



<b>CONFIRMED MINUTES OF THE AUDIT COMMITTEE HELD ON 27<sup>th</sup> NOVEMBER 2019</b>
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<b>Present:</b>	Joanne Finnerty Joe McArdle Nigel Woodcock	Independent Governor Independent Governor (Chair) Co-opted Committee Member
<b>In attendance:</b>	Sue Higginson Michael Norton Andrew King Lisa Randall Rory McCall Lesley Venables Louise Scott-Kelly	Principal Deputy Principal Head of Finance RSM, Internal Auditor Wylie & Bisset, External Auditor (Conference call) Clerk to the Governors Administrator to the Governors

### **APOLOGIES FOR ABSENCE**

37. Apologies for absence were received from Paul Smith (Independent Governor). Governors noted that the External Auditor would be attending the meeting via a conference call, due to transport issues in Glasgow.

### **DECLARATIONS OF INTEREST**

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

### **PRE-MEETING WITH AUDITORS**

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

### **MINUTES OF PREVIOUS MEETING**

40. **Resolved** That the minutes of the meeting held on 4<sup>th</sup> September 2019 be approved as a correct record and signed by the Chair.

### **MATTERS ARISING**

41. Governors received a progress report against the list of actions from the previous meeting and noted that all of the actions had been completed.

42. The Clerk was asked to add the action associated with minute 33 to the list. The Deputy Principal reported that this had been completed, but the Committee felt that it was important to evidence this.

### **ESF AUDIT**

43. As part of the ongoing review of assurance levels, the Audit Committee received for

information the outcomes of a recent desk-based audit by the European Social Fund Managing Authority. It was noted that no issues had been identified with the College's provision in this area and no further action was required.

## **EXTERNAL AUDIT MATTERS**

### External Auditors Annual Report

44. The External Auditor provided the Annual Report on the Financial Statements for the year ending 31st July 2019 and the Letters of Representation for both the Financial Statements and Regularity Audits.

44. The report summarised the College's financial activity and stated that the overall operating surplus (£450K) would become a deficit (£355K) once the impact of the College's pensions liability was taken into account.

45. The Committee discussed pensions and the likelihood that servicing costs would increase in the near future. Governors recognised that it was an on-going issue across the public sector and that the College had no real control over the pensions market.

46. A governor asked whether the College's net liability on pensions was likely to crystallise. The Deputy Principal commented that this was already happening in the university sector. The FE sector faced additional difficulties when some of its member colleges were on the brink of insolvency, as all participants in individual pension schemes were jointly and severally liable for future debts. "Brexit" had actually worked in colleges favour, by increasing their asset values and reducing any pensions deficit.

47. The External Auditor made two management recommendations; one of which was rated as low-priority and other having been rated as medium priority. The latter referred to evidencing the difference between the trial balance and the sales and purchase ledger. The low-priority recommendation was about Debit and Credit balances within the purchase and sales ledger.

48. The Management team gave an assurance that both recommendations had now been reconciled and would be monitored on a regular basis.

49. The External Auditor reported that an unqualified audit opinion would be issued for both the Financial Statements and Regularity Audits and that there were no significant issues to bring to the Committee's attention. The accounts had been prepared on a 'going concern' basis

### Report and Financial Statements for the year ended 31<sup>st</sup> July 2019

50. The Deputy Principal presented the End of Year Accounts for 2018/2019 and advised that, compared to its peers, the College's financial position continued to be good and the Committee was reminded that the financial and growth targets had been met or exceeded.

51. **Resolved** That the Board be **RECOMMENDED** to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2018/2019.

## AUDIT COMMITTEE ANNUAL REPORT 2018/2019

52. The Clerk presented the draft Audit Committee Annual Report for 2018/2019. The report followed the requirements of the Post-16 Audit Code of Practice and a section on Fraud and Irregularity had been added.

53. The report summarised the work of the Committee in 2018/2019, along with the outcomes of various audits.

54. The Committee concluded that it had discharged its responsibilities in accordance with the Terms of Reference.

55. **Resolved** That the Audit Committee Annual Report for 2018/2019 be approved and submitted to the Board for information (subject to a small number of minor amendments).

### INTERNAL AUDIT VISIT 1 REPORT

#### Key Financial Controls – Income and Debtors

56. The Internal Auditor presented the outcomes of the Key Financial Controls Audit on Income and Debtors. This had resulted in an overall Substantial Assurance opinion and three low-priority management actions.

57. One action had already been implemented and the two actions that related to the Credit note approval process were on target to be implemented by the end of 2019. The Internal Auditor commented that management had provided RSM with a detailed commentary as to how each recommendation would be implemented.

#### Progress Report

58. The Internal Auditor also reported on progress against the internal audit plan for 2019/2020 (which was on plan) and information on emerging issues within FE.

59. The Committee discussed the ISO/IEC 27001 family of standards that related to the management and security of all information assets. Over the next few years, the Education Skills Funding Agency would require all colleges to work towards the alignment with these standards.

60. Although the College had previously been audited on its GDPR arrangements and IT Disaster Recovery, the Committee agreed that IT Security was fundamental and that ISO/IEC 27001 should be considered for the 2020/2021 audit schedule. Prior to that a gap analysis would be undertaken by management, which would form the basis of the Internal Audit work.

61. Management reported that one sequencing change had been made to the Internal Audit programme for 2019/2020: Safeguarding would be undertaken in January, with the report submitted to the Committee's March 2020 meeting.

### MANAGEMENT ACCOUNTS

62. The Committee received for information the Management Accounts as at 30th

September 2019 (which had also been reviewed by the Board of Governors on 23<sup>rd</sup> October 2019) to monitor the solvency of the College, in accordance to the Committee's Terms of Reference.

63. The Head of Finance explained that the College had started the academic year in a positive financial position. The Finance team was currently working with the Management Information Systems department to produce the in-year forecast, which would enable the College to identify and address any potential issues that may arise to the end of July 2020.

### **RISK MANAGEMENT UPDATE**

64. The Deputy Principal presented the Risk Management Update. The Committee was informed that no risks had been adjusted since the previous meeting and that Quality processes continued to progress well and consequently, the College had exceeded its educational contracts.

65. The College had been successful in its bid for a capital maintenance grant from the Liverpool City Region Combined Authority, together with a number of other capital bids.

66.. Although the College continued to perform well, the Deputy Principal gave an assurance that management would not be complacent and would continue to be prudent journey towards an 'Outstanding' financial health rating.

67. At the request of a governor the register would be amended to include a reference to the ISO/IEC 27001 standards.

### **INSURANCE REVIEW**

68. The Head of Finance provided a report on the College's insurance cover for 2019/2020 and its claim history for 2018/2019.

69. The College's insurance broker had obtained the best value premiums for all individual elements of the cover and management felt that this provided good value for money and would achieve considerable cost savings.

70. Changes from the previous year included an increase in Professional Indemnity insurance in line with ESFA guidelines. The College had also decided to increase its insurance cover on specialist engineering (STEM) equipment and cyber disruption.

### **MONITROING OF PREVIOUS RECOMMENDATIONS**

71. 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.

### **ITEMS TO REPORT TO THE BOARD**

72. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 11<sup>th</sup> December 2019:

- Report on successful ESF Audit Outcome received for information
- The External Audit Report on the Financial Statements and Regularity Audits indicated unqualified opinions and two management recommendations
- That the Board be recommended to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2018/2019.
- Audit Committee Annual Report for 2018/2019 approved and would be submitted to the Board for information.

### **INTEGRATED FINANCIAL MODEL FOR COLLEGES**

- The Clerk reported that the ESFA had issued a new Integrated Financial Model for Colleges earlier in the week. Once the document had been completed it would require the Board's approval.
- It was suggested that a short Board meeting would be called on the same evening as the next Audit Committee to facilitate the sign-off. Further details would be provided at the December Board meeting

**DATE OF NEXT MEETING – Wednesday 26<sup>th</sup> February 2020**



Signed: \_\_\_\_\_ Date: 26 February 2020

Chair