track' or not. **JS**

The Committee engaged in some discussion on the overall picture presented and noted that the HR Review report, only very recently concluded, had been

included in the annual statistics, thus giving a slightly skewed picture on completion rates.

Members also took note of concerns that too much work could be generated by conducting too many reviews and audits and actions, such that priority items didn't get 'closed off' quickly enough owing to management resources becoming too stretched across too wide a breadth. This generated a discussion about the value of staff and management self-identifying and rectifying issues, using external resources and available funds to assist with this. This was judged preferable to using the same funds to undertake external audit work to identify gaps, which felt a more formal and onerous way of approaching the improvement agenda.

The Committee **NOTED**:

- [i] the Annual Report on implementation and the current position
- [ii] the extensive work done to develop a list of required and desired College Policies and associated policy documents, and that this would be brought to the Board's July meeting for sign-off.

7 COLLEGE INSURANCE CONTRACT

The Finance Director informed the Committee that the current 3 year arrangement was coming to an end shortly and added details on how this currently operated, with costs and the claims history.

It was **AGREED** that, given the costs quoted, this could be left to management decision and action. JS

8 ANNUAL REVIEW OF POLICIES: FINANCIAL REGULATIONS

The Finance Director had drafted an updated document, which was currently undergoing annual reviews.

The Clerk suggested that the document (which had originally been modelled on another college's sample) could be substantially reduced in size, by removing unnecessary content and especially where there was repetition of the provisions of other stand alone documents. This duplication had an additional hazard, whereby content in one policy could get updated and the other then be out of date or misleading unless all were constantly updated in parallel.

The Clerk also recommended that the 'purchasing' procedures and authorisation levels contained in the document be set out in a clearer and more succinct way, to help ensure better understanding and compliance in the organisation. It was **AGREED** that the document should be both streamlined and enhanced in the ways suggested. JS

A question was raised on the phrase 'advising the CEO on controls' mentioned in para 15.1 and the Finance Director **AGREED** to also check on this. JS

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Subject to the above changes, the Committee were content to **RECOMMEND** to the Board that they approve the updated Financial Regulations for 2019/20. JS/Clerk

(Subsequent to the meeting, as the required changes could not be made in time for the Board's July meeting, the approval process was deferred to the Board's October meeting).

9 ANY 'ITEMS OF CONCERN' FOR REPORT

The Finance Director and Clerk reported that they had nothing to raise under the headings of:

- Financial Irregularity
- Fraud
- Whistleblowing

10 AUDIT COMMITTEE OPERATION

The Clerk explained the purpose of the item, being to engage in some annual reflection on effectiveness to inform improvements, but also to agree forward plans.

a) Annual Review of Effectiveness

Part of the annual review of effectiveness was to check on the Committee's Terms of Reference (TORs), both for correct scope and compliance. After a brief discussion, the Committee confirmed they were content with the proposed small changes suggested and:

- [i] **AGREED TO RECOMMEND** to the Board that the updated TORs be approved. Clerk

A question was raised once more on Risk Management and the relative roles and responsibilities between management, the Committee and the Board on this topic. The Committee were reminded that these were set out in the Risk Management Policy document, that had recently been approved by the Board after scrutiny by the Committee, and that section 8 of the TORs was worded to reflect this.

The Finance Director informed the Committee that she was currently preparing an Appendix to the Risk Management Policy and this generated some further discussion. The Committee then **REQUESTED** that the Finance Director: JS

- [ii] Bring the new Appendix to the Committee for discussion
[iii] Check that section 8 of the Committee's TORs accurately reflected the role ascribed in the Risk Policy documents

With regard to self-reflection on effectiveness, the Clerk was recommending that this again be kept as simple as possible, utilising the series of 'prompting' questions used previously. In view of time constraints that day and the number

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of remote participants, Members concluded that this exercise would be better conducted outside of the meeting, over the summer period. This was:

[iv] **AGREED**, and Ms Lancaster volunteered to lead on the exercise **GL**

b) Plan of Business 2019/20

The schedule of planned business items for the Committee's 19/20 agendas was **APPROVED**.

However, the Committee Chair had conflicting business on many of the proposed meeting dates, therefore the Clerk was **REQUESTED** to liaise with his office and circulate some revised proposals for agreement by email.

Clerk

11 ANY OTHER URGENT BUSINESS

There was no further business.

Declaration of any items to be treated as confidential: There were no items to be so declared.

Date of Next Meeting: to be confirmed after the revised 19/20 dates were agreed.

Clerk

The meeting concluded at 4.10pm

<p>Confirmed as an accurate record:</p> <p>Signed..... <i>(Chair)</i></p> <p>Date.....</p>
