

**MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
held on Wednesday 21<sup>st</sup> November 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: Mrs Sally Bromley (Principal), Mr Abbas Alimohamed (MHA MacIntyre Hudson), Ms Connie Coles (RSM), Mr Ian Dumbleton, 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 12<sup>th</sup> June 2018** were approved.

**3. Matters arising**

**Item 3:** The Chair reported that he and the Clerk were due to meet that day a **potential co-optee to the Audit Committee** following an approach to local accountancy firm, Kreston Reeves, by the Chair of the Estates Sub-Committee. The individual already supported the College in its enrichment activity, the Challenge of Management.

**Item 4a:** Members noted the changes to the **Committee terms of reference** had been made by the Clerk.

**Item 4b:** The Committee noted the revised regularity SAQ had been approved by the Governing Body in July prior to submission to the external auditor.

**4. Internal Audit reports:**

*Papers: Draft IAS Annual Report 2017-18; Update to Internal Audit Plan 2018-19*

- i) Mr Alimohamed explained that the **Annual Report 17-18** offered considerable assurance on the effectiveness of the College's management, control and governance processes in the areas examined during the year. This was supplemented by an overview of the full programme of audits over the past three years. The Chair commented that the trend in the number of recommendations from 16 to 6 was, of itself, reassuring in addition to their almost exclusively 'low' level status. **(Action: MHA to make greater colour distinction in tables on p.6)** The report also summarised progress on the 12 outstanding recommendations, with three successfully implemented (of which two had been evidenced to-date) and three more in the course of completion. Follow up would be completed in the first audit visit in January 2019. In response to a question about the absence of full assurance over the entirety of the College's systems (as anticipated at the end of three years when the contract was awarded), Mr Alimohamed advised that the ESFA no longer expected such full assurance nor the Audit Code of Practice require it. The Committee confirmed that it was content with the level of assurance given.

**(Action: Finance Director/ Clerk to ensure any cross-references e.g in the Report and Financial Statements/ Committee Annual report were consistent with this advice.)**

- ii) Turning to the **updated plan for 2018/19**, members noted that this now reflected discussion at the last meeting in covering GDPR Compliance, Key Financial Controls, Website Effectiveness and Application and Recruitment Systems as well as the Property Strategy and Lettings Policy. In response to questions and the potential scope of the website audit, the Principal expressed a preference for a focus on ease of use rather than style issues given that separate advice was being sought on the College's marketing package. **(Action: MHA to incorporate focus of ease of use/ fit for purpose in audit plan)**. Members were content with the fees and KPIs previously agreed.
- iii) Looking ahead to **plans for 2019/20** where Employability and Curriculum Performance Planning had already been identified, one member proposed that it might be timely to repeat an audit on safeguarding policy given that this was an important area - albeit that the previous reports in 2015/16 had been positive **(Postscript: 'Substantial' assurance offered on both student pastoral processes and safeguarding with one 'low' level recommendation on the latter)**. The Clerk offered to circulate details of the F&GP Committee's consideration of insurance over the previous year to help inform whether this might be a potential audit area **(Action: Clerk)**.

## 5. Risk Management update

*Paper: Minutes of the Risk Management meeting 29<sup>th</sup> October 2018; Potential External Strategic Level Risks October 18 update; Risk Assessment and Controls College Wide 18-19 update*

The Principal introduced discussions explaining that the Risk Management Group (RMG) had recently met to review the external strategic risk register and College Wide risks with each member also updating their underlying risk management plans. A subsequent meeting of the Disaster Recovery Group (with renewed membership) had examined an updated Disaster Recovery Plan and two potential additions - a Communications Emergency Protocol and Lockdown Policy – as well as a number of emergency scenarios.

In response to questions on the *mental health issues* covered in the risk registers, the Principal confirmed that delays in accessing CAMHS's adult services arose primarily when an issue arose after a student's 18<sup>th</sup> birthday rather than if they were already being offered support; that WSCC were also involved in seeking to expand counselling; and that none of the additional Government funding promised had yet been made available. The Chair commented that he believed Collyer's services to be well ahead of many and particularly those in the independent sector. The Principal agreed that the support from the Mercers' Company had played no small part in the services offered by Collyer's. Further innovations to enhance these were two forthcoming workshops for parents as well as mindfulness support in Summer 2019 when students would be on leave from college. (The Clerk added that annual reports on these services could be accessed by all members – including co-optees - via the Governance SharePoint. The new Strategic Plan referencing document should also help flag the assurances and reporting available to members beyond the risk-based board assurance framework.) **(Action: Clerk to circulate Strategic Plan Referencing Document following amendments proposed by recent Nominations Committee)**

Further discussion of the College-wide risks covered the mitigation of risks in relation to the *4As Centre's evening exams*. **(Action: IT Support to consider ISP supplier back-up in addition to the agreed additional IT team hours to help ensure all potential areas of the College's responsibilities for the exams were covered)**. The Principal confirmed that there were usually further opportunities to take such exams if, for example, the exam board's own systems failed.

With regard to *rising superannuation costs*, the Principal explained that a further update to the register was needed reflecting the more limited Government support than originally envisaged in 2019/20. This would cover a shorter period (September to March) leaving additional costs of some £100k to be covered by the College. This was now included in the College's latest financial forecasts but the late notice of the change in support added to the challenge in managing the increases. The Chair recognised that governors would need to consider the impact carefully including the potential effect on the College's consistent financial status of 'outstanding'.

In terms of *possible updates*, members agreed that the forthcoming audit of GDPR could be added to the external assurance on P.3, page 5 (and the SAR/QIP controls to S.2, page 4). Discussion followed on the timing of changes to the risks and scores with an acknowledgement that the audit would not be until the New Year so the annual review in May had merits and would likely coincide with an ICO review of progress a year on from the new regulations. **(Action: Principal to consider timing and approach to review of risk scores.)** Most important was not to miss new risks arising in-year which was addressed through termly review. Members were reassured that the College's increased BTEC offer (referenced in P6, page 5) was not at immediate risk from the new T levels.

Finally members discussed and supported the Principal's decision not to pursue a Lockdown Policy further to the updated Disaster Recovery Plan and new Communications Emergency Protocol given the assessment of the level of risk e.g. likelihood and age of student body. **(Action: Principal to add FD action to notify insurers to Protocol).**

## 6. Financial Statements Audit

*Papers: Letters of representation, draft Audit Findings Report (AFR), Report and Financial Statements (RFS) year ended 31<sup>st</sup> July 2018*

Ms Coles confirmed that the **Audit Findings Report** was straightforward with clear assurance on e.g. absence of management override and 'going concern'. A small number of adjustments had been made in terms of income recognition in relation to non-Government grants. The Principal raised an issue with regard to lack of flexibility in carrying forward grant spend to the potential detriment of services. This was understood to be an issue arising from the accounting rules across the charity sector. There was also an impact on the College's financial status and the Principal confirmed that the balance of advantage in terms of the financial status was to be covered on the F&GP Committee's agenda. Members believed that safeguarding student services was paramount and discussed how conditions attached to grant funding could be of benefit. **(Action: i) Committee Chair to seek adjustment to T&Cs in Mercer grants on basis of form of words from Principal/ RSM; ii) FD to consider pertinence to trustees.)**

Further discussion covered the receipt of the S106 monies and significant pension scheme liabilities as well as the handling of late invoices which was almost inevitably complicated if the accounts were to be produced in a timely manner. In relation to staff costs, the Principal informed the Committee that insurance had now been taken out to seek to cover medical retirement costs which could be significant.

Turning to Section 6, Ms Coles confirmed that none of the three deficiencies identified under the standard 'significant' headline could be judged to be so. Further details from the Finance Director on the apparent absence of an IT contract revealed that this was in fact a modestly-priced and well-documented software licence agreement which RSM agreed should therefore be removed **(Action: RSM)**. The Principal confirmed that the level of cash reserves was again a subject for forthcoming F&GP discussion. Members considered that appropriate action had been taken on the VAT issue raised the previous year, with the AoC having been consulted and agreements and references to agents clarified. In recognition of

the increased lettings at the College, the auditor advised that, whilst not currently of relevance, the College would wish to be aware that if associated services were provided, this would make the College liable for Corporation tax as they would be deemed to be unrelated to the College's primary purpose.

In examining the letters of representation, members agreed that it was important to undertake due diligence to ensure there was sufficient assurance that the appropriate controls and procedures were in place to support the Chair signing the letters. Members agreed this was the case with, for example, strong audit evidence and underlying whistleblowing procedures approved by the Committee.

Turning to the Report and Financial Statements, members recognised the division of responsibilities with F&GP. That said, in addition to confirming satisfaction with the processes and associated reports, a number of minor clarifications and amendments were agreed (see pages 20-22 and 31) **(Action: RSM to amend)**.

**Recommendation: that the Governing Body approve the Audit Findings Report (including Letters of Representation) and Report and Financial Statements subject to any comments from F&GP (and minor amendments identified).**

**7. Audit Committee Annual Report to the Governing Body**

*Paper: Audit Committee Annual Report to the Governing Body 2017-18*

The Clerk noted that a small number of amendments would be necessary to reflect the discussion of the letters of representation and financial statements audit (Paras 7.1 and 9.1). Members requested some further points of clarification in paragraphs 5.2 and 5.3. and additional references to the additional assurance through, for example, the Strategic Plan Referencing Document **(Action: Clerk)**. The Chair commented on the importance he continued to place on the External Quality Reviews (EQRs) and asked that these continue to be clearly communicated to governors **(Action: Principal/Clerk)**. Having discussed the read-across with F&GP and the new UK FRC Corporate Governance Code, no further changes were deemed necessary to the Committee's terms of reference.

**Recommendation: That the Governing Body approve at its next meeting the Audit Committee Annual Report subject to the amendments identified.**

**8. Any other business** None

**9. Meeting assessment**

The Committee were pleased to have had both auditors present. The meeting had been thorough in examining and reaching clear judgements on the levels of assurance available. Discussion had helped to identify new and much valued sources of assurance and been sensitive to the shared responsibilities with the F&GP Committee.

**10. Date of the next meeting:** Wednesday 6<sup>th</sup> March 2019 at **16.15**.

*The meeting ended at 10.00 a.m.*

Chair.....

Date.....

NCW 23/11/18