



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

**held on Wednesday 28 November 2018  
at 3pm**

**at 2 King Edward St, London EC1A 1HQ**

<b>Present:</b>	Chris Payne [ <i>Chair</i> ] Steve Davies Andrew Butcher	External Member External Member External Member
<b>In attendance:</b>	Gill Winward Jayshree Shah Shachi Blakemore Peter Makereth	Clerk to the Board Finance Director Buzzacott LLP [ <i>Items 1-4</i> ] Buzzacott LLP [ <i>Items 1-4</i> ]
<b>and by remote participation:</b>	Mark Smith	CEO [ <i>Items 1-4</i> ]
<b>Apologies:</b>	Sir Rod Aldridge	External Member
<b>Declarations of Interests:</b>	None stated	

**Action**

**1 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 31 October 2018 were **APPROVED** to be signed by the Chair as an accurate record, subject to amendment of Item 7b) (Risk Management), to reflect the ownership to be taken by the SLT.

**Clerk**

**2 MATTERS ARISING**

a) *Item 2c) – Business Continuity Plan:* The Finance Director explained that the Policy was still being developed and would be passed via the SLT for scrutiny before being presented to the Audit Committee. In response to a question on timescales, she informed the Committee that new policies were being worked through in priority order. The Committee Chair emphasised the desirability of the SLT doing a ‘stress test’ on the eventual procedures.

**JS**

**JS**

b) *Item 3 – Internal Audit: acceptance of report recommendations:* The Finance Director updated the Committee that all the recommendations made in the reports had indeed been accepted by management and were now included on the ‘tracker log’ for implementation monitoring purposes.

Ms Blakemore reported that Buzzacott were working on the report improvements that had been suggested, including the 2 already presented, and would circulate these when complete.

**Buzzacott**

- c) *Item 4 – Internal Audit Plan 18/19:* There was discussion on the previous suggestion of ‘Business Continuity Plan’ as a review topic for 18/19.

*For clarity and ease of reference, this has debate has been recorded in the later agenda item covering the same topic (Item 8)*

- d) *Item 5 - External Funding Audit – final report:* The final written report had been received 2 days previously and the Finance Director agreed to circulate this. In response to a question, she confirmed that only minor recommendations had been made. JS

- e) *Item 6 – Regularity Audit: Self Assessment – 2 members* had responded to the circulated document

- f) *Item 7 – College Polices:* Progress was reported as follows:

- The *Treasury Management Policy* had been seen by the CEO and SLT and would now go to the Board for formal approval. JS/Clerk
- With the *Risk Management Policy*, Mr Davies and the CEO had clarified their understandings of what Risk Management cycles and processes should be, and these would be included in the finalised document. JS

In response to a question on specific management ‘ownership’ of Risk, the Committee were informed that this rested with the Programme and Performance Manager. Members expressed some concerns at this situation, given this person did not have a seat on the SLT. It was the collective view that a Senior Manager should ‘own’ the topic, even if detailed management activity was carried out by this designated person. The CEO was requested to follow this up. MS

### 3 ANNUAL ACCOUNTS 17/18

#### a) ‘Going Concern’ Report

The circulated report was **NOTED**, along with acknowledgement that the essence of the issues was picked up in the following item.

Ms Blakemore then informed the Committee that 2 pieces of key and supporting information were still not finalised, namely:

- Confirmation on capital funding support
- Reprofiling of the repayments on the working capital loan

These decisions rested with the DfE and Ms Blakemore described the implications of both matters and how they related to the approval of the accounts. Any ‘material uncertainty’ would affect the ability to sign-off the accounts on a ‘going concern’ basis.

A question was raised on the deadline for submitting the approved accounts (31 December, though effectively pre-Christmas) and the implications if it were missed. It was **AGREED** that it was imperative to regard this as an immovable deadline.

Discussion ensued, particularly on:

- the loan payback and how it would affect cashflow, 'asset impairment', and how it would all be shown in the accounts
- the potential impact on the 'Financial Health' scoring and the balance sheet
- the possible need to revisit the 2019/20 budget and projected costs if the loan repayments affected relevant factors

The CEO offered a view on the critical elements of both the capital funding and loan repayment matters. He was optimistic of a positive outcome but there was a growing sense that both issues had become entwined within the government departments. Members speculated on what to make of this potential interlinking and also expressed concerns at the delay in hearing an outcome to the decisions. It was suggested that it may be helpful to convey the implications of the issues, and delays, to the decision makers, and reminding them that the Board were due to sign-off the accounts on 12<sup>th</sup> December. The CEO **AGREED** to draft a suitable communication, for the Chair of the Board to send. **MS**

Replying to a question on what the position would be should a 'going concern' issue emerge, Ms Blakemore replied that it would not result in a 'qualified' opinion, it was more about a signposting to the current issue on material uncertainty.

The Committee additionally **NOTED** that both of the Buzzacott auditors were out of the country after 20<sup>th</sup> December and this re-inforced the need for an early resolution to the issues and a final sign-off of accounts before this date.

#### **b) Financial Statements and Regularity Auditors Post-Audit Report 17/18**

Ms Blakemore reported on a smooth audit process, which was largely attributable to the work of the Finance Director. One small finding only had been recorded, this relating to the timing of a salary payment.

The Auditors' Report also contained highlights of current sector developments and issues. This included a large upcoming increase in the employer contributions to the Teachers' Pension Scheme which would apply from April 2019.

The Report and positive outcomes were **NOTED**.

#### **c) Annual Report and Financial Statements**

The current draft document had been circulated. Various detailed comments had already been passed back to the Finance Director but nothing would be materially affected by the drafting changes. The finalised document would be presented to the Board for consideration, approval and sign-off at their 12<sup>th</sup> December meeting.

	<b>Action</b>
The Committee <b>AGREED</b> to recommend to the Board that they approve the Report and Financial Statements for 17/18, subject to:	<b>Clerk</b>
a) the requested amendments to the text	
b) their being submitted with a cover paper explaining the associated scenarios	<b>JS</b>
<b>4   AUDIT COMMITTEE'S ANNUAL REPORT 17/18 – DRAFT</b>	
The Clerk presented this draft report and explained its background and purpose.	
Members discussed the content and were broadly satisfied with the draft as it stood, but requested some additions as follows:	
• additional section to reflect the present situation and issues regarding 'going concern'	
• additional information in the section on Internal Audit to outline key outcomes	
• refinement to the text in the Risk Management section	
Subject to these changes being made, the Committee <b>APPROVED</b> the annual report for submission to the Board and Chief Accounting Officer.	<b>Clerk</b>
<i>Ms Blakemore and Mr Makereth left the meeting and Mr Smith went off-line</i>	
<b>5   AUDIT FINDINGS IMPLEMENTATION TRACKING</b>	
The Finance Director presented the monitoring report and gave an overview on progress with implementation of prior recommendations. The Committee <b>NOTED</b> that most of the content was freshly added, following recent reports received.	
There was some discussion on the target dates quoted and how these had been arrived at. A question was raised if the tracker document was used elsewhere in the college, and it was <b>AGREED</b> that it would be a helpful tool for the SLT to use on a regular basis.	<b>MS/JS</b>
Discussion then focussed on the specific actions and findings from the Capital Programme report. Comments included:	
• that the Capital Project Committee ought to review and take an overview on those findings	<b>MS/SR</b>
• that the existence of this Committee in itself addressed the recommendation about 'lessons to be learned from the experience'	
• that the extent of the material behind the 'lessons to be learned' comment should be explored further with Buzzacott, then relevant actions be scoped out and a report back made later in the year	<b>JS</b>
With regard to improving the value to be gained from using this document, the Committee also <b>REQUESTED</b> :	
a) an annual summary of progress with implementation to be supplied	<b>JS/Clerk</b>
b) that they receive an alert if there were to be changes to any of the due dates stated.	

## 6 COMMITTEE'S SELF EVALUATION 17/18

The Clerk reminded the Committee of the background to this item, which had begun with discussions at the summer meeting. On that occasion it had been suggested that debate be postponed until a wider group of people were available to participate in the reflections, also to allow time for a more structured approach to be developed.

The Committee Chair and Clerk had worked on the latter, including reviewing checksheets and frameworks used elsewhere, such as NHS Trusts (one of the closest comparators found). All of these were lengthy and complicated, however, and it was being suggested that the time and effort spent on completing these or similar would not be outweighed by any perceived benefits. Therefore the plan was to keep the analysis very simple and focused, supported by 21 prompts, and with the aim of identifying some key outputs such as improvement areas where they may exist.

The Committee then worked their way through the prompt sheet and identified a number of particular strengths (6) and some areas to address or question further (3). Overall, 2 key actions were identified arising from these, being:

- Tying down and formalising the Risk Management arrangements in the organisation **MS/JS**
- Addressing the Committee vacancies that were about to arise and which would give rise to quoracy problems if not resolved quickly. **CP/Clerk**

## 7 COLLEGE POLICIES: RISK MANAGEMENT POLICY

An updated draft Policy document had been circulated for comment.

Suggestions for amendment to both policy and described processes included:

- as discussed earlier in the meeting, that there should be a clear 'lead' at senior management level, who should also then be part of future conversations on the topic
- that the role of the Board should be clearly stated and care taken with terminology.

It was **AGREED** that the Finance Director would update the draft and circulate by email to get the Committee's final endorsement, before presenting to the Board for formal approval and adoption. **JS**

## 8 INTERNAL AUDIT 18/19

The Clerk reminded the Committee of the background and history of this topic in the sector. This included removal of specific requirements for such activity to exist and instead placed reliance on Boards and their Audit Committees to ensure they were comfortable with the range and quality of 'assurances' they had on a variety of matters, before signing off the accounts each year. These assurances could come from a number of different sources and reports but any perceived gaps could require the commissioning of targeted reviews, additional work and/or independent assurances.

The Committee had been asked to consider what additional assurance or review work they may wish to commission for 18/19, to form an Internal Audit Plan for the year to submit for the Board's approval.

In response to a question that was raised, the Committee discussed the current approach of having Internal Audit work carried out by the same company that were the engaged External Auditors (ie Financial Statements Auditors). Whilst it was acknowledged that this was no longer forbidden under sector rules, the appropriateness was being checked. In response, the Finance Director and Clerk informed Members that this would be possible and suitable as long as the company in question was sufficiently large to have appropriate segregation of duties with separate teams.

The Committee then debated appropriate topics to include in an 18/19 Plan of coverage and identified 3 areas:

- *IT Penetration testing* (noting this would be a follow on from previous activity and had already been commissioned with Deloitte)
- *HR Policies and Payroll*
- *Business Continuity*

For the HR Policies and Payroll topic, there was discussion as to how to identify a suitably qualified reviewer and it was **AGREED** that the Finance Director should approach both the Buzzacott and another provider for quotes and scoping for further consideration. JS

For the Business Continuity theme, it was **AGREED** that the college Policy document should be finalised first and then stress-tested by management, before expending funds on an external review.

The overall Plan proposals required Board approval and it was recognised that there was not sufficient time to get in all the detailed specifications and costings before the Board's December meeting. It was therefore **AGREED** that the proposed coverage of the Plan (topics) should be put forwards for approval but also to seek delegated authority to the Audit Committee to agree finalised costings. This would be necessary if the agreed Plan were to be implemented and fieldwork undertaken sufficiently early in 18/19 for report outcomes to be reviewed by the Committee before the summer, therefore could not wait until the next round of meetings. The Finance Director suggested that an appropriate delegation limit would be £10k, as that was the sum contained in the 18/19 budget for such activity. JS/Clerk

## 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 ANY OTHER URGENT BUSINESS**

*Regularity Audit: Self Assessment* – 2 Members had responded to the circulated document and Mr Butcher agreed to send in his observations, so the final document could be signed off by the appropriate signatories and submitted.. **AB**

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

**Date of Next Meeting:** Scheduled for Wednesday 20 March 2019 at 4pm

*The meeting concluded at 5pm*

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