



<p style="text-align: center;">CONFIRMED MINUTES OF THE AUDIT COMMITTEE HELD ON 21st NOVEMBER 2018</p>
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Present: Joanne Finnerty, Tim Kelly, Joe McArdle (Chair), Nigel Woodcock

In attendance: Michael Norton, Deputy Principal
Steve Cain, Assistant Principal Financial Services
Michael Harding (RSM), Internal Auditor (minutes 34 - 69)
Rory McCall (Wylie & Bisset), External Auditor (minutes 34 - 51)
Lesley Venables, Clerk to the Governors
Louise Scott-Kelly, Administrator to the Governors

PART ONE

PRE-MEETING WITH AUDITORS

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

APOLOGIES FOR ABSENCE

35. Apologies for absence were received from Sue Higginson and Somnath Saha.

DECLARATION OF INTEREST

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

MINUTES OF PREVIOUS MEETING

37. **Resolved** That the minutes of the meeting held on 5th September 2018 be approved as a correct record and signed by the Chair.

MATTERS ARISING

38. Governors received a progress report against the list of actions resulting from the previous meeting and noted that the majority of these points had been completed.

39. Under minute 25 it was noted that the training session for Committee members had been deferred to the March 2019 meeting.

INTERNAL AUDIT VISIT 1

Subcontracting Controls

40. The Internal Auditor reported that the Subcontracting Controls audit was an additional item to the Internal Audit Plan approved by the Board (copy of report attached to signed

minutes). The audit had been conducted in accordance with Education and Skills Funding Agency (ESFA) guidance. There was no requirement for the Internal Auditor to provide an overall assurance opinion, however, governors were informed that the findings were comparable to other client colleges in the sector.

41. A total of six recommendations had been made and these points had been allocated for action by the management team. A Governor asked which department had overall responsibility for monitoring subcontract agreements. The Deputy Principal responded that Employer Services would have sole responsibility for this. The Assistant Principal for the area is working with his staff to address any issues and to align any quality processes with those of the remainder of the College.

42. In addition, the College had been following up on subcontractor apprentices, their parents and employers to ensure that any issues were addressed with immediate action. Further scrutiny of the action points would be undertaken during the Performance Review process.

Health & Safety Framework

43. The Internal Auditor presented a report on the Health & Safety Framework (copy attached to signed minutes). The audit had graded this area as providing a 'substantial' level of assurance.

44. One low and one medium priority recommendations had been made, the first of which related to ensuring that all random checks were documented by College staff. Governors were advised that since the audit, all relevant details (i.e. type, time, duration, issues identified, detailed action plan and deadline for completion) were recorded on a secure Health & Safety database.

45. The second recommendation was to introduce a centralised Control of Substances Hazardous to Health (COSHH) register and Risk Assessment for all COSHH materials. The central register had since been implemented and the COSHH Policy had been updated accordingly.

Progress Update

46. The Internal Auditor informed the Committee that the fieldwork for the Apprenticeships Student Records audit had been completed and a report would be presented at the March 2019 Committee meeting. The remainder of the 2018-19 schedule was on track to be delivered by the end of the academic year. The Committee noted the usefulness of the sector update included in the report and it was suggested that all governors should receive this information as background reading.

FINANCIAL STATEMENTS 2017/2018

47. The External Auditor presented the Financial Statements for 2017/2018 and associated documentation, which comprised the External Auditor Annual Report for the year ending 31st July 2018 and the Letters of Representation for both the Financial Statements and Regularity Audits.

48. The Committee noted that there would be a one off adjustment in relation to interest costs and pension charges of the Merseyside Pension Fund (MPF). Overall, the College had generated an operating surplus of £116k compared to a deficit of £319k in July 2017.

49. The External Auditor reported that an unqualified audit opinion would be issued for both the Financial Statements and Regularity Audits and there were no significant issues to bring to the Committee's attention.

50. Governors discussed the on-going difficulty concerning the pension deficit within the Merseyside Pension Fund and recognised that affordability of such a scheme was an issue across the public sector, but the College had no real influence over the situation.

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 2017/2018.

AUDIT COMMITTEE'S ANNUAL REPORT 2017/2018

52. The Committee received a draft of its Annual Report to the Board and to the Principal (in her capacity as Chief Accounting Officer) for 2017/2018. The Report summarised the work of the Committee in 2017/2018, along with the outcome of the various audits. It concluded that, in the Committee's opinion:

- i) the College's systems of internal control are adequate and effective
- ii) the College's arrangements for risk management, control and governance framework and processes for securing economy, efficiency and effectiveness are adequate and effective.

53. It was noted that a total of 13 recommendations had been made by the Extended Assurance Auditor during 2016/2017, none of which had been classified as 'high priority', 1 of which had been graded as 'medium priority' and the remaining 12 as 'low priority'.

54. The Report had been prepared in line with the requirements of the Post-16 Audit Code of Practice and the English Colleges' Code of Good Governance.

55. The Clerk had also updated the Committee's terms of reference to align them to the new Post-16 ACOP.

56. The Committee's Annual Report included a section on its evaluation of its own performance during the 2017/2018 academic year. The Clerk presented a completed proforma, which set out performance against a number of areas including attendance, activity during the year, membership and areas for improvement.

57. **Resolved - 1** That the Audit Committee's Annual Report for 2016/2017 be submitted to the Board for information and sent to the Education & Skills Funding Agency with the Financial Statements

2 That the Committee Self-Evaluation for 2017/2018 be approved

RISK MANAGEMENT

58. The Deputy Principal presented the Risk Management update (copy attached to signed minutes).

59. One additional risk had been added since the October meeting, which related to subcontractors. The subcontracting internal audit report had highlighted a number of control issues which were noteworthy since the College now subcontracted to another provider for its non-Levy apprenticeship provision. Governors were assured that the relevant risk had since been quantified and that the Internal Auditor would review this area as part of their follow-up work later in the year to ensure that the recommendation had been suitably implemented.

60. A Governor enquired why the College uses subcontractors. The Deputy Principal explained that it was mainly due to this being a more cost effective delivery mechanism for niche courses.

MONITORING OF PREVIOUS RECOMMENDATIONS

61. The Deputy Principal presented a report on progress against previous audit recommendations (copy attached to signed minutes). There had been two internal audits since the previous meeting which had resulted in eight new recommendations; four actions had since been implemented and closed and four actions were not yet due to be completed.

62. The Committee agreed that the report encouraged transparency and accountability within the College's management team.

INSURANCE REVIEW

63. The Assistant Principal – Financial Services provided a report on the College's insurance cover for 2018/2019 and claim history for 2017/18 (copy attached to signed minutes). The Committee was informed that, due to the complexity of insurance requirements for the College, an insurance broker had been appointed for a five year contract. The broker had obtained the best value premiums for all individual elements of the insurance cover and management felt that this provided value for money, with considerable cost savings achieved.

FRAUD IRREGULARITY

64. The Deputy Principal presented a report on fraud or irregularity in 2017/2018 (copy attached to signed minutes). There were no reported incidents of fraud during the year and the Committee was informed that the College had upgraded the security on its email system to identify the increasing number of suspicious emails being received by staff.

65. A Governor suggested that a review of the controls relating to addressing fraudulent emails could be covered as part of the Internal Audit of Key Financial Controls and this was agreed by the Committee.

TERMS OF REFERENCE

66. The Clerk to Governors presented revised Terms of Reference which had been updated to comply with the Post-16 Audit Code of Practice issued by the Education & Skills Funding Agency (copy attached to signed minutes).

67. In view of the requirement for the Committee to maintain the “solvency of the institution and for safeguarding its assets”, it was agreed that an additional cash flow report should be provided to the Committee by the Deputy Principal.

68. **Resolved** That the Board be **RECOMMENDED** to approve revised Terms of Reference for the Committee

ITEMS TO BE REPORTED TO THE BOARD

69. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 12th December 2018:

- the External Auditor’s Annual Report for the year ending 31st July 2018
- the Financial Statements for the year ended 2017/18 recommended for approval
- the Letters of Representation for both the Financial Statements and Regularity Audits recommended for approval
- Audit Committee Self-Assessment for 2017/2018
- Revised Terms of Reference recommended for approval

ANY OTHER BUSINESS

70. It was the last Committee meeting for the Assistant Principal – Financial Services, Steve Cain. The Chair and the Committee thanked him for his valuable input and wished him well for his retirement.

DATE OF NEXT MEETING – Wednesday 20th March 2019