

Minutes of the Audit Committee meeting held in the Executive Boardroom at 16:00 on Wednesday 27 June 2018

Present	Martin Ballard (Chair)	Paul Wingfield	Sarah Hobbs
In Attendance	Simon Stanyer (KPMG) via dial-in	Rachael Wright (Mazars)	Andrew Clare, (VPFR)
	Denise Pitt (Asst Clerk)	Louise Perry, (VPFR Designate) [from 4.17pm]	
Apologies	Anne Earle	David Hoose, Mazars	

STANDING ITEMS

20/17 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS

The apologies were accepted, the meeting was quorate, no notice had been received of any Member becoming ineligible to hold office and there had been no interests declared.

21/17 The minutes of the meeting held on 6 March 2018 were recorded as a true record.

22/17 ACTIONS AND MATTERS ARISING FROM THE MINUTES

- a. Outstanding Actions. Outstanding actions from the previous meeting were reviewed, those outstanding or varied were considered:
- (i) Action 1. 13/17 – The minutes of the meeting held 7 December 2017 had been signed. Complete.
 - (ii) Action 2. 14/17a – KPI framework had been presented to the Corporation and agreed. Complete.
 - (iii) Action 3. 14/17a – Details of the summer Asset Reconciliation will be presented after the summer to the next Audit Committee meeting. **(Action 1)**
 - (iv) Action 4. 14/17a – Tender for external audit in 2018/19 is on the agenda and will be discussed at end of the meeting.
 - (v) Action 5. 15/17d – IT new starter set ups had been resolved. Complete.
 - (vi) Action 6. 15/17d – The VPFR will circulate update on Tuition Fee reconciliation to members **(Action 2)**
 - (vii) Action 7. 15/17d – Implementation Progress Summary - It was confirmed that completed recommendations would remain on the reports until verified

by the IAS on follow up report. **(Action 3)** A copy of the follow-up report is in the meeting papers.

(viii) Action 8. 16/17 – The suggested addition to the Risk Register had been considered by the Risk Management Group (RMG) who had agreed to maintain the current format for the time being, however, it was agreed to discuss further at the next RMG meeting. **(Action 4)**

b. Matters Arising from the Minutes. There were no matters arising from the minutes.

c. Urgent Business. There was no urgent business requested.

BUSINESS ITEMS

23/17 INTERNAL AUDIT SERVICE

a. Internal Audit Annual Reports and Feedback

Business Development – The report covers apprenticeship provision, the Strategic Plan, marketing, arrangements for levy monies and learner numbers. Four housekeeping recommendations had been raised and are being addressed.

Compliance Review – Key controls within areas are reviewed twice annually including Financial Systems, Ordering and Purchasing, Human Resources including absence management, Student Data Integrity Testing and Budgetary Control. Four minor housekeeping recommendations had been raised and actions are taking place to remedy; processes are being reviewed and tested now ready for implementation in September 2018.

Business Planning – The report received a substantial assurance rating with no recommendations; overall a very positive report. New business initiatives and governance around these were also considered. This excellent outcome was recognised by the Committee.

b. Update on Previous Internal Audit Recommendations - Follow-Up Report – A positive picture with six recommendations fully implemented, two points in progress and the remainder not due at this time. The Executive had discussed the report and agreed the actions in place to mitigate the points in progress. A review of the follow-up report will be moved to October 2018, then dependent upon outcomes, will be reviewed again as part of the control review in 2020. **(Action 5)**

c. Internal Audit Plan 2018/19 – The Committee asked how the audit scope is determined. The Auditors had met with the VPFR to discuss and had looked at areas covered previously and at the Strategic Plan. It was then reported to the Executive that all areas had been included in the scope. The Committee asked how modern slavery is covered and a discussion ensued; Mazars will include within the compliance review. Following the CQS Committee meeting earlier in June, a letter has been sent to subcontractors regarding DBS, Safeguarding and Prevent compliance; this will be reviewed under the audit of subcontractors. The review of subcontractors will be brought forward to the Quality Improvement slot on the schedule. Other subcontractors, such as building contractors, as well as educational subcontractors, will be reviewed under the audit in October 2018. Mazars and the VPFR to agree the final Audit Plan 2018/19 and circulate to members. **(Action 6).**

24/17 EXTERNAL AUDIT – CONFIDENTIAL

a. External Audit Plan and Strategy for Year Ending 31 July 2018

The main purpose of the audit is to issue the Committee with opinion on whether the financial statements give a true and fair view of the College's affairs and have been properly prepared in accordance with accounting regulations. The report includes Quality Resourcing Solutions (QRS) Ltd. and looks at regularity, revenue and materiality, significant revenue risks, ESFA allocation documentation, a review of journals and pensions (actuary's report reviewed to ensure within benchmarks). The College's overall financial position is well controlled as evidenced by the internal audit service undertaken. Student numbers for September 2017 were good and should have a positive effect for September 2018, the College has good cash balances and there are no covenant issues. The Audit Plan was noted. The Regularity Self-Assessment (ACOP) to be signed off in December 2018. **(Action 7)**

Simon Stanyer outlined that the materiality for the audit will be £200k and any variations above this figure will be material and the accounts automatically adjusted. Any potential audit adjustments above £10k will be reported within the management letter.

KPMG will be undertaking the initial audit at the end of July 2018 which will include a review of some systems work and the treatment of the refurbishment of the 5th floor of the main building and a small restructuring programme during the year.

The main audit is due to take place during the first two weeks in October. KPMG confirmed that the Financial Controller produces a good set of working papers and responds to queries in a timely manner, therefore, this should be a relatively straight forward audit.

25/17 RISK MANAGEMENT

a. Risk Management Report (RMG)

The Committee discussed the RMG report and, in particular, the higher than anticipated applications for Construction courses for 2018/19. In 2017/18, the College had purchased a hangar for Brickwork courses, located behind the Construction Centre and is looking at the possibility of extending classrooms to accommodate the projected numbers in 2018/19. Some work has been undertaken over the last few weeks to see how an extension may come to fruition; awaiting quotes; would become part of the capital plan. Previous offsite provision had been brought back onsite in 2016. Other options are also being explored on how to address the potential increase and to attract appropriate staff. Six recruitment advertisements have been placed; the demand for staff in the construction sector is significant.

26/17 CONFIDENTIAL ITEMS

a. Review of Performance 2017/18 and Qualitative Performance Indicators 2018/19

Overall a positive assessment for the Internal Audit Service; initial problems had been overcome including the attendance of a Director level auditor at Committee meetings. The Committee queried the timing of the internal audit assessment and whether this should coincide with the external audit assessment; also would it be beneficial to undertake a retendering process. The VPFR said the service was retendered in January 2015 and there had been a problem finding an appropriate company. The Committee asked which audit companies act for other local colleges. The VPFR said this was one of the first projects the Collaboration Working Group had looked at, however, there had been no appetite within the group to tender for audit or legal services. The internal auditors are providing a

good service. The Committee proposed to recommend to Corporation the reappointment of the Mazars on a two-year, fixed fee contract and to go out to tender in 2020, providing an overall five-year contract, subject to sustained performance. A market review would be undertaken by the VPFR within the two-year period.

- b. To bring both services in line, it was agreed to retender for External Audit Services in 2020, as above. This will allow time to undertake due diligence on other companies who would be invited to tender. Appoint Mazars for two years and tender for the service for 2020/21. **(Action 8)**

27/17 URGENT BUSINESS

There had been no urgent business agreed.

28/17 DATES OF NEXT MEETINGS

Thursday 6 December 2018 at 16:30 in the Executive Boardroom.

29/17 ACTION REGISTER

Action Register: Please refer to minute for additional information.		Resp	Date
Action 1	Action 3 – 06/03/18 - 14/17a – Asset Reconciliation to be presented at autumn meeting.	VPFR	06/12/18
Action 2	Action 6 – 06/03/18 - 15/17d – Tuition Fee reconciliation to be circulated to members.	VPFR	02/08/18
Action 3	Action 7 – 06/03/18 - 15/17d – Completed recommendations to remain on reports until verified by IAS.	Mazars	asap
Action 4	Action 8 – 06/03/18 – 16/17 – Formatting of Risk Register to be considered at the next RMG meeting.	VPFR	Sept 18
Action 5	23/17b – Follow-Up Audit Report – Outcomes to be reviewed in October 2018.	VPFR	Oct 18
Action 6	23/17c – Agree final Internal Audit Plan 2018/19 and circulate to members.	Mazars	End Aug 18
Action 7	24/17a – Regularity Self-Assessment (ACOP) to be signed off in December 2018.	Clerk	Dec 18
Action 8	26/17b - Appoint Mazars for two years and tender for the service for 2020/21.	VPFR	Spring 2020

Ralph Devereux (Clerk) for Martin Ballard (Chair)

Ralph Devereux (Clerk) for Martin Ballard (Chair) (Dec 15, 2018)

Audit Minutes 27.06.18 (v2)

Final Audit Report

2018-12-15

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