

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Tuesday 26th March 2019 at 8.15 a.m.**

Present: Mr Geoffrey Bowley, Mr Graham Lawrence, Mr Hugh Stafford-Smith, Ms Sarah Ediss

Apologies: N/A

In attendance: Mrs Sally Bromley, Mrs Nicky Clubb, Ms Elizabeth Craig -MHA (Agenda item 4/ Minute 5), Mr Ian Dumbleton, Mr Dan Lodge, Ms Nicola Whitehead

In the Chair: Mr Hugh Stafford-Smith

The Chair welcomed Mrs Ediss to her first meeting as a co-optee to the Committee and Dan Lodge (Vice Principal- Quality and Curriculum) as an observer. All present confirmed they were content with the paperwork provided and clear on what was required. (No consent agenda items were proposed.). The Committee expressed regret at the news that Mr Abbas Alimohamed, as the College's internal audit service main contact, would be leaving MHA MacIntyre Hudson.

1. Declaration of interests

There were no declarations of interests.

2. Minutes of the meeting held on 21st November 2018 were approved.

3. Matters arising

Item 4iii: The Clerk confirmed that the discussion of insurance by the F&GP Committee had been circulated to members. The Principal said that she would be happy to consider insurance coverage as an internal audit subject for 2019/20 in the summer discussions. Members anticipated that this could be covered in no more than half a day so might provide useful assurance (e.g. in respect of employers' and public liability insurance) at little cost.

Item 5: Members had seen the Strategic Plan Referencing document and considered this a useful document for tracking board assurance. The Principal reported that additional resource had been made available to support Adult Ed but that some further hours would be considered. The Clerk reported on the IT Manager's confidence in the security of the broadband connection from JANET.

The Principal confirmed that she had asked the Risk Management Group (RMG) members the previous day to review their gross and residual risk through the year to reflect progress in instituting controls. The Communications Protocol annexed to the Disaster Recovery Plan had also been updated as requested in respect of insurer notification.

Item 6: In view of forthcoming grant opportunities from the Mercers' Company, the Principal agreed to provide a form of words to the Committee Chair to be discussed with the Mercers' Company and Trustees of the Collyer Endowment in case future grants could allow some valuable flexibility on the timing of spending. **(Action: Principal)**

Item 7: The Clerk confirmed that the EQRs were available on the Committee's SharePoint. The minutes of the Q&C Committee's discussion were within the Spring Term Governing Body meeting's papers and would be shared with the co-optees **(Action: Clerk)**. The Chair commented on their continuing value as assurance from an informed external perspective.

4. Risk Update

Papers: Potential external risks and College-wide risks update (and latest EQR reports)

The Principal reported on the meetings of the Risk Management and Disaster Recovery Groups the previous day. Focusing initially on the number of financial items in the **College's top risks**, she said that there were as yet no firm commitments that the increase in superannuation from September 2019 to 23% (costing c. £250k a year) would be covered. Lobbying continued to achieve certainty on the expectation that this would be funded at least until March 2020 (leaving an additional cost of c. £100k in 2019/20) and ideally beyond. This increase was exacerbated by the increasingly poor prospects of an uplift in per student funding and the Government's commitment to cover the cost of the teachers' pay rise only in schools and academies.

Members discussed the increasing challenge of maintaining the College's long-standing 'outstanding' financial status. Governing Body conversations on this (as had happened in the in the F&GP Committee and at the last Upper Managers' Awayday) would need to continue. **(Action: Principal)**. Maintaining this record was desirable but budgets and forecasts needed to reflect realistic assumptions. The Finance Director commented that the ESFA model would allow the College to have a deficit of c. £80k in 2019/20 but still remain 'outstanding' owing to the strength of its borrowing position and other factors. Members agreed that this was not however a sustainable position and would be one reflected across the sector. Members noted the actions taken on the other issues in the risk register whilst recognising that some could not be wholly eradicated given that they were inherent in running an education institution.

Turning to the **external strategic level risks** members discussed new areas including the potential for a second round of Area-Based Reviews (ABRs). Governors and senior leaders would need to be aware of the implications for Collyer's taking account of the college offer, local educational landscape and the direction of Government policy e.g. in favour of academisation. The Principal commented further on the opportunities for capital funding from the ESFA (through the CIF and BFIG) which would, whether granted or not, have financial implications for the college as well as involve the risk of disruption during any building projects. SMT had also discussed the Principal's Brexit Action Plan which covered procurement issues, trips and EU students and staff.

Members noted that the RMG would meet again in May prior to bringing fresh risk assessments for 2019/20 to the Committee. The Disaster Recovery Group had also recently met. not least to finalise the latest Disaster Recovery Plan. Members thanked the Principal for her informative update.

[9.00am Ms Craig joined the meeting]

5. Internal Audit Reports

Papers: Follow-up on previous recommendations, Lettings Policy and Procedures, Property Strategy and key financial controls in relation to capital projects.

The Chair welcomed Ms Craig to her first meeting of the Committee, thanking her for stepping in and informing her that the College would be writing to the company both to express their gratitude to Mr Alimohamed and the hope that his excellent service would be continued. **(Action: Clerk/FD)** Ms Craig informed the Committee that she would be taking up the reins (having worked at MacIntyre Hudson for the past nine years with a specialism in education audits).

Ms Craig explained that the **Follow-up of recommendations report** reflected the fact that all ten low priority recommendations outstanding from previous audits had now been completed and evidence provided to MHA to their satisfaction.

Turning to MHA's visit in January as the first half of the **internal audit programme for 2018/19**, members noted the very satisfactory reports in respect of the first three of the six reviews planned. In respect of **lettings, 'substantial assurance'** had been given with two recommendations, one 'low' concerning a hirer's failure to provide evidence of Public Liability Insurance (PLI) in spite of repeated reminders from the College. Mrs Clubb (Finance Manager) explained that at the outset of the new Lettings Policy and Procedures c. 18m previously, the expectation had been that hirers would be able to fall back on the College's own PLI insurance. Subsequent checks with Zurich had clarified that any 'regular', as opposed to 'one-off', hirers, be they a company, club or individual, should have their own PLI. This change of approach had required the hirer identified to make new arrangements. Whilst included in MHA's sample of ten hirers, it was the only such issue and going forward the new regime was applied consistently. Members asked that further clarification be sought from Zurich as to what they construed as 'regular'/'one off' hires (so that the College was not vulnerable to refusal of a claim on these grounds) and that this information be communicated to all potential hirers. **(Action: Finance Manager)**. The committee asked too to be notified of the outcome once known. **(Action: Finance Director)**.

The Finance Manager explained that the second 'medium' recommendation (covering an anomaly in completion of a risk assessment) had also arisen in a time of transition when the College was seeking to bring previously separate sports lettings under the one system, and had been exacerbated by a late request to hire the College's playing fields. The procedure – under which a template risk assessment is sent to the hirer and discussed with Estates in advance - was now universally applied. The Chair proposed that these clarifications e.g. on common policy and ownership be reflected within the report **(Action: MHA MacIntyre Hudson/ Finance Director)**.

All present thanked the Finance Manager for her considerable work to develop lettings and their management as reflected in the small number of recommendations. The audit report was timely in supporting the College in its commitment to innovate and learn from experience.

[9.20am Mrs Clubb left the meeting].

Ms Craig turned to the reports on **Property Strategy and key financial controls in relation to capital projects both of which had received 'full assurance'**. The Principal commented on how encouraging the reports had been given the College's efforts to address potential gaps in its planning and project management processes.

The first report had covered a review of the College's **Property Strategy** and the HNW MasterPlan with clear links to the College's Strategic Plan. MHA had also examined the College's own risk register and that provided by HNW Architects as well as the College's space assessment. MHA recognised the College's high levels of room utilisation and were supportive of the College's conclusions on the risk of overcrowding and need for more teaching space. Members clarified that the 51 risks identified by HNW only came into play if and when projects went ahead and would then become part of the risk assessment practice specific to each project. **(Action: MHA to clarify in report)**. To-date the Estates Sub-Committee and F&GP had been privy to the CIF feasibility study/bid which incorporated risk assessment for Phases 1b-3.

Turning to the report on **key financial controls with regard to capital projects**, Ms Craig explained that the audit had looked particularly at the most recent Sports Hall project and Refectory kitchen extension. There had been clear evidence of appropriate approvals by the F&GP Committee and Governing Body, consideration of value for money and suitably qualified

contractors and project managers. In response to a question on controls against financial fraud, the Finance Director explained the provisions within the Financial Regulations including the multiple-staged approvals process, correct recipient checks and comparisons of estimates and invoices. The Clerk confirmed that the project management procedures did cover the design requirements within the CDM Regulations with a view to establishing clear lines of responsibility.

In conclusion members thanked the auditors for their comprehensive reports and the very high levels of assurance as well as the Principal and SMT for their efforts to ensure the effectiveness of the College's systems in a number of high priority areas.

[9.45 am Ms Craig left the meeting]

6. **Review of performance of the Financial Statements Auditor 2017/18**

Paper: Performance Indicators report

In putting to bed the Financial Statements Audit 2017/18, the Finance Director reminded members that a provisional discussion at the November meeting of the Audit Committee concluded that the audit had generally gone well and no issues were raised by the auditors in respect of the College's responsiveness on the audit. RSM continued to be appropriately challenging and generally supportive, although he and the Principal did feel at times that there was a tendency to a quite rigid interpretation of grey areas, for example in respect of grants. Members' comments on a specific example tended to support the College's conclusion. Members suggested that concerns about timely and constructive advice could usefully be provided in writing further to the oral feedback already given. **(Action: Principal/ Finance Director)**. Members noted that there had been consistency in audit partner and manager from last year but that the audit partner might be expected to change after the 2018/19 accounts.

7. **Appointment of Financial Statements Auditor for 2018/19**

In view of RSM's generally good and competitively-priced service to the College (evidenced by benchmarking with S7 colleges), the Committee agreed the recommendation in favour of reappointment of RSM for the next accounts (2018/19). Members noted RSM's proposed cost of £14,500 to £15,000 (exc. VAT) compared with £13,750 in the recent audit. The range reflected current uncertainty about the extent of some additional work that may be required. Given the percentage increase the Committee suggested the lower figure of £14,500 should be put to RSM. **(Action: Finance Director)**.

Looking ahead, the Finance Director sought a steer from the Audit Committee as to whether a test of the market for the 2019/20 accounts might be welcome. Members confirmed that they would be content with a process of presentations as held for the internal auditor in Spring 2015 subject to compliance with procurement processes if the College wished to make such a recommendation.

Recommendation: That, the Governing Body approve the re-appointment of RSM for the Financial Statements audit for 2018/19 at a maximum cost of £15,000 (excl VAT).

8. **Sector update**

Paper: Clerk's conference notes; SFCA presentation slides

The Principal, with contributions from the Vice Principal, reported:

- Very little resolution on pay although support staff might reach agreement on 29th March. There was the possibility of strike action by teachers. The employer side proposal on the table of an average of 1.6% (phased to give more to staff on lower pay) was considered the most colleges could afford. To-date Collyer's had budgeted for 1.5%. There was

some evidence that the growing differential between school and college teachers' pay could present challenges in recruitment;

- Campaigning on funding continued with SFCs being promoted as very efficient model. Considerable uncertainty concerning the CSR and a possible funding uplift with a tendency to grant ad hoc additional monies rather than something more consistent, made planning challenging.
- The review of Applied General qualifications threatened the delivery of BTECs with a mix and match model of BTECs and A levels common in SFCs. New specifications only would be allowed from 2020. From 2023, when T levels would be available, they might be disbanded altogether or in part (e.g. triples, doubles and/or singles).
- The new Education Inspection Framework (EIF) which looked favourable to Collyer's in its fresh look at the wider offer to students and increased emphasis on pastoral support. Ofsted appeared to have listened to concerns about too great an emphasis on data and members agreed that Collyer's had a good story to tell.

In response to a question about the increased focus on History and Geography in the new EBacc (at level 2), the VP explained that this did not appear to be feeding through to choices at A level. SFCA were however mindful of the potential impact on demand for teachers and SFCs' need to remain competitive in the recruitment market.

9. Any other business None

10. Meeting assessment

Papers: Governance Quality Framework

Members once again welcomed the opportunity to have spoken directly to staff on their areas of responsibility. Reports had been comprehensive and contributions had been made on the potential for future discussion of funding and the College's financial status.

11. Date of the next meeting: Wednesday, 12th June 2019 at 8.00 a.m.

The meeting ended at 10.15 a.m.

Chair.....

Date.....

NCW 26/3/19