

**Minutes of a Meeting of the Audit Committee
Wednesday 26 June 2019**

Present Mr J Bryant (Chair)
Mrs C Ajit Singh

Also present Mr M Cooper
Ms T Aust
Mr C Harris (MacIntyre Hudson)
Mr J Allen (Clerk)

The meeting commenced at 1800.

WELCOME, APOLOGIES, & DECLARATION OF INTERESTS

64. Mr Chris Harris from Macintyre Hudson was welcomed to the meeting and introductions were made. There were no apologies. There were no declared interests against any of the agenda items. It was confirmed that the meeting was quorate.

MINUTES

65. It was **RESOLVED** the minutes of the meeting, held 20 March 2019, be confirmed as a correct record and signed by the Chair.

MATTERS ARISING

66. There were no matters arising from the minutes.

OUTSTANDING AUDIT RECOMMENDATIONS

67. The report on progress made in the implementation of outstanding internal audit recommendations was received. It was confirmed the report includes the two recommendations in the internal audit report that is to be reviewed and considered at this meeting.

68. Of the 4 recommendations listed in the report, it was confirmed 3 have been fully implemented, with one still in progress. The following update was made available on the one recommendation still in progress:

Audit Recommendation	June Progress Update
Due to the significant amount of time that has elapsed since the last review of Fire Risk Assessment (FRA) actions in April 2017, it is recommended that the College carries out another review to determine whether all FRA related remedial actions have been cleared.	All faulty actuators were replaced over the Easter break. Some fire stopping works were undertaken over Easter. Contractors are booked for 12 July to complete the final twelve instances of stopping required. Once completed the audit recommendation will be fully met.

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

INTERNAL AUDIT REPORT - PAYROLL

70. The audit involved comprehensive audit of payroll activities for PAYE employees, with sample testing, to ensure that the College has in place adequate controls to ensure that payroll is appropriately authorised, calculated and monitored against budget.

71. The following audit opinion and recommendations were confirmed for the audit on payroll:

Audit	Opinion	Recommendations
Payroll	Substantial	1 Medium 1 Advisory/Housekeeping

72. The 'Medium' recommendation was for the College to ensure that a second check is performed by HR of any new starter's salary calculation, before it is passed to Liberata for input and processing. It was confirmed this has since been fully implemented.

73. The 'Advisory/Housekeeping' recommendation was for the College to amend its Financial Regulations to reflect the fact that monthly returns are made in relation to superannuation schemes as opposed to annual returns. It was confirmed this has since been fully implemented.

74. As the payroll audit was just on PAYE employees, the Committee asked about payroll arrangements for agency staff and if this was, or is scheduled, to be subject to audit for control purposes? It was confirmed that payroll arrangements for agency staff is picked up through a separate audit approach.

75. In terms of the sample size of 5 for the payroll audit, the Committee asked if this was a sufficient sample size with a staff of 300. The auditor stated that if concerns were raised from the audit of the sample base, then the scope of the audit would have been extended. As there were no significant control issues arising from the audit from the sample base, the auditor confirmed he was comfortable with the sample undertaken.

76. Reference was made in the report to the College's Staff Expense Policy. The review of the College's expense policy found it to be clear on what items can be expensed. The policy only applies to claims relating to subsistence allowance, travel and incidental expenses.

77. The policy states that the Chair of the Corporation must approve arrangements for travel by the Principal or members of the Corporation. The Chair of the Audit Committee must approve arrangements for travel by the Chair. It was **AGREED** to amend the College's Staff Expense Policy to state that the Clerk must approve arrangements for travel by the Chair.

78. The report confirmed all employees are automatically opted in to a pension scheme and must write to opt out. The Committee sought assurances that processes were in place to ensure that employees, who decided to opt out, had taken appropriate independent advice, with details recorded by HR. 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 **AGREED** to raise this with HR.

SUBCONTRACTING CONTROLS

79. The Committee received a verbal update outlining ESFA requirements for external assurance on subcontracting controls.

80. It was confirmed 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

INTERNAL AUDIT PLAN 2019-20

81. The College report '*Internal Audit Plan 2019-20*' was received. The Committee is asked through discussion to consider the Executive Team's initial plans for internal audit services and possible audit areas to be covered in visits in 2019-20

82. The College Executive Team has reviewed the audit areas covered, as outlined in the Board Assurance Map over the past few years that was made available to the Committee, and from this review, a list of possible audit areas have been identified for 2019-20. It was confirmed the list of proposed audit areas outlined below would be refined over the summer.

- **Board Assurance and Management**
 - Board assurance framework and risk management
 - Key performance indicators (KPIs)
 - Insurance arrangements
- **Improving Data Quality & Curriculum**
 - Continued preparation for Ofsted inspection drawing on external support
 - Funding, student data and MIS reporting (through mock funding audit)
- **Financial Viability**
 - Other income and bursary funding
 - Treasury and investment management
- **Management of Estates & Property**
 - Monitoring and Effectiveness of Property Strategy

83. It was **AGREED** for the final plan to be presented to the autumn committee meeting for approval.

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

FINANCIAL STATEMENT & REGULARITY AUDIT

85. The Financial Statement & Regularity Audit Plan prepared by Buzzacott was received. The report outlined the audit areas and the following proposed fee

structure for the audit of year-end accounts 31 July 2019. It was confirmed the areas covered were in line with the requirements of the Funding Agency. A fee increase of 2.4% was proposed (in line with inflation), which was acceptable to the Executive.

86. It was **RESOLVED** to approve the Financial Statement & Regularity Audit Plan for the year-end accounts 31 July 2019.

87. Under the section 'Sector Developments' of the audit plan, it was confirmed 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.

88. The Code also makes it clear that Remuneration Committees must not be chaired by the Chair of the Governing Body and the Chief Executive/ Principal must not be a member of the Committee. The Clerk confirmed that the Principal is not a member of the Remuneration Committee and never has been, and that under the review of Committee membership, a new chair for the Committee will be confirmed.

STRATEGIC RISK REGISTER

89. The current version of the '*Strategic Risk Register*' was received. It was confirmed there were no current items associated specifically with the Audit Committee. Two risks that fall under the remit of the Finance Committee had been subject to a score change, and this was confirmed as follows:

- Risk 43 relating to Brexit has been modified and the gross and net scores have been increased.
- The net score of risk 47 relating to commercial income has increased as income from short-term lettings and full- cost course fees is significantly down against budget and last year and this position will not be rectified by the end of the year.

90. It was **RESOLVED** to note Strategic Risk Register.

ANY OTHER BUSINESS

91. There was no other business.

DATE OF NEXT MEETING

92. Dates to be confirmed at the July Corporation meeting.

The meeting closed at 19.00

Signed: _____ Date: _____

(Chair)

SUMMARY ACTION LIST

Min	Action Point	Review Date
77	It was AGREED to amend the College's Staff Expense Policy to state that the Clerk must approve arrangements for travel by the Chair.	Autumn meeting
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 AGREED to raise this with HR.	Autumn meeting
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	Autumn meeting
83	Internal Audit Plan 2019/20 - to receive for approval	Autumn meeting
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.	Autumn meeting