



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 SEPTEMBER
2019 AT 10.00 AM IN THE BOARD ROOM, THE ROUNDHOUSE**

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MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 24 SEPTEMBER 2019 AT 10.00 AM IN THE BOARD ROOM, THE ROUNDHOUSE

Present: Kevin Slack (Chair), Hazel Clint, Rosslyn Green

In attendance: Richard Eaton (CFO)
Michael Ford (DPO)
Heather Simcox (Deputy CEO)
Jonathan Creed (ICCA – Internal Auditors)
Kyla Bellingall (BDO – External Auditors)
Rose Matthews (Clerk)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO

PART ONE - GENERAL MINUTES

01/19-20 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mike Kapur.

02/19-20 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM

All members were eligible and the meeting was confirmed to be quorate.

Rosslyn Green was an employee of Smith Cooper Accountancy.

There were no new declarations.

03/19-20 MINUTES OF THE PREVIOUS MEETING

RESOLVED: The minutes of the meeting held on 18 June 2019 were formally approved and signed as a true and accurate record.

04/19-20 MATTERS ARISING

48/18-19.4 The CFO confirmed an interim structure was in place that he had committed to review in January 2020. Clarity had now been provided in relation to CFO line reports with five people now reporting directly to the CFO.

Action Date

The CFO was liaising with the former CFO to discuss some of the points raised on the Key Financial Controls internal audit report.

The Committee Chair questioned the capacity of the CFO role and it was confirmed job descriptions for team members would be reviewed and updated early in the new year once the financial statements had been finalised and approved.

One post was already in place in relation to MIS with a further one currently being recruited.

Hazel questioned if the team were clear on their reporting structure. It was confirmed this had been confirmed with the team and formalised.

The Chair informed the Management Team that he had asked the External Auditors to highlight any early warning signs relating to slippage of deadlines. The CFO confirmed all was on track for w/c 7 October and the Finance Team were now clear on the expectations.

Funding Audit

The CFO summarised the feedback from the ESFA Funding Audit w/c 16 September. It was a rigorous audit with tests on a number of data issues raised in the sector.

The overall sample was big and very detailed with a small error rate, less than 5%.

They planned to return to carry out some retesting on w/c 4 October. There were some small tasks to carry out ahead of the visit relating to AEB, Study Programmes and Apprenticeships, along with chasing achievements, which needed to come in early to sign off for the audit.

05/19-20 ANNUAL INTERNAL AUDIT REPORT 2018-19

Jonathan Creed, of internal auditors ICCA, presented the Internal Audit Report for 2018-19.

The report summarised the internal audit work carried out over the academic year. The Internal Auditors were satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given on the adequacy and effectiveness of the governance, risk management and systems of internal control.

Based on the work undertaken during the year and the implementation of previous internal audit recommendations, they provided reasonable assurance that controls were operating adequately and effectively and any breakdown identified was not material.

Overall assessments for the year were summarised.

The Chair questioned if the report would be updated to include the ESFA Funding Audit. However, it was noted this would be included in the Committee's Annual Report should the Management Letter be received in time.

06/19-20 FINAL INTERNAL AUDIT PLAN AND STRATEGY

The Internal Auditors, ICCA presented the final Internal Audit Plan for 2019-20 and updated Strategy 2020-21.

The plan had been revised from the draft circulated at the previous meeting, and now reflected the change in CFO.

Each of the audits would have a terms of reference agreed prior to commencement and any revisions could be raised at the time.

The assurance plan is based upon an annual organisational assessment in 2019-20 and discussions with DCGs Internal Auditors. During 2018-19, two reviews - '16-19 Curriculum Efficiency' and 'Project Governance' did not take place, as transitional arrangements for the Chief Finance Officer were prioritised. Due to other emerging risks in the sector these reviews will not form part of the 2019/20 plan.

The Chair asked if a paragraph could be included in the report to reflect this.

MF

26/11/19

Rosslyn Green questioned why key financial controls were not being covered in the 2019-20 cycle. It was noted Budgetary Control and HR and Payroll formed part of the cycle. The External Auditors, although reviewing from a different angle would also report on this.

The Deputy Chief Executive informed the Committee they could revise the cycle if they wished. Jonathan Creed suggested keeping the strategy under review and also noted the Follow-up review would follow up on any recommendations from the previous audits.

RESOLVED: The Committee agreed to recommend the Internal Audit Plan and Strategy to the Corporation for approval.

07/19-20 EXTERNAL ASSURANCE – PROGRESS TOWARDS THE EXTERNAL AUDIT PLAN AND STRATEGY FOR 2019-20 FINANCIAL STATEMENTS

Kyla Bellingall, of External Auditors BDO shared progress to date on the External Audit Plan.

A briefing process had been carried out and the deliverables had been circulated to the DCG team with the Auditors expected on site in two weeks' time.

There had been no slippage on timescales to date and any concerns would be raised.

The key contacts from the previous year remained the same. Delays last year amounted from the Audit Clearance meeting and as such the expectation was clearly defined for this year.

The Chair confirmed with the CFO the covenants were compliant and the Group had dialogue with the Bank.

The Chair also clarified the pension position and requested that the report from the actuaries would be received on time. The CFO confirmed the report had been received and would follow up with the Financial Accountant. The External Auditor provided a pensions overview for the new member of the Committee.

08/19-20 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

Michael Ford shared the Internal and External Recommendations Monitoring Report, 10 of the 27 actions had been completed. The others remained on target for completion.

Michael confirmed the dates were aligned to the Risk Management meetings as previously agreed and no recommendations were signed off unless there was evidence to substantiate.

Rosslyn, relating to reference 99, questioned if a Compliance and Levy Consultant had been appointed. It was confirmed they had commenced in post.

Hazel Clint noted the Group's response actions had not been included in the document and wondered how this was cleared and it was requested a sentence be added to reflect this. It was clarified that this document formed part of a much larger working document that was reviewed at monthly Risk Management meetings.

MF

26/11/19

09/19-20 STRATEGIC RISK MONITORING

The Risk Management Report was shared with Committee Members and 'high' priority risks identified as detailed in the report and discussed in the meeting.

Two current litigation cases were referenced and there were no significant safeguarding or prevent issues to escalate to this meeting.

Hazel questioned if a date could be included for the preventative controls. The effectiveness of this was discussed and it was noted as long as the risk was identified and the Committee were aware of attempts to recover it that should be sufficient.

10/19-20 ASSURANCE PLAN 2019-20

The Assurance Plan for 2019-20 was shared which had been cross referenced against the Internal Auditor's Audit Plan for 2019-20.

The document would be updated as the audits take place and any emerging issues identified.

11/19-20 AUDIT COMMITTEE SELF-EVALUATION FOR 2018-19

The Clerk shared the findings of the Audit Committee's Self-Evaluation.

The areas of comment related to succession planning, reliance on the accountants to understand the subject matter and additional training.

Hazel said she would benefit from some finance training as the language was different to her sector. She said she would be interested to know what a good set of accounts looked like and how many cash days were good etc.

Reference was made to the FE Commissioners Annual Report which was presented to the Board in May 2019. The Clerk would also circulate the benchmarks set by the FE Commissioner in 2015. Further training would also be sought.

RM

26/11/19

12/19-20 DRAFT AUDIT COMMITTEE ANNUAL REPORT FOR 2018-19

The Clerk presented the draft Audit Committee Annual Report for review. The revisions were highlighted and the Clerk would share the final version at the next meeting.

Hazel Clint commented on the size of the report, but the Internal Auditors confirmed this was the Committee's assurance to the Corporation that the Group's governance, risk management and control arrangements were effective and documented the evidence to support these recommendations.

ACTION: It was agreed the Clerk would provide a brief covering report for the next meeting.

RM

26/11/19

13/19-20 TERMS OF REFERENCE REVIEW

An annual review of the Committee's Terms of Reference had been undertaken.

One revision related to the independence of the Audit Committee to appoint its own Chair.

RESOLVED: The Committee approved the revised Audit Committee Terms of Reference.

14/19-20 OFFICE FOR STUDENTS (OFS) ACCOUNTS DIRECTION

An overview of the OFS accounts direction was provided by the CFO and the External Auditor.

In light of the consultation issued by the OFS in August 2019, the Association of Colleges (AoC) responded on behalf of the further education sector requesting OFS co-ordinate with the AoC and the Education and Skills Funding Agency, which was more relevant to colleges.

Additional audit assurance may be required, along with a different opinion.

15/19-20 POLICIES

The Corporation had received the following policies for remotely for approval:

Financial Regulations
Treasury and Cashflow Management Policy
Bribery Policy
Anti-Money Laundering Policy
Cash Handling Procedure

Members queried some of the formatting of the documents and it was agreed to review these and circulate again at the next meeting.

RM/RE

26/11/19

The meeting finished at 12 noon

Signed: _____ Date: _____