

**Minutes of the meeting of the
Audit Committee held on
Monday 25 March 2019, at 4.00pm in the Boardroom**

Present: Mark Bass - Chair
Sarkis Mazmanian
Balbinder Panesar (Co-opted)

In attendance Wijay Pitumpe - Chief Finance & Enterprise Officer (CFEO)
Nick Fanning – RSM (NF)
Victoria Eastwood - Clerk to the Corporation
Maxine Deslandes – Director of Finance & Estates

1. Welcome and apologies for absence

There were no apologies for absence. The Chair welcomed those present to the meeting and introductions were made for the benefit of Balbinder Panesar who was attending his first meeting.

2. Declarations of Interest

Members were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. Sarkis Mazmanian declared an interest in Agenda Item 5.

3. Minutes of the Previous Meeting – Monday 3 December 2018

The Minutes of the previous meeting held on Monday 3 December 2018 were agreed as a true and accurate record.

4. Matters Arising

An update on outstanding actions from the December 2018 Committee meeting were provided:

Ref.	Action	Responsibility	By (Deadline)	Update
5a	The appointment of Vice-Chair be deferred to the March 2019 Committee Meeting.	Clerk	25 March 2019	Complete – included on the March Agenda.
6a	Corporation Training log to be included on February and July Corporation Agendas.	Clerk	ASAP	Complete – the training plan was presented at the February Corporation Meeting and added to the Corporation schedule of business as appropriate.
9	Media Training for Governors to be included at the April 2019 Strategic Planning Event	Clerk	April 2019	This will be considered for Governor training against current priorities.

Sarkis Mazmanian referred to agenda item 7 in the Minutes and asked for clarification concerning the overall cost staff cost increase to £21.9m compared to £20m previously which had resulted in a 61.7% staff cost ratio. The Chief Finance & Enterprise Officer (CFEO) replied that there had been an income increase which had resulted in more staff being required. The Director of Finance & Estates (DOFE) added that there had been a number of ESF projects which had increased staffing. Balbinder Panesar stated that overall the ratio was very good. The CFEO advised that the FE sector average was c65% and the College had made surpluses consistently for the last 6 years.

There were no further matters arising that were not covered by the Agenda.

The Auditors confirmed there were no matters requiring College staff to withdraw.

5. (a) Election of Vice Chair of the Committee

The Clerk reported that the appointment of Vice-Chair of the Committee had been deferred several times as the membership of the Committee had made it difficult to fill this appointment. Conversations had taken place outside of the meeting and Sarkis Mazmanian had agreed to act as Vice-Chair of the Committee until October 2019 when membership of the Chair and Vice-Chair of the Committee would be reviewed. This was unanimously agreed by the Committee.

Approved: That Sarkis Mazmanian act as Vice-Chair of the Audit Committee until October 2019.

6. (a) Internal Audit Reports

The Internal Auditor, Nick Fanning, advised the Committee that he had taken over from Sam Abbas as the Internal Audit Manager for the College.

CIS Processes

Nick Fanning reported that this was a positive report citing particular strength in the wealth of materials provided to Curriculum Area Managers to enable well informed student number forecasting; well defined timescales through the curriculum planning process and conversion rates being calculated as appropriate and utilised through the monitoring of applications. The Committee were informed that a 'green' rating had been issued for the report highlighting substantial assurance and no actions had been raised.

The Chair noted that the report referred to both 'SLT' and 'SMT' and asked for clarification. It was clarified that SLT was the correct term.

The CFEO advised that the previous assurance rating was red, amber, green but this had been changed by RSM to include amber/green for reasonable assurance.

Sarkis Mazmanian referred to the applications for the academic year as at the 11 February 2019 and queried whether further applications were received towards the end of the year. The CFEO responded that applications were received throughout the academic year from September through to July as courses had different start dates. In response to a further query from Sarkis Mazmanian, it was agreed that the Clerk would explore whether applications were declining.

Examinations

Nick Fanning reported that reasonable assurance had been given for Examinations and the College had policies and procedures in place for examinations that were aligned to the JCQ guidance. One controlled weakness had been identified resulting in one high priority management action being agreed pertaining to payment process. The DOFE advised that a new process was now being implemented by the Head of CIS to identify students who had sat exams for a second or third time.

In response to a query from Sarkis Mazmanian, it was clarified that reasonable assurance was provided prior to the recommendation being resolved. The follow up audit would provide assurance on whether the system implemented was working.

The Chair questioned why the Examinations Manager did not routinely receive the report. The DOFE advised that the SLT member with responsibility for exams received the report and agreed the recommendations etc. It was then their responsibility to ensure the Head of Exams saw the report.

The Chair asked whether the current invigilation ratio of 1:11 was necessary compared to the guidance of 1:20. The CFEO clarified that this was due to the course make up and type of exams used. Previously, the majority of vocational courses were assessed through coursework but Government policy was changing and as a result more exams were taking place.

The Chair noted that the agreed implementation date for the recommendation made was September 2019. The DOFE added that the Head of MIS was responsible for the dates.

Agreed: That the Internal Audit reports be noted.

(b) Progress on Previous Internal Audit Recommendations

The DOFE provided an update on progress against previous audit recommendations, highlighting the following:

- The Director of Apprenticeships had left the position during summer 2018 and her replacement would have to progress the recommendations therefore the dates had been revised. A further update would be provided at the June Committee Meeting.
- Governance and risk – further to an internal audit of Governance and Risk in February 2019, it had been agreed that the recommendations received will be incorporated into a board effectiveness review to take place in April 2019.
- Risk appetite was dependant on context however an improved framework had been introduced and this would be discussed with the full Corporation at the April Strategic Planning Event.
- Examinations – the policies were presented to SLT last week and further discussion would be taking place to look at these in great detail. The COO had left the College and an Interim VP was in place who would now go through the detailed policies.

Balbinder Panesar referred to a typo on page 54 of the report. The date should read 2019 and not 2049.

The Chair stated that going forward an explanation of why implementation dates had been reviewed/deadlines not achieved would be useful. This was agreed.

Action: Explanation of why there had been an extension to recommendation/implementation deadlines to be included in future reports.

7. Progress on Previous Financial Statement Auditor Recommendations

The DOFE provided the Committee with an update on progress against recommendations made by the College's Financial Statement Auditors advising that the recommendation pertaining to aged creditors/debtors had been completed.

With reference to the recommendation regarding subsidiary cut off issues, Balbinder Panesar queried whether there was an understanding of historic trends of missed accrual at the point of cut off. The DOFE responded that this was based on dates as there was always one person that did not read the information provided regarding the cut-off date and subsequently missed the deadline. The College tried to push through as much as possible but as the College was audited in the second week of October, the deadline needed to remain at the end of August.

Agreed: That the current position be noted.

8. (a) Risk Register

The CFEO advised of updates to the risk register. Departmental Risk Registers were embedded within each business area and reviewed through business planning before being discussed at the SLT meeting. The changes to the register were highlighted:

High risks

- Changes in funding body policy
- Pensions - Teachers pension scheme valuation could result in an increased contribution for the College from 16.78% to a maximum 20%. Worst case scenario, this would be an increased contribution of c£500K for the College. Implementation was currently on pause due to challenge of the Government by unions and lobbying is taking place.
- Brexit – this risk will have significant impact on the FE sector as a whole however the details is yet unknown and therefore management assurance and/or control measures are not included.

The College has started to collate relevant data and is aware there will be an impact on any staff and students from the EU particularly those undertaking ESOL courses.

Medium risks - ongoing assurance activities taking place in each area

- Meeting learner targets – due to funding and economic climate.
- Disaster recovery
- Diversification of income
- Quality - QAR data as highlighted at the Governor SAR validation day

- Extremism/radicalisation
- Subsidiaries & joint ventures – two subsidiary companies made a deficit last year and this has therefore increased the risk. The subsidiary Boards are monitoring progress and will need to decide if the companies are viable long term

Sarkis Mazmanian referred to the risk of extremism/radicalisation and asked if the College had encountered any cases resulting in this being included on the register. The CFEO explained that the College had a legal responsibility to report any offences of this nature and to ensure staff had appropriate training.

In response to a query from Sarkis Mazmanian, the CFEO clarified that the risk in relation to the OfS registration was included in the section for quality.

Sarkis Mazmanian asked if there was a risk for increased competition. The CFEO advised that this would be a product of the business planning process and could be added to management control in terms of competitor analysis. Balbinder Panesar stated that the risk of increased competition could also be added to the planning risk (risk 10). CFEO to action.

Balbinder Panesar noted that he liked the overall structure and layout for the register. The CFEO added that staff found it easy to follow.

Action: the risk of increased competition to be included in the Risk Register.

9. Any Other Business

The Chair reported that at a recent training event it had been advised that Governors should receive a copy of the management accounts each month and it was his view that the College should undertake this practice. Balbinder Panesar added that he was a trustee at a MAT Beacon and it was their initiative that management accounts were available each month. The CFEO stated that due to heightened activities in the FE sector this would be good practice. The Clerk suggested that the management accounts be uploaded to the E-Governance portal monthly. This was agreed.

Action: Management accounts to be uploaded to the E-Governance system each month.

10. Date and Time of Next Meeting – Monday 17 June 2019, 4pm.

The Chair thanked all present for their contributions.

The meeting concluded at 5pm.

ACTIONS FROM MEETINGS OF THE AUDIT COMMITTEE

Ref.	Action	Responsibility	By (Deadline)	Update
6(b)	Explanation of why there had been an extension to recommendation/implementation deadlines to be included in future reports.	DOFE/Clerk	June Committee Meeting	Noted for future reporting
8	Risk of increased competition to be included in the risk register.	CFEO	ASAP	Completed
9. (AoB)	Management accounts to be uploaded to the E-Governance system each month.	DOFE/Clerk	ASAP	Ongoing – April Accounts have been uploaded.

Signed.....
Mark Bass (Chairman)

Date.....