

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Wednesday 12th June 2019 at 8.00 a.m.**

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

Apologies: N/A

In attendance: Mrs Connie Coles (RSM), Mrs Sally Bromley, Mr Chris Harris (MHA MacIntyre Hudson), Mr Ian Dumbleton, Mr Dan Lodge, Mr Dominic Wakefield, 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 26th March 2019 were approved.

3. Matters arising

Item 3: The Principal confirmed that a form of words had been provided to the Mercers' Company in respect of a recent grant opportunity so that there might be greater flexibility. She was awaiting news on approval of the Mercers' Company's new Philanthropy Strategy which might help clarify when future opportunities might arise. The Clerk confirmed that the Q&C minutes had been circulated to co-optees.

Item 4: The Principal explained that further to the discussion at the last Audit Committee she had prepared a paper on the College's financial status for initial discussion by the F&GP Committee at their next meeting. This would in turn be reported to the Governing Body meeting. The general consensus appeared to be that the College should seek to maintain its 'outstanding' financial status if at all possible.

Item 5: The Finance Director reported that the College had decided to require public liability insurance of all hirers to avoid any vulnerability to claims being refused. Furthermore, MHA had amended both the lettings and property reports as requested.

4. External Audit 2018/19: College Preparations

Papers: Audit Planning Memorandum; Regularity Self-Assessment Questionnaire; Comparison paper on Codes of Governance

a) Audit Plan

Following discussion of the extent of the audit with the Finance Director and Clerk, RSM proposed a final fee of £14,750, excl. VAT, within the £15k ceiling approved by the Governing Body. Having heard an explanation of the new issues which needed to be addressed within the audit, most notably additional detail on executive pay, members asked questions about the amount of work undertaken by the College towards the financial statements and the use of national benchmarks in determining pay, after which they agreed this sum.

Mrs Coles explained further the approach to the forthcoming audit, with particular attention to key risks such as adjustments, income recognition (where there had previously been issues in connection with non-Government grants) and pension scheme liabilities. The Finance Director reported that the recent triennial review was understood to have

recommended a further 2% increase across all colleges to take effect from April 2020. As such this had been built into the college budget. In respect of the 'going concern' judgement, RSM acknowledged that this had not been an issue for Collyer's but they were mindful of the downward trend across the sector and the first FE college to have gone into insolvency. They anticipated a similar satisfactory response to the College's Regularity self-assessment questionnaire (SAQ).

Members noted the emerging issues affecting the sector though with few, for example T levels, of direct relevance at the current time. The Vice Principal (VP) reported that the next wave of providers to offer the new qualification from September 2021 was due to be announced in a week's time. He anticipated they would receive the same level of support at least in the first instance but that there had been benefits in being a first wave provider. Regarding the new AoC Remuneration Code, the Clerk confirmed that this had not been formally adopted but the new Remuneration Committee had been mindful of its principles in their efforts to abide by best practice. In setting SPH pay, governors were careful to benchmark salaries taking account of factors such as the College's location and size, the pay award available to its staff as a whole, and the performance and contribution of the individuals.

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

Members reviewed the draft SAQ suggesting some additional references to insolvency training and the role of committees as well as the Governing Body. They asked questions about early notification to insurers in employment disputes, overseas travel, the sources of advice in relation to HR and confirmed that there were no entries on the fraud log.

(Action: Finance Director to update document in time for submission to the Governing Body at their next meeting and RSM by the end of July).

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

The Clerk explained that the choice between the three possible codes of governance against which to report remained finely balanced with the Charity Code attractive but, as yet, untested and the UK FRC Code increasingly business-focussed. On balance members agreed to recommend that the College continue to report *against* the UK FRC Code (insofar as it was relevant to the education sector) for one more year. However, the nature of the revised 2018 version applicable to accounts with financial years starting after 1st January 2019 might suggest adoption of the AoC education-specific code or the Charity Code for the 2019-20 accounts. **(Action: Clerk to review further in one year's time and advise the Committee accordingly).**

Recommendation: that the Governing Body approve i) the revised Regularity Self-Assessment (subject to any changes before signature of the financial statements in December 2019) and ii) reporting against the UK FRC Code of Governance for the 18/19 accounts.

5. **Internal Audit reports 2018-19**

Papers: Applications and Recruitment, GDPR

Mr Harris introduced himself as the Audit Advisory Partner (with extensive education experience) and explained that the Audit Manager had only recently resigned. He acknowledged that this was unfortunate so soon after the previous Audit Manager and sought to reassure that he would be providing the continuity for the College at least until a new member of staff was recruited.

Turning to the second composite audit report of the year, he confirmed that the **'substantial' assurance** provided in both areas covered reflected a very satisfactory

position. There was only one 'low' recommendation in respect of Application and Recruitment Systems, proposing more consistent documentation of satisfactory school attendance. In response to questions, the Principal explained that the College was working towards a fully online process, extending beyond the application to the offer letter stage, in time for interviews in February 2020.

In respect of GDPR, Mr Harris acknowledged that colleges had had to prepare to be compliant before more detailed guidelines were available, so it was understandable that there was now some 'tidying up' to be done. Fortunately, the education sector had a good record in safeguarding student data so issues were more likely to arise in more fringe areas. The College had accepted the recommendations made (one medium, four low and two housekeeping) and was working on their implementation, most notably in the Finance Department with regard to communications with suppliers and contractors.

Members asked questions to gain assurance on safeguards in relation to payroll and a log of any data breaches as well as explanations of why data was retained. The Principal explained that reports were submitted twice a year to the ico to check compliance but nothing significant had arisen.

The Chair asked that the whole team be thanked for their concerted efforts in this area.

Finally, the Finance Director explained that the draft Website Effectiveness report had been received late so would be shared in full at the next meeting. Mr Harris confirmed that the report reflected very few problems but lots of helpful hints. The College considered this timely given the current review of the website.

6. Review of Performance of Internal audit services provider 2018/19

Paper: Performance indicators for internal audit 2018-19

[Mr Harris and Mrs Coles left the meeting].

The Finance Director explained that there had been some teething troubles since the change in personnel in the Spring. Ms Craig had clearly been seeking to do her best under a lot of pressure. The delay in the last report had been raised with Mr Shaunak who had assured the College of the company's commitment. MacIntyre Hudson had however once again produced comprehensive reports which added value.

Members expressed concern at the further turnover in audit managers whilst noting there had been continuity in those undertaking the audits. They also criticised the lack of communication of the changes until surprised at the meetings. **(Action: Finance Director and Clerk/Chair to communicate this concern and expectations to 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 Harris rejoined the meeting along with Mrs Coles.]

Mr Harris confirmed that MHA were very happy with the excellent support from the College when undertaking the audits, its high standards and effective communication and the very solid overall level of internal control.

7. Risk Management Annual Report

Papers: College-wide top risks 19/20; Potential External Strategic Level Risks 19/20;

The Principal explained that the report reflected the work of the Risk Management Group (RMG) covering multiple areas of the college. The documents were the result of each taking a fresh look individually at their risks before group discussion facilitated checks on scoring, mitigations, actions and leads and identification of the top-level risks. Some might

also be reflected into quality improvement plans in November when the RMG would also meet again to review progress. The key risks were financial, student safeguarding and - more than in the past - related to the 4As Centre. Moderation of the latter's scores had been considered but rejected not least in recognition of the fact that the area was in a time of some change owing to staff changes and the current hiatus in new apprenticeships until the next ESFA bidding round.

Members asked questions about the 'external' risk of colleges' designation as private sector by contrast to academies, noting the risk that the constraints on academies to secure additional income through e.g. international students might be relaxed rather than SFCs gain access to the additional money available to academies such as the refund of VAT and pay grant targeted in lobbying. The Principal explained that these financial disadvantages could impact on the recruitment of staff although the College's lettings and international students did provide a buffer. Members asked if this income could be threatened by increased competition. The Chair commented that the recent Awayday discussion of the Curriculum Strategy demonstrated that the College was proactive in its risk management, integrating it into its management strategies.

Members recognised the challenge of funding the teachers' pension increases were the Government not to fund these beyond the first year, asking whether the College could withdraw from the scheme as some independent schools were understood to be considering. The Principal commented that, even if possible, this would be unfavourable, for example in staff recruitment terms. Whilst withdrawal from the LGPS was thought to be permissible, she would also be reluctant to differentiate between teaching and support staff. Members noted that there was increasing union concern at the impact of financial pressures on staff pay with strike action being considered in protest at the Government's approach.

Recommendation: The Governing Body should approve the Risk Management Report 2019/2020 including College wide risks and potential external risks

8. Internal audit needs assessment, strategic and annual plan

Paper: Cover sheet covering outline programme to-date for 2019/20

The FD reminded members of the outline proposals discussed by both SMT and the Committee the previous year. In the light of the latest risk assessment, SMT had been considering whether alternative areas might be advised. Current thoughts were that the plan might encompass the ILR, staff succession planning, key financial controls and safeguarding within the 16 days budgeted. Areas which were no longer a priority included governance (given relatively low risk), alternative commercial income (given the new relationships e.g. with WSM and consequential reduced lettings capacity), and employability and the 4As (given proposed coverage of EQR in 2019/20). Members expressed the hope that a short review of insurance coverage might still be included.

(Action: Finance Director to liaise with MHA on the final programme and number of days required prior to formal endorsement by the Audit Committee in the autumn term).

9. Appointment and remuneration of internal audit services and review of performance indicators for 2019/20

Members welcomed MHA's proposal to hold their current daily rate for another year. The cost of the 2019/20 audit service would be approved along with the audit programme in the autumn.

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. The desirability for consistency in audit managers had been duly discussed. The contribution of Graham Lawrence over the years was much appreciated in advance of his move to F&GP and the Estates Sub-Committee. The Clerk reported on the proposed new member of the Committee who had similar significant experience of risk and assurance. She acknowledged that this still left a further vacancy which it was hoped would be filled by the new Mercer governor in due course.

12. Date of the next meeting: Wednesday 20th November at 8.00a.m. (provisional)

The meeting ended at 9.53a.m.

Chair.....

Date.....

NCW 12/6/19