

**Minutes of a Meeting of the Audit Committee  
Wednesday 21 November 2019**

**Present** Mr J Bryant (Chair)  
Mrs C Ajit Singh  
Mr M Malhorta

**Also present** Mr J Allen (Clerk)  
Mr M Cooper (Executive Director Finance & Compliance)  
Mr C Harris (MacIntyre Hudson)  
Mr S Blakemore (Buzzacott)

The meeting commenced at 18.00.

**WELCOME, ANNOUNCEMENT & DECLARATIONS OF INTEREST**

1. The Chair thanked everyone for their co-operation in rearranging the date of the meeting from 21 November to 22 November. The Chair welcomed Mukesh Malhorta (Governor) to his first meeting. Welcomes were also extended to the auditors in attendance - Chris Harris (MacIntyre Hudson), and Shachi Blakemore (Buzzacott). Apologies were received from Ms T Aust. There were no declared interests against any of the agenda items. It was confirmed the meeting was quorate.

**MINUTES**

2. It was **RESOLVED** that the minutes of the meeting held, 26 June 2019, (Paper 1) be confirmed as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

3. The 'Summary Action List' (Paper 2) was received. The following updates were made available:

<b>MIN REF</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>COMMENTARY / UPDATE FOR MEETING 29 NOVEMBER 2019</b>
77	It was <b>AGREED</b> to amend the College's Staff Expense Policy to state that the Clerk must approve arrangements for travel by the Chair.	It was confirmed that this has been actioned and confirmed in the Staff Expense Policy
78	The Clerk advised that legal advice he had received on this matter confirmed that a record should be kept by the HR Department to confirm if the employee, having decided to opt out, had sought and obtained independent advice. Such a record should protect the College of any claim being made by the employee, as the College would not be the organisation providing the independent advice. The Principal <b>AGREED</b> to raise this with HR.	HR recommend staff to seek independent advice should they decide to opt out, and it was reported that when such recommendations are made by HR to staff, the details of the recommendations are recorded in the employee's file.

80	Buzzacott are scheduled to undertake the audit on subcontracting controls and outcomes will be reported to the ESFA and to the next meeting of the Audit Committee	Agenda item
83	Internal Audit Plan 2019/20 - to receive for approval	Agenda item
87	The AoC has published a new senior staff pay code for college leaders following consultation with members, governors and other stakeholders. The adoption of the Code is voluntary but the Clerk confirmed the principles of the Code are to be adopted in the Remuneration Committee's terms of reference as part of the governance review that is currently being undertaken.	The AoC Senior Staff Pay Code has been incorporated into the terms of reference for the Remuneration Committee

4. There were no other matters arising from the minutes.

#### **INTERNAL AUDIT REPORTS**

(i) 2019/20 Visit 1 Internal Audit Report

5. The audit conducted an assurance review on student application and enrolment and the following opinion and recommendations were made:

Audit Report	Audit Opinion	Recommendations
Student application and enrolments	Substantial Assurance	2 Medium 2 Low

6. The recommendations proposed were as follows:

- Medium - To create a detailed and focused marketing strategy which focuses on public outreach to facilitate increased recruitment and awareness.
- Medium - Enquiries received from students should be recorded by the Admissions team
- Low - A clearer linkage with the objectives from the College Development Plan and the Learner Keep Warm flowchart.
- Low - The schedule of keep warm events and activities should include any additional details such as estimated cost of each activity, in addition to the member of staff leading the activity/event.

7. It was confirmed Management accepted the recommendations, and following review of the Management responses, the Audit Committee were satisfied that planned remedial actions were timely and appropriate. In particular, the requirement is for all teaching staff to complete registers, and a failure to do so could lead to capability action being taken.

8. It was **RESOLVED** to note the report.

(ii) Internal Audit Annual Report 2018/19

9. The report confirmed the areas subject to audit were in accordance with the agreed audit plan for 2018/19.

10. The '*Internal Annual Report 2018/19* confirmed the following annual opinion from the Internal Audit Service for West Thames College following the audit work undertaken from the planned internal audit reviews:

*It is the opinion of the Internal Audit Service that West Thames College has adequate and effective management, control and governance processes in the areas examined which should enable the College to manage the achievement of its objectives.*

11. The Committee welcomed the positive opinion expressed within the report and it was **RESOLVED** that the '*Internal Audit Annual Report 2018/19* be included within the Annual Report from the Audit Committee, and be recommended for the approval by the Corporation at its meeting of 11 December 2019.

(iii) Internal Audit Strategy & Plan 2019/20

12. The Committee received, for review and approval, the proposed '*Internal Audit Strategy & Plan 2019/20*' It was proposed to audit the areas listed below following initial discussions that were held at the last meeting of the Audit Committee and after a review of the Risk Register and Board Assurance Framework:

- Student Applications and Enrolment
  - Student Applications and Enrolment (*complete*)
- Board Assurance and Management
  - Board Assurance framework and risk management (*4 days*)
  - Key performance indicators (*3 days*)
  - Insurance Arrangements (*3 days*)
- Financial Viability
  - Other Income and Bursary Funding (*3 days*)
  - Treasury and investment management (*3 days*)
- Management of Estates and Property
  - Monitoring and effectiveness of property strategy (*3 days*)

13. It was **RESOLVED** to approve the '*Internal Audit Strategy & Plan 2019/20* as proposed.

14. The Committee were reminded that the proposed internal audit work is only part of the Board Assurance Framework and that other sources of assurance will be sought to help inform the Committee's overall assurance opinion.

## **OUTSTANDING AUDIT RECOMMENDATIONS**

15. The '*Outstanding Audit Recommendations Report*' was received. It was confirmed at the last Audit Committee meeting on 26th June 2019 the '*Outstanding Audit Recommendations*' report included an update of the four recommendations as at that date, of which three had been implemented and one was work in progress.

16. The one outstanding recommendation from June was presented in the report together with four recommendations arising from the 2019-20 internal audit of

'Student Applications and Enrolment' undertaken by MacIntyre Hudson in September. The report summarised the five audit recommendations and provided an update on their current status. Of the five recommendations, three are ranked medium priority and two are ranked low priority.

17. The Committee was satisfied with the progress being made in the implementation of the audit recommendations.

18. It was **RESOLVED** to note the report.

#### **FINANCIAL STATEMENT & REGULARITY AUDIT POST AUDIT MANAGEMENT LETTERS & FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2019**

19. Under this agenda item, the Committee received the following reports:

- Financial Statements 2018/19
- Post Audit Management Letter
- Letter of Representation
- Completed regularity self-assessment document for information only

20. As required by the Audit Code of Practice, a copy of the College's draft '*Financial Statement and Annual Report 2018/19*' was made available. Whilst the Audit Committee has sight of the full financial statements for reference, the main purpose of the Audit Committee is to review the Statement of Corporate and Internal Control, and Statement of Responsibilities of the Members of the Corporation as well as reviewing and recommending, for Corporation approval, the '*Post Audit Management Letter*'.

21. The Finance Committee reviewed the financial details in the accounts. The final management accounts for the year ending 31 July 2019 presented to the Finance Committee reported an operating surplus of £155k. However, the draft financial statements included in staff costs a charge for the year of £177k in respect of an increase in the value of holiday pay accruals as at 31 July 2019 compared with 2018. If confirmed, the operating result for the year would therefore be a deficit of £26k instead of a £151k surplus (the difference in the £155k operating surplus as per the management accounts and £151k reconciled to the financial statements being due to rounding adjustments).

22. In addition to the above, page 6 of the Post-audit Management Report of the external auditors, which provides a reconciliation of movements between the total comprehensive income for the year as reported in the financial statements and the 'operational' result, showed a deficit of £26k in the report made available to the Finance Committee, whereas the report issued in the papers for the Audit Committee showed a surplus of £151k.

23. The above gave rise to several issues requiring further action from the Executive and subsequent clarification to be provided to the Finance Committee, and, in particular, confirmation of the accounting treatment required for the movement in holiday pay accrual.

24. The Director of Finance and External Auditor provided an update to the Audit Committee that confirmed an investigation of the holiday pay accrual data undertaken by the Executive revealed that, whilst there was no error in the calculation of the accrual value, the underlying data used to calculate the accrual

contained significant errors. Evidence of the overstated holiday pay accrual value as at 31 July 2019 has been presented to Buzzacott who have revisited their audit of this item and confirmed that, as there is no material movement in the value of the accrual between 31 July 2018 and 31 July 2019, the £177k increase included in the draft accounts should be corrected. This item has therefore been added to the audit adjustments identified in Appendix 1 of the external auditor's Post-audit Management Report

25. Given the post-audit adjustment in relation to the £177k movement in holiday pay accrual reported in the draft accounts, the operating result for the year is confirmed as a surplus of £151k compared with the budgeted surplus of £200k and 2017-18 surplus of £504k.

26. As a result of final agreement from the auditors on the accounting treatment of holiday accruals, an updated 'Audit Findings Report' will be issued

27. Financial Statement Auditors (FSAs) are required to issue two audit opinions:

- An opinion on the financial statements
- An opinion on the regularity of financial transactions

28. The financial statements opinion is addressed to the College. The regularity opinion is addressed to the College and the Education Skills Funding Agency (ESFA).

29. The financial statement auditor has issued an unqualified report on the 2018/19 accounts. The auditors also confirmed the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006; and
- Have been prepared in accordance with the Academies Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

30. The 'Audit Findings Report' made available to the Committee raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2018/19.

31. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2019.

32. It was **RESOLVED** that the revised '*Post Audit Management Letter*' and '*Letter of Representation*' be included within the Annual Report from the Audit Committee and be recommended, for the approval by the Corporation, at its meeting of 11 December 2019.

33. It was **RESOLVED** to recommend that the Corporation at its meeting on 11 December 2019 approves the Financial Statements and Annual Report for the year-ended 31 July 2019.

## **AUDIT OF SUBCONTRACTORS**

34. The ESFA funding agreement and funding rules contain a clause concerning an annual subcontracting external assurance requirement.

35. This clause requires that, where the College enters into subcontracts for the purpose of delivering provision under the funding agreement with an aggregate value of £100,000 or more in any one year, it must obtain an annual report from its external auditor which provides assurance on the arrangements that the College has in place to manage and control its subcontractors. The College must supply the ESFA by 31 July 2019 with a certificate signed by its external auditor and an authorised signatory confirming it has received a report providing satisfactory assurance.

36. In 2018-19, the College subcontracted provision funded through the Adult Education Budget to a value of £398k. The College was therefore required to certify that the external assurance had been provided and, if requested, provide the ESFA with a copy of the full audit report and any associated action plan resulting from recommendations made by the external auditor.

37. The College appointed Buzzacott to undertake required.

38. The certificate and the external audit report were made available for the Committee to review. The Committee welcomed confirmation from the auditors that they made no observations and recommendations as a result of their work.

## **CONFIDENTIAL SESSION**

39. Prior to considering its Annual Report to the Corporation, the Committee has the right to go into confidential session without college management being present, should the Committee or the Auditors deem it to be necessary. It was confirmed that there was no need to go into a confidential session.

## **ANNUAL REPORT 2018/19 FROM THE AUDIT COMMITTEE**

40. The 'Annual Report 2018/19 from the Audit Committee' was received. There is a requirement in the Joint Audit Code of Practice stating that the annual report of the audit committee is to be written for both the governing body and the Principal, as the accounting officer of the College. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

41. The Annual Report must offer an opinion from the Audit Committee to both the Corporation and Principal. The Audit Committee agreed the following opinion:

*The Audit Committee, through review of auditors' reports and discussion with auditors and college managers, has arrived at the opinion that West Thames College has adequate and effective assurance frameworks, framework of governance, risk management and control processes for the effective use of resources, solvency of the institution and the safeguarding of its assets.*

*The Committee is satisfied with the financial reporting of West Thames College and the performance of the internal and financial statement & regularity auditors.*

*The Audit Committee considers that the Corporation's responsibilities have been satisfactorily discharged and recommends this report to the Corporation.*

42. The Committee **AGREED** to add a section in the Annual Report from the Audit Committee covering notification to the Committee of any whistleblowing allegations, and to make available a table summarising the outcomes of the reviews conducted by committees on those risks from the Risk Register that fall within the scope of the Committee.

43. It was **RESOLVED**

- (i) To approve the 'Annual Audit Report 2018/19 from the Audit Committee'; and
- (ii) That the 'Annual Audit Report 2018/19' from the Audit Committee' be made available to the Principal and Corporation at its meeting on 11 December 2019.

## **RISK MANAGEMENT**

44. The Committee received for review all 'Red' and 'Amber' risks in the Strategic Risk Register. It was noted that none of the high risks fall within the terms of reference of the Audit Committee.

45. The Clerk confirmed that the Finance Committee and Quality Committee, at their respective meetings this term, conducted a review of the high risks that fall within their terms of reference. Both Committees were satisfied with the robustness of the proposed mitigation actions to reduce the risk and of the sources of 'independent assurances'. No new risks were identified by either committee.

46. It was reported the scoring of 9 risks have been changed since the last review and the changes were outlined in the Risk Register. Risk 44 has been revised to reflect the return to an outsourced catering provider in Taylor Shaw.

*(The Auditors left the meeting at this point).*

## **ANNUAL REVIEW OF AUDITORS' PERFORMANCE**

47. The 'Annual Review of Auditors' Performance Report' was received. The Audit Committee is required to assess annually the performance of the internal audit service against agreed performance indicators. It was agreed to use the agreed performance indicators as an aide memoir to guide discussions.

48. It was **RESOLVED** to note there were no serious issues or concerns arising from the annual review of the performance of the internal audit service, but a concern was expressed on the turnover of staff and the impact this had on the schedule of internal audits.

49. It was **RESOLVED** to note there were no issues or concerns arising from the annual review of the performance of the external audit service.

50. In terms of good practice, it was reported the Executive are considering a tendering exercise for both audit services and a further update on this will be made available at the next meeting. The Committee agreed for this to be given serious consideration.

**ANY OTHER BUSINESS**

51. There was no other business.

**DATE OF NEXT MEETING**

52. Wednesday 18 March 2020 @ 6pm.

The meeting closed at 19.30

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chair)

**SUMMARY ACTION LIST**

<b>Min</b>	<b>Action Point</b>	<b>Review Date</b>
42	The Committee <b>AGREED</b> to add a section in the Annual Report from the Audit Committee covering notification to the Committee of any whistleblowing allegations, and to make available a table summarising the outcomes of the reviews conducted by committees on those risks from the Risk Register that fall within the scope of the Committee.	18/3/20
50	The Executive are considering a tendering exercise for both audit services and a further update on this will be made available at the next meeting	18/3/20