



AUDIT COMMITTEE

MINUTES of the Meeting of the AUDIT Committee

held on Wednesday 13 November 2019 at 14.00 at Broad Lane, Tottenham Hale, N15 4AG

<p>Members present: Gillian Lancaster (GL) Chris Payne (CP) Steve Davies (SD) Ben Higgin (BH)</p> <p>In attendance: Peter Mackereth (PM) Jayshree Shah (JS) Mark Smith (MS) Jacky Gearey (JG)</p>		<p>External member and Chair External member External member Co-opted specialist via conference call</p> <p>Buzzcott LLP Finance Director CEO Clerk</p>
Quorum 2 members		
Agenda Item		Action by
	<p>Apologies for Absence a. Amali de Alwis</p>	
	<p>Declarations of interest There were no declarations of interest.</p>	
1.0	<p>Opening of meeting The Chair opened the meeting at 14.00.</p>	
1.1	<p>Minutes of Previous meeting The Board approved the minutes of the meeting held on 2 July 2019 as an accurate record once the committee had been through all the matters arising. These were then signed by the Chair.</p> <p>Resolved that: the minutes were an accurate record of the meeting 2 July 2019 and were signed by the Chair.</p>	
1.2	<p>Matters Arising not covered by the agenda All matters arising from the previous meeting had been actioned with the exception of: Writing-off of fees- the FD confirmed that these had been included in the financial statements and there was no effect on the financial health rating. Item Closed Tender exercise – the FD confirmed that this would start later in the autumn term. CP noted that there some inconsistencies in the document, it was agreed that Ben Higgin would send comments to the FD who confirmed that this was a standard business tender document. It was also agreed that a panel be set up in February to go through the tender process and that both Ben Higgin and Chris Payne would be part of this panel as they had the required skill sets and prior experience. As part of the panel CP and BH will work with the FD and prepare a timeline for the process. Committee Self-assessment – action remained open to be completed by next meeting. Resolved that: (i) Ben Higgin to send comments to FD on the tender document asap (ii) Ben Higgin and Chris Payne to be part of the tender panel (iii) Ben Higgin, Chris Payne and FD to work on a timeline for tender process for next meeting</p> <p>Business Continuity Plan (BCP) – the FD advised the committee that it was the intention to have had a BCP ready for this meeting, however the HR processes/training and operational policies, had</p>	<p>BH BH & CP / FD</p>

	<p>been determined to be a higher priority. A meeting has been arranged to address how to take the BCP forward in November with Bank of America.</p> <p>The committee asked if there was an initial draft of a document. FD confirmed that there was no document available as yet. Committee said that they were uncomfortable that this had not been done because it had been deferred from 2018-19 and that this was a significant issue. In mitigation the CEO said that the FD's remit was very broad and there had been insufficient time and resources to accomplish this with the other priorities. He further noted that this work would be referenced in the Annual Audit report with mitigating reasons for lack of completion. The committee posed the question in light of not having this formalised plan that if something were to happen to the building is there an alternative plan. The CEO reassured the committee that there were actual contingency plans in place that would be implemented if there was an issue with the building. The committee noted that the plan had not been formally documented. There was a discussion at a high level of what those plans would be and CP noted that at a high level if the CEO or FD were to write down the plans as they had been discussed this would be a good interim step.</p> <p>Resolved that</p> <p>(i) FD to provide email to committee members by the end of November covering the high level contingency plans referred to above. FD to share with committee.</p> <p>IT Penetration Testing – it was confirmed that the report can be shared with external parties – Item closed</p> <p>Training – for line managers has been completed, FD confirmed that more training would take place on staff day in December – item closed</p> <p>Assurance framework. amalgamated with risk register and focus on the latter agreed at Board meeting 17 July 2019. The committee asked if the external auditors would be happy to sign this off however the external auditor could not confirm this. Ben Higgin confirmed that he would look at the risk register in detail with the FD.</p> <p>Recommendations for internal audit plan for 2019-2020 – Business Continuity Plan and GDPR as agreed by Board 17 July 19. Item closed</p> <p>Update audit findings – audit actions tracker had been sent to committee in papers – item closed</p> <p>Terms of Reference – approved at board meeting 17 July 209 – item closed</p> <p>Risk Management Policy – approved 15 May 2019 – item closed</p> <p>Committee self-assessment – to be completed at next meeting March 2020.</p> <p>Committee meeting dates 2019-2020 – approved by board at meeting 17 July 2019. Item closed</p> <p>Date of next meeting – advised. Item closed</p> <p>Working capital loan – committee asked if still happy with what is going to happen this academic year, the CEO confirmed that there had been a dialogue with DfE and there had been a positive response.</p> <p>Committee asked about debit and going concern – FD to write a report on going concern to be sent to the committee by 2 December for comment prior to going to the Board meeting 11 December.</p> <p>Resolved that:</p> <p>(i) the CEO to provide an email update covering the issues raised on BCP above and send out via an email by 2 December 2019.</p> <p>(ii) FD to provide the Going Concern report to the Audit Committee by 2nd December 2019, for comment prior to the Board meeting on 11 December 19.</p> <p>(iii) Ben Higgin to work with FD to review risk register and provide recommendations for changes and improvements</p>	<p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p>
<p>1.3</p>	<p>Financial Statement Auditors – Buzzacott LLP</p> <p>Mr Mackereth from Buzzacott went through the financial statements 2018/2019 for both NCDS and Ada. The auditor commented that that the financial statements gave a true and fair view of the Group and the College's deficit for the year and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. Going through the reports in detail, some specifics were drawn out for attention, namely:</p> <p>(a) NCDS Ltd</p> <p>Page 4 – Progress in 2018/19 and Future Plans – the committee asked that the wording regarding the Ashley Road site reflects the current situation. FD agreed to supply revised wording and to ensure that there was consistency in this across both NCDS and Ada accounts.</p> <p>Page 4 - Risk Management – the committee asked if this was cross referenced with the risk register and thought that only the top risks should be identified and included. They also noted that certain of the risk may subsequently have been mitigated in the year and that this should be annotated accordingly. It was agreed that the CEO and FD would review the risk register before the accounts</p>	<p>FD</p> <p>CEO/FD</p>

<p>are signed off and the FD to amend the wording in the accounts to ensure consistency between Ada and NCDS accounts.</p> <p>Page 10 – Write Off of Capital Costs – this concerned Ashley Road and covered the professional fees. The auditor explained that this was the same format as last year and the committee asked who put this together. The FD confirmed that it was done by her and that the auditors review the content. When asked how much had been incurred this year, the auditors confirmed that it was just under £1million. The committee further asked if this was a concern that the costs had been incurred in year when the building/site development was potentially in doubt. The CEO and FD advised that much of this cost was incurred at the beginning of the year and that the DfE has visibility and also has to sign off on the costs. The CEO assured the committee that this had been pre-approved by DfE before the spend had been incurred.</p> <p>Page 11 - Restricted income – this had been spent on consultancy fees for Project Flipside that had been delivered last year but some costs had been carried over.</p> <p>The various drafting changes referred to would be actioned by the FD but in doing so nothing above would be materially affected by these changes. The finalised document would be presented to the Board for consideration, approval and sign-off at their meeting 11 December 2019.</p>	
<p>Resolved that:</p> <ul style="list-style-type: none"> (i) The NCDS financial statements for 218/2019 were received by the committee (ii) FD to provide revised wording on the Ashley Road site for Page 4 of statements. (iii) The CEO and FD to review the risk register RAG rating to ensure those risks that had been mitigated were no longer red before the accounts are signed off (iv) The finalised NCDS Financial Statements for 2018/2019 would be presented to the Board for consideration, approval and sign-off on 11 December 2019. 	<p>FD CEO/FD</p>
<p>(b) ADA College</p> <p>Page 7 – Financial Results - first para the committee suggested extending the wording to be along the lines of “due to unsuccessful negotiations with the site owner which have resulted in the project no longer being viable.”</p> <p>Page 8-9 - Going Concern – low funds position albeit a good year. The committee noted that the commentary needed to be amended based on site uncertainty but that the going concern opinion was valid. FD to action</p> <p>Page 10 – BTEC Computer Science qualification - to insert 3rd line down “for that qualification” instead of “their qualification” .</p> <p>Pages 15 & 16 – The Corporation – the Chair wanted in future for the attendance compliance to be renamed as “Board meeting attendance out of x number of meetings” as the percentages shown were not truly indicative of attendance if joining the Board part way through the year.</p> <p>Page 40 – Staff costs note 7 – committee questioned the figures presented as staffing had increased but costs had been reduced. The CEO explained that this was due to staff turnover and not comparing like with like, wherein the college had lost some senior members of staff and junior staff had been employed plus for the apprenticeship programme, teachers are contracted out depending on the size of the cohorts.</p> <p>The committee wanted the Ofsted current grading to be included in the Self-assessment section.</p>	
<p>Resolved that:</p> <ul style="list-style-type: none"> (i) The Ada College Financial statements for 218/2019 were received by the committee (ii) FD to amend commentary on going concern noting the ongoing development was unviable (iii) FD to update wording on financial results to reflect the unsuccessful negotiations have made the site unviable (iv) FD to amend reference to BTEC Computer Science qualification to read “for that qualification” (v) Board meeting attendance to be represented as a percentage of the number of meetings the member was eligible to attend (vi) Ofsted current grading to be included in the self-assessment section of the accounts. (vii) The finalised Ada College Financial Statements for 218/2019 would be presented to the Board for consideration, approval and sign-off on 11 December 2019. 	<p>FD FD FD Clerk FD FD</p>
<p>(iv) Letters of Representation for:</p> <p>(a) Ada – it was agreed by the committee that no further disclosure relating to the Group or to the College's ability to continue as a going concern needed to be made in the financial statements.</p>	

	<p>(b) NCDS – the committee's only comment related to the Ashley Road project mentioned under the accounting estimates and that it was no longer taking place.</p> <p>Resolved that:</p> <p>(i) The letters of Representation for Ada and NCDS were received by the committee</p> <p>(ii) These letters to be put forward to the board for consideration, approval and sign-off on 11 December 2019.</p> <p>(iii) Post Audit Management Report 2018/19 (including Regularity Audit)</p> <p>The auditors reported on a smooth audit process, which was largely attributable to the work of the Finance Director and confirmed that the audit and regularity assessment were both clean. The report and positive outcomes were noted by the committee with the following comments on the Regularity self-assessment namely: Page 11 – had the College received professional advice for the subsidiary – the FD confirmed that advice had been received and who had provided it.</p> <p>Page 12 – there was no mention of disposals? FD to amend this.</p> <p>Page 12 – which regular reports went to governors on performance – FD to confirm which reports? Page 15 – additional comment about conflicts of interest to be added. FD to action.</p> <p>Mr Mackereth, Buzzacott left meeting at 15.10.</p> <p>Resolved that:</p> <p>(i) the Post Audit Management Report including the Regularity self-assessment for the college were received by the committee</p> <p>(ii) FD to make amendments to the regularity self-assessment concerning disposals, regular reports to governors and conflicts of interests.</p> <p>(iii) The Post Audit Management Report was recommended by the committee for approval by the Board</p>	<p>FD</p> <p>FD FD</p>
<p>1.4</p>	<p>Audit Committee's Annual Report</p> <p>The Clerk presented the draft report. The committee discussed the content and asked that revised wording for Section 3 – Internal Audits regarding the number/types of internal audits to be made and for this to be sent to a member of the committee for final review. Subject to this, the committee approved the annual report for submission to the Board and Chief Accounting Officer.</p> <p>Resolved that</p> <p>(i) the Audit Committee's Annual Report was received by the committee</p> <p>(ii) Clerk to amend Section 3 regarding number/type of internal audits and for this to be sent to CP for final review.</p> <p>(iii) Audit Committee's Annual Report once amended was recommended by the committee for approval by the Board</p>	<p>Clerk</p> <p>Clerk</p>
<p>1.5</p>	<p>Audit Actions Tracker</p> <p>The implementation of audit work and findings is monitored by the Committee via the audit actions tracker which helps to ensure that action points arising from various audit reports and recommendations are implemented in an effective and timely manner. The committee felt that this tracker ought to be seen by SLT in advance of this meeting who could then provide assurance that an action had been discussed with an update. The committee agreed that this was a useful tool to ensure that the management team was closing out points and that if there were issues with the availability of resources then this could be identified and addressed. The report was to be retitled "Audit Output Tracker". The FD also advised the committee that as a result of the HR internal audit, all actions identified were in progress to be completed shortly.</p> <p>Resolved that:</p> <p>(i) the Audit Actions Tracker was received by the committee</p> <p>(ii) FD to change report title to Audit Output Tracker and to circulate to the SLT periodically and at a minimum in advance of the audit committee meeting</p>	<p>FD</p>

1.6	<p>Risk Management Risk Register – the updated risk register was presented for the committee's comments: Committee did ask if some of the risks mentioned were actually risks and went through the register in detail asking themselves why the current risk ratings were as depicted. Particular attention was paid to the identified RAG rated risks in red and the committee asked for reassurance that action was being taken to address these and therefore the residual risk was lower than shown. The FD and CEO assured the committee that the risks were being mitigated and managed.</p> <p>Resolved that the Risk Register was received by the committee</p>	
1.7	<p>Review and Approve policies:</p> <ol style="list-style-type: none"> i. Fraud – the committee asked if there was a need to ask internal audit regarding compliance. FD said that this policy is part of the regularity questionnaire so could be tested. ii. Insolvency – new policy introduced because of the introduction of the Insolvency Act 2019 iii. Health & Safety – is deferred until the next meeting iv. Treasury - FD confirmed that money is held at one bank and the committee asked whether it would be more prudent for reserves to be dispersed to other accounts for surety. The FD said she would look into this and report back at the next meeting. <p>Resolve that:</p> <ol style="list-style-type: none"> (i) The above policies had all been received by the committee (ii) FD to report on the vitality of moving reserves into more than one bank account and to report back to the committee for the next meeting. (iii) The Fraud, Insolvency and Treasury Policies were recommended by the committee for approval to the Board 	<p>FD Clerk</p>
1.8	<p>Annual Fraud Assessment Report In accordance with the post-16 Audit Code of Practice the aim of this assessment is to provide a framework for the college to consider and to document a fraud assessment. The report confirms that there has not been any fraudulent activity during the period from 1 August 2018 to date and that a Fraud Policy is in place and has been communicated to all staff. The committee asked about the use of credit cards and the aggregated oversight. FD said that there was a limit of £1000 and the cards were only used to pay for college activity.</p> <p>Resolved that</p> <ol style="list-style-type: none"> (i) the Annual Fraud Assessment Report was received by the committee (ii) Annual Fraud Assessment Report was recommended by the committee for approval to the Board 	<p>Clerk</p>
1.9	<p>Bourneville College Investigation Report</p> <p>The summary report is provided to the Audit committee for information only. The Education and Skills Funding Agency (ESFA) released on 18 July 2019 an investigation report into the Birmingham based Bourneville College – see report at 1.6(ii). The investigation carried out by the ESFA found that the college repeatedly broke its own rules around corporate hospitality, marketing services and IT application development. It also found there were conflicts of interest in the appointments of senior staff and insufficient scrutiny of overseas travel expenses incurred by the Principal.</p> <p>In light of the findings, the ESFA has made a number of recommendations to governing bodies of FE and sixth form colleges:</p> <ul style="list-style-type: none"> • governors should not rely solely on information provided by the Principal, but be able to recognise financial deterioration, and challenge the actions of the executive where their college is facing difficult financial circumstances • governors should ensure there is a detailed cost-benefit analysis and Board level scrutiny of new initiatives before they are implemented • governors should use a range of information to ensure that expenditure provides value for money • governors should ensure that their audit committee is operating effectively and should regularly review their policies and procedures in relation to regularity, propriety and compliance 	

	<ul style="list-style-type: none"> external auditors should ensure that colleges' regularity self-assessment is supported by sufficient and relevant evidence. <p>Following changes in leadership and management, the corporation of Bournville College dissolved in August 2017 in order to merge with South & City College, which was rated 'Good' by Ofsted last year. Subsequent to the release of this report, Eileen Milner the ESFA's Chief Executive wrote a letter to all Chairs at FE and Sixth Form colleges regarding this report.</p> <p>Committee did ask about the possibility of overspend and the use of personal relationships with external stakeholders within the college and the CEO reassured that there were no such issues. The Clerk was asked to send out this report to the Board and also to generate a register of interests form for staff to complete. Committee asked about benchmarking data and whether the college looked at these? FD confirmed that this was done.</p> <p>Resolved that:</p> <ul style="list-style-type: none"> (i) the Bournville College Investigation Report was received by the committee. (ii) Clerk to send to the board the Bournville College Investigation Report for information (iii) Clerk to generate a Register of Interests form for Ada College Staff 	<p>Clerk Clerk</p>
1.10	<p>Any Other business There was no further business.</p>	
1.11	<p>Items to be taken forward to next Board Meeting</p> <ol style="list-style-type: none"> 1. Report & Financial Statements 2018/19 for Ada and NCDS 2. Letters of Representation for Ada and NCDS 3. Post Audit Management Report 2018/19 (including Regularity Audit) 4. Audit Committee's Annual Report 5. Fraud Policy 6. Insolvency Policy 7. Treasury Policy 8. Annual Fraud Assessment Report 	<p>Clerk</p>
1.12	<p>Date of Next meeting</p> <ol style="list-style-type: none"> 1. 18 March 2020 at 14.00 	
	<p>Close of Meeting Meeting closed at 15.50</p>	
	<p>MINUTES of the meeting held on Wednesday 13 November 2019 were agreed and accepted as a true and accurate record and signed by the Chair</p> <p>..... on</p>	