



**CONFIRMED MINUTES OF THE AUDIT COMMITTEE
HELD ON 4th SEPTEMBER 2019**

Present:	Joe McArdle	Independent Governor (Chair)
	Paul Smith	Independent Governor
	Nigel Woodcock	Co-opted Committee Member
In attendance:	Sue Higginson	Principal
	Michael Norton	Deputy Principal
	Andrew King	Head of Finance
	Paul Haydock	RSM, Internal Auditor
	Lesley Venables	Clerk to the Governors
	Louise Scott-Kelly	Administrator to the Governors

PRE-MEETING WITH AUDITORS

1. The Committee met with the auditor in the absence of management and was advised that there were no issues that they wished to raise.

APOLOGIES FOR ABSENCE

2. Apologies for absence were received from Joanne Finnerty (Independent Governor).

DECLARATIONS OF INTEREST

3. Joe McArdle declared an interest in any matters relating to the University of Chester.

APPOINTMENT OF CHAIR

4. **Resolved** That Joe McArdle be appointed as Chair of the Committee for the 2019/2020 academic year.

MINUTES OF PREVIOUS MEETING

5. **Resolved** That the minutes of the meeting held on 19th June 2019 be approved as a correct record and signed by the Chair.

MATTERS ARISING

6. Governors received a progress report against the list of actions from the previous meeting and noted that all of the actions had been completed or were featured on the agenda.

7. The Committee received a report on the recent audit by the Joint Council for Qualifications (JCQ), for which the College had been awarded a 100% pass rate for the examination arrangements for General and Vocational programmes (minute 138 refers).

INTERNAL AUDIT VISIT 3 2018/19

Subcontracting Controls

8. The Internal Auditor presented the Subcontracting Controls audit report. The audit had been conducted in accordance with the Education and Skills Funding Agency (ESFA) guidance and was designed to ensure that sufficient internal controls were in place to support any claims to the ESFA for sub-contracting provision.

9. The audit was stipulated by the Education & Skills Funding Agency and was additional to the College's Internal Audit Plan. There was no requirement for the Internal Auditor to provide an assurance opinion and it did not contribute towards the Internal Auditor's Annual Report.

10. The audit resulted in three actions (compared to 6 in 2017/2018), each of which would be actioned by management.

11. One of the actions related to the College providing evidence of external legal advice on its subcontracting provision. The Principal explained that previously, when the Board approved subcontracting provision, the College had initially sought legal advice from its legal tender in relation to the drafting of the original contract and had sought input from auditors on the implementation of systems and processes to ensure compliance against the contract.

12. The previous firm of internal auditors had then carried out a review of the management systems and implementation of the on-going due diligence processes and the systems for monitoring quality, data and financial controls. The Deputy Principal added that the subcontracting controls continued to be scrutinised annually by the Internal Auditors rather than use the College's legal advisers, to avoid a duplication of expenditure.

13. The Committee acknowledged the explanation provided by management and asked that the date for the implementation of this recommendation be amended on the separate monitoring report for consistency.

14. The second recommendation centred around ensuring that subcontractor agreements were signed prior to any commitment for provision being made. The Deputy Principal explained that contracts would only be signed once the College had sufficiently reviewed the quality and outcomes of the previous year. The College's current subcontractor still had outstanding results and governors were assured that, beyond the requirement to assure continuing students were covered, any agreement for 2019/2020 would not be signed until these had been confirmed, which would probably be in October or November 2019.

15. The third action identified that the subcontractor agreement should specify a process for management to communicate any allegations of fraud. This had now been included in the College's contract.

INTERNAL AUDIT ANNUAL REPORT 2018/2019

16. The Internal Auditor presented the Annual Report and audit opinion for 2018/2019. The overall audit opinion was 'reasonable assurance', which represented a slight decline from the 'substantial assurance' audit opinion for 2017/2018.

17. The 2017/2018 Follow Up audit had resulted in 11 out of 15 actions being evidenced as implemented. A governor queried why this had not translated to a higher level of assurance opinion overall. The Internal Auditor explained that 9 of the implemented actions related to the College's systems for addressing the General Data Protection Regulations. This had been an advisory audit to assist the College in its preparation for the new legislation. As such, the resulting advisory actions did not form part of the overall assurance opinion. However, the 2018/2019 follow up audit would contain more assurance actions, which would have a positive impact on the overall audit opinion for 2019/2020.

18. The Deputy Principal added that the overall decline in the audit opinion was also a result of the two amber audit reports; Health and Safety framework and Purchase Ordering and Supplier Payments.

19. Although there was a reduction in the level of assurance, the outcomes had increased the robustness of internal controls across the College. Health and Safety recording procedures were now more concise and had proven to be successful. Also, the purchase order and supplier system documentation had been updated to provide greater clarification over the separation of duties and the processes to be followed. As a result of the audit, the College was performing better.

MANAGEMENT ACCOUNTS

20. The Committee received the Management Accounts as at 30th June 2019 (which had also been reviewed by the Board of Governors on 17th July 2019) to enable it to monitor the solvency of the College.

21. The College's financial health forecast remained 'Good' and was performing well against the rest of the FE sector. The balance sheet showed a high amount of assets and low debt. The Committee was informed that enrolments on both FE and HE courses had increased compared to the same point last year. However, the College continued to have a prudent approach to apprenticeships.

22. The Deputy Principal explained that since the report was produced there had been further developments, such as the impact of Brexit on pensions and activities relating to the College's capital expenditure. Since July 2019 the College had submitted four capital project bids to the Liverpool Combined Authority, but governors recognised that no contribution would be made to any of these schemes from the College's own resources until a thorough risk assessment had been undertaken.

REGULARITY SELF ASSESSMENT

23. The Head of Finance presented the Regularity Self-Assessment, using the required proforma issued by the ESFA and was used as part of the External Auditor's work on the annual Regularity Audit. The Regularity Self-Assessment required approval from the Board and would then be signed by the Principal and the Chair, prior to its submission to the ESFA.

24. The Head of Finance explained that the self-assessment results for the regulatory audit were similar to the 2017/2018 outcomes. The College remained in good financial health,

managed its finances within the covenants set by the bank and the levels of solvency remained high.

25. The Committee reviewed the Self-Assessment and made the following amendments:
- That the questionnaire state that the Risk Management Policy was reviewed annually.
 - To include a reference to the Director of People and Organisational Development in the section relating to termination payments.
26. **Resolved** That, subject to two minor amendments, the Board be **RECOMMENDED** to approve the Regularity Audit Self-Assessment questionnaire for 2018/2019 and for the final document to be signed by the Principal and the Chair of the Board.

RISK MANAGEMENT UPDATE

27. The Deputy Principal presented the termly Risk Management Update. Due to the implications of Brexit on pensions, this area remained high risk. In addition, apprenticeships and Employer Services remained high risk.

28. A new Employer Services Manager was now in post, however; the Senior Leadership Team would continue to robustly monitor progress on all risks associated with apprenticeships and would remain as a priority item for the QSS Committee.

MONITORING OF PREVIOUS RECOMMENDATIONS

29. Governors received a report on the progress of the implementation of previous audit recommendations. There had been one internal audit since the last meeting and there were no overdue actions.

30. It was agreed that one advisory action relating to GDPR should have its implementation date extended from 31st July to 31st October 2019. The Deputy Principal reported that this action would be completed following the closedown of 2018/2019 and the essential validation checks for 2019/2020.

FINANCIAL PROCEDURES ON SUPPLIERS

31. At the previous meeting, the Committee had requested the updated guidelines and documentation for setting up new suppliers or amending supplier details.

32. The Head of Finance presented a summary of the process, which required the involvement of 3 members of staff.

33. A number of suggestions were made to improve the documentation, all of which were agreed by management,

ANTI-FRAUD ASSESSMENT

34. Following a request at the 20th March 2019 Audit Committee, the Clerk had conducted

an assessment of the College's anti-fraud and irregularity arrangements and presented a report on the outcomes. The report comprised two strands: a) completion of Annex D of the Post-16 Audit Code of Practice and b) an assessment of processes in each area that could be susceptible to fraud and/or irregularity.

35. Two amendments were suggested to improve the robustness of the document. The Committee acknowledged the thorough assessment and agreed that this should be added to the timetable of business for the first Audit Committee meeting of each year.

ITEMS TO REPORT TO THE BOARD

36. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 23rd October 2019:

- Successful JCQ audit on the examination arrangements for General and Vocational Examinations.
- Regularity Self-Assessment recommended for approval by the Board
- Internal Auditor's Annual Report received for information and no concerns highlighted
- Anti-Fraud & Irregularity Assessment received, with no significant issues
- The Audit dates had been rescheduled to take place before each Board meeting to improve the efficiency of the reporting cycle.

DATE OF NEXT MEETING – Wednesday 27th November 2019

Signed:



____ Date: __27th November 2019
Chair