

**MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
held on Tuesday 12<sup>th</sup> June 2018 at 8.00 a.m.**

Present: Mr Geoffrey Bowley, Mr Graham Lawrence, Mr Hugh Stafford-Smith, Mrs Smita Warren

Apologies: N/A

In attendance: Mr Dominic Blythe (RSM), Mrs Sally Bromley, Mr Ian Dumbleton, Ms Patricia King (Item 5), Mr Rakesh Shaunak (MacIntyre Hudson), Ms Nicola Whitehead

In the Chair: Mr Hugh Stafford-Smith

**1. Declaration of interests**

There were no declarations of interests.

**2. Minutes of the meeting held on 8<sup>th</sup> March 2018** were approved.

**3. Matters arising**

**Item 3:**

**(Ref Item 4):** NDQSC – MHA to confirm in correspondence what such an audit might cover.

**(Ref. Item 8):** The Clerk explained that she was still pursuing one potential respondent to her approaches via Inspiring Governance (IG). The ESC Chair had also agreed to help via a contact at local firm, Kreston Reeves. Failing that she would return to IG with a wider skillset.

**Item 5** The Clerk had circulated the updated privacy notice and GDPR Action Plan to members on 18<sup>th</sup> May following the latest F&GP discussions to provide assurance that the College was well-prepared for the GDPR changes.

**Item 6** The Finance Director reported that, in following up on VAT treatment, he was still awaiting news from the AoC.

**4. External Audit 2017/18: College Preparations**

*Papers: Audit Planning Memorandum; Regularity Self-Assessment Questionnaire*

**a) Audit Plan**

Following discussion of the extent of the audit with the Finance Director and Clerk, RSM proposed a final fee of £13,750, excl. VAT, in line with Governing Body approval. Members were content that this remained competitive, for example when benchmarked against S7 audit fees.

Mr Blythe explained the approach to the forthcoming audit with particular attention to income recognition. RSM were aware of the potential Section 106 grant from WSCC but would need to establish whether there was clear entitlement to this funding. **(Action: Principal to share e-mail communication with RSM).** Subject to the evidence, RSM would advise on its treatment in the accounts but they considered it unlikely that, if to be included, any provision would need to be made to reflect any significant doubt that the 'debt' would be paid if any money due had not been received by the autumn. In the meantime, the Chair proposed that the Finance Director write to WSCC to explain the College's position with regard to the year-end. **(Action: Finance Director).**

In respect of the 'going concern' judgement, members asked whether, in the autumn term, greater signposting of assurance could be provided to back up the letters of representation, for example on fraud. This would be useful where, for example, the F&GP Committee undertook the scrutiny of the accounts. The Clerk reminded members that this would be helped by their suggestion last year that F&GP be made aware sooner of the content of Audit Findings Report to inform their consideration. The Audit Committee Annual Report (to accompany the accounts and letters of representation) might usefully be adjusted to accommodate this request given its focus on assurance. **(Action: Clerk in consultation with FD)**

Several issues affecting the sector were noted as of limited (or no) relevance to Collyer's such as SCIF funding, sub-contracting and apprenticeships (though the latter was subject to change in 12 months+). Similarly, whilst the new Audit Code of Practice (ACoP) stated that staff governors should not serve on Audit Committees, this was not anyway the case at Collyer's. Members suggested that the Committee's terms of reference be amended to reflect this for future reference **(Action: Clerk)**.

#### **b) Regularity self-assessment questionnaire (SAQ)**

The Finance Director explained that there had been only minor changes to the regularity self-assessment template. In response to questions the Principal confirmed that the c. £15k overseas travel cost principally concerned China and had been exceptional expenditure to secure valuable new arrangements. She had however instituted a new Overseas Travel Policy in order that there be an appropriate framework for such trips. Members agreed that this, the new Lettings Policy, updates to the Whistleblowing Policy and Register of Interests as well as the annual report to F&GP on complaints and information on safeguarding assets (p.7) could usefully be reflected in the questionnaire. RSM reported that they had expressed concerns to the ESFA on the closed nature of the questions which gave little room for illustration. **(Action: Finance Director to update document in time for submission to RSM by the end of July)**.

#### **c) Code of Governance and governor attendance**

The Clerk explained that she and the FD would continue to recommend reporting against the UK FRC Code of Governance rather than adoption of the AoC Code of Governance (although any gaps in potential compliance with the latter had now been addressed where considered desirable e.g. in the past year in respect of the review of college values). There was now a further alternative in the Charity Code. This tied in with the DfE's limited changes to the regularity self-assessment (SAQ) in emphasising the role of governors as charity trustees. It was similar in many respects to the other codes e.g. in terms of diversity, terms of office, emphasis on skills, although its approach was one of 'apply or explain' (rather than 'comply or explain' as the AoC Code). Analysis suggested the College would have little to 'explain' and its charity focus had some appeal over the UK FRC Code designed for FTSE companies. As it was yet untested and further guidance was still outstanding, members agreed to review its use next year taking account also of potentially significant changes in the UK FRC Code which was under review.

**Recommendation: that the Governing Body approve the revised Regularity Self-Assessment and reporting against the UK FRC Code of Governance for the 17/18 accounts.**

*[Ms Patricia King joined the meeting]*

## 5. Internal Audit reports 2017-18

*Papers: Budget setting and controls, ILR Audit*

Mr Shaunak explained that the second audit report of the year (completing the annual programme) reflected a very satisfactory position with all information provided by the College in a timely manner. There were no recommendations in respect of **budget setting and controls** and the auditors had awarded '**full**' assurance for this. The report also provided '**substantial**' assurance covering **the ILR, funding and student data**. There were only two recommendations, both of which were assigned a 'low' priority. These suggested a reconciliation/spot check of a sample of students of the learning hours recorded in the ILR compared to the Learning Agreement and that ID verification by the College should be uploaded to the Admissions shared drive.

The Information Services Manager explained that the new ID system had been introduced for first year enrolment in 2017/18 with a c. 91% success rate. The sample of second years did not therefore reflect a full picture in tune with the focus of the initiative. When repeated this year the College would have far more comprehensive reach. She agreed that some 'tidying up' would be necessary where students decided not to attend the College.

Recognising the difficulty of achieving a 100% response rate, members asked what the implications of any gaps in data would be. The Information Services Manager explained the importance of ensuring that students did not receive ESFA funding when they did not meet the residency requirements. As such she had now included further questions in the enrolment process to ensure that the College's information was robust, particularly in anticipation of a potential change in entitlement post-Brexit. Considerable chasing would continue. RSM confirmed that the risk concerned an adjustment in lagged funding rather than an in-year reduction. With regard to security of data the Information Services Manager explained that, from September, hard copy learning agreements would, thanks to considerable effort by the Information Systems Developer, be superseded by a wholly electronic system.

The Chair thanked the Finance Director, Information Services Manager and their wider teams for their hard work as reflected in the very high levels of assurance provided by the auditors.

*[Mr Shaunak and Mrs King left the meeting]*

## 6. Review of Performance of Internal audit services provider 2017/18

*Paper: Performance indicators for internal audit 2017-18*

The Finance Director confirmed that all audits in 2017/18 had gone smoothly. MacIntyre Hudson had demonstrated good organisation and once again produced comprehensive reports which added value. The Chair commented that the Internal Audit Manager had been particularly responsive during the employability audit demonstrating a willingness to attend daytime and evening events at the College in order to gain a thorough insight into the wealth of activity. The Principal commented that it would be helpful if the auditors could provide more detailed advanced audit plans explaining the sample information and ideal interlocutors required so that the audits could be as efficient and effective as possible **(Action: MHA MacIntyre Hudson)**.

*[Having confirmed to the Clerk that he did not need to speak with the Audit Committee without College senior managers present, Mr Shaunak rejoined the meeting.]*

The Chair relayed the discussion to Mr Shaunak who agreed the action point.

## 7. Risk Management

*Papers: College-wide top risks 18/19; Potential External Strategic Level Risks 18/19; Scoring of risk documents; Risk Management Annual report.*

The Principal explained that she had updated the risk and assurance pictorial as requested. In looking at the new College Wide Top risks she explained the rigour of the risk management process including buddying to ensure detailed review prior to meetings of the Risk Management Group and Audit Committee. Assurance over the year included the Equality and Diversity Officer's annual review, External Quality Reviews (EQRs), Post Project Reviews on capital projects and the GDPR Action Plan. The Chair commented on the College's unique and innovative 'MyProgress' information hub which was a valuable tool in securing personal data. The Principal added that the GDPR changes had also featured in the College's potential external strategic risks and that almost all aspects of the Action Plan were now complete.

In further discussion of the College-wide top 10 risks, members proposed that Audit Committee scrutiny be removed from SP2 in favour of F&GP. The Principal explained the sharing of ideas with S7 and local schools concerning student mental health. Members recognised the positive impact of Mercers' funding on the Collyer's offer in this area and asked if its end in due course did itself present a risk. The Chair (as Mercer/ College liaison lead) confirmed the high level of commitment and support from the Mercers' Company and the potential further development of their support once the current programme of research was complete. The Principal welcomed this and expressed her wish to be ambitious in working as a hub with local schools whilst ensuring the services were cost-effective.

Turning to the external risks, members noted the lobbying to retain the BTEC qualification, the loss of which could impact on recruitment or student choice of an appropriate route. Whilst the full details and implications of the new T levels had yet to emerge, for example in terms of progression routes, members were delighted with the College's successful bid to offer the new qualification – in Early Years Education (EYE) and Digital – as one of only 50 such providers and the sole S7 college.

Finally members noted the modest changes to the Risk Management and Assurance Policy as part of its three-yearly review. In scrutinising the text, particularly in relation to the role of the Governing Body, members discussed the best approach to determining risk appetite concluding that the ethos and culture of the College was a key driver with the focus on acting in the best interests of the students. Whilst their welfare and prudent management were important, the policy also made clear that innovation was to be applauded to help create a dynamic environment for learning. They were content that risk appetite was largely defined in relation to individual items of College business.

**Recommendation: The Governing Body should approve**

- i) the Risk Management Report 2017/18 including**
- ii) the updated Risk Management and Assurance Policy at its next meeting**

**8. Internal audit needs assessment, strategic and annual plan**

*Paper: MacIntyre Hudson outline programme for 2018/19*

In the light of the latest risk assessment and audit activity over the past year, the FD proposed the following areas for internal audit in 2018-19:

*Governance and Board Assurance: GDPR Preparedness and Action Plan*

*Financial Stability / Viability: Key Financial Controls (KFCs - scope to be confirmed)*

*Student Applications and Enrolments: Website Effectiveness and Application and Recruitment Systems (focus on new E-Application System)*

Given the outcome of the non-levy apprenticeships bid, Members agreed that this should no longer feature in the plan for 18/19 and proposed instead that lettings might - particularly towards the end of the year - given the recent business expansion in this area and a new policy and procedures in play. If mutually exclusive in terms of affordability, this would be in

preference to the website audit. In respect of KFCs, a review of capital projects was considered useful ahead of the Principal's plans for a further building project as part of the recently revised property strategy. In view of the recent ILR assurance, members confirmed that they were happy to leave a further ILR review until 19/20. **(Action: Finance Director to liaise with the Internal Audit Manager on the final programme and number of days required.)**

Members noted that in 2019-20 SMT had suggested that Employability and Curriculum Performance Monitoring were added to the draft Internal Audit Plan for 2019-20. This would be reviewed again next year taking account of the outcome on the 18/19 plan.

**Recommendation: that the Governing Body approve the internal audit plan for 2018-19 and provisional plan for 19-20.**

**9. Appointment and remuneration of internal audit services and review of performance indicators for 2018/19**

Members were content with the conclusions reached at their November meeting that MacIntyre Hudson should continue with their new three year plan until summer 2020 subject to annual review. The proposed 1.5% increase in fees for 18/19 producing a daily rate of £630 was judged to be satisfactory. They agreed the further use of the performance indicators for 18/19 as for 17/18 but reiterated their request for a comments box to be added to enable a summary evaluation. **(Action: Finance Director).**

**Recommendation: That the Governing Body should approve the continued appointment of MHA to end 2019/20.**

**10. AoB: None**

**11. Committee annual assessment of its performance**

*Papers: Audit Committee SAQU*

Members confirmed that they had been happy with the papers received, proposed consent items and agenda focus at the meeting. Looking at the year as a whole, they welcomed the regular inclusion of the auditors and lead college staff and believed that they had focussed appropriately on gaining assurance on the effectiveness of the College's internal systems and controls. The Clerk reported their 100% attendance over the year whilst recognising the advantages of finding a further member.

**12. Date of the next meeting: Wednesday 21<sup>st</sup> November at 8.00a.m. (provisional)**

*The meeting ended at 9.53a.m.*

Chair.....

Date.....

NCW 12/6/18