



<b>CONFIRMED MINUTES OF THE AUDIT COMMITTEE HELD ON 20<sup>th</sup> MARCH 2019</b>
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<b>Present:</b>	Tim Kelly	Independent Governor
	Joe McArdle	Independent Governor (Chair)
	Nigel Woodcock	Co-opted Committee Member
<b>In attendance:</b>	Sue Higginson	Principal
	Michael Norton	Deputy Principal
	Andrew King	College Accountant
	Lisa Randall	RSM, Internal Auditor (minutes 75 – 108)
	Lesley Venables	Clerk to the Governors
	Louise Scott-Kelly	Administrator to the Governors

### **INTERNAL AUDITOR'S PRESENTATION**

75. The Internal Auditor delivered a presentation on the responsibilities of the Audit Committee under the new Post 16 Audit Code of Practice.

76. Governors were reminded that the purpose of the Committee was to advise the Board on the adequacy and effectiveness of the College's process on internal control, governance and risk management. Through its work, the Committee should obtain assurance that the College had fulfilled its statutory and regulatory responsibilities and that its systems were sufficiently robust.

77. The Committee was informed that the latest version of the Post 16 Audit Code of Practice included additional guidance on the prevention and management of fraud. This was as a result of some high profile cases within the further education sector.

78. The Internal Auditor commented that the Committee had fulfilled its roles and responsibilities well and effectively challenged the information it received from the Senior Leadership Team, enabling it to gain assurance that any recommendations made by the auditors were being implemented in a timely manner. The Internal Auditor observed that there was good College-wide governance and that each committee was aware of and acted in accordance with its terms of reference.

79. The Committee acknowledged and thanked the Internal Auditor for the succinct presentation and suggested that it would be a beneficial training resource when inducting new governors to the Committee. The Chair of the Committee also thanked the Clerk for arranging pre-meetings with him to discuss the papers for Committee meetings. This was considered to be best practice within the sector.

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

80. 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**

81. Apologies for absence were received from Joanne Finnerty (Independent Governor), Somnath Saha (Independent Governor) and Rory McCall (External Auditor).

## **DECLARATIONS OF INTEREST**

82. Sue Higginson, Tim Kelly, Andrew King and Michael Norton declared an interest in any matters relating to the Merseyside Pension Fund.

## **MINUTES OF PREVIOUS MEETING**

83. **Resolved** That the minutes of the meeting held on 21<sup>st</sup> November 2018 be approved as a correct record and signed by the Chair.

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

## **MATTERS ARISING - MANAGEMENT ACCOUNTS**

85. At the last meeting it was agreed that the Committee would receive a cash flow statement to enable governors to monitor the College's solvency (minute 67 refers). The Deputy Principal presented the Management Accounts, which had already been reviewed by the Board of Governors on 27<sup>th</sup> February 2019. These figures had also formed the basis of the Mid-Year Review, which had recently been submitted to the ESFA (Education & Skills Funding Agency).

86. The income level for apprenticeships was discussed and the Deputy Principal explained that the Government's apprenticeships reforms had impacted adversely across the sector. However, both the College itself and its subcontractor had exceeded the original target and a growth request had been honoured by the ESFA.

87. Governors were reminded that the College's Subcontractor had recently been inspected by Ofsted and had been graded as 'not making significant progress.' As a result, their recruitment of apprentices had been frozen until a further inspection had been undertaken, which could take at least six months.

88. The Deputy Principal explained that the latest round of skills capital funding from the Liverpool City Region Combined Authority may contain an allocation for the maintenance of FE colleges' estates. Further information would be provided when available.

89. A Governor enquired why recently the College's planned cash balance was higher than that contained in the forecast. The Deputy Principal advised that, following changes to invoicing procedures, the College now received the any outstanding monies earlier than usual.

90. Currently the College was graded as having 'Good' financial health against the ESFA criteria and was in a good position to achieve its forecast. The pay to income ratio had been reduced and was forecast to be 68.86% and 71.77% (ex-franchising), which the College considered to be sustainable. However, the College also had to consider FE Commissioner's

recommendation to build financial reserves, particularly with the implementation of the new insolvency regime and the likely increases in contributions to reduce the deficit in the Merseyside Pension Fund. As a result, the College had taken a prudent review and whilst there was no pay award included in the forecast for 2019/2020, the College would need to consider the affordability of a pay award in light of any reserves made to maintain the talent and resources required to continue to meet ambitious targets for business growth, quality and performance.

## **INTERNAL AUDIT VISIT 2**

91. The Internal Auditor presented two reports from work that had been undertaken since the last meeting: Student Records – Apprenticeships and Risk Management Deep Dive, together with a Progress Update against the Internal Audit Plan for 2018/2019.

### *Risk Management Deep Dive*

92. The Risk Management – Deep Dive audit resulted in two 'Medium' rated management actions in relation to ensuring that a Risk Appetite was detailed on the College's Risk Register. Both actions had been agreed by management and had already been implemented.

### *Progress Report*

93. The Committee noted that the delivery of the Internal Audit Plan for 2018/2019 was on target and would be completed by the end of the academic year.

## **RISK MANAGEMENT UPDATE**

94. The Deputy Principal presented an update on Risk Management.

95. Following recommendations from the Internal Auditor (discussed in an earlier agenda item), the Risk Register had been reviewed and updated to provide a clearer picture of actions identified in 2018/2019 and a RAG rated indicator as to whether the Risk Appetite was above or below the College's desired Risk Appetite.

## **PREVIOUS AUDIT RECOMMENDATIONS**

96. Governors received for information a report on progress of the implementation of previous audit recommendations.

97. There had been two internal audits since the previous meeting which had resulted in three new recommendations (one graded as 'high' priority and two graded as 'medium' priority); all of which had since been implemented.

98. There was one overdue recommendation in relation to establishing a process which informed Employer Services where bad debts existed with an employer with which the College was currently engaged. The action came within the remit of the Assistant Principal – Employer Services, who had recently left the College. A decision on any changes to current processes to address this issue had been deferred until a reorganisation of the Employer Services department had been completed. The deadline associated with this recommendation in the monitoring report would be updated to April 2019.

## **POST-16 AUDIT CODE OF PRACTICE**

99. The Clerk to the Governors presented a report on the updated version of the ESFA's Post-16 Audit Code of Practice.

100. This now included guidance on preventing fraud and the regularity self-assessment questionnaire was more closely aligned to the Code.

101. The Clerk would review the Committee's terms of reference to ensure that these were compliant with the Post-16 ACOP. It was agreed that an assessment of how fraud and irregularity procedures align to current governance processes, would be undertaken by the Clerk to provide a baseline against which any future issues could be measured.

## **ITEMS TO BE REPORTED TO THE BOARD**

102. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 1<sup>st</sup> May 2019:

- Internal Audit reports received on Risk Management and Apprenticeships
- Management accounts received for the first time to enable the Committee to monitor solvency of the College
- The revised post-16 Audit Code of Practice was received for information
- Re-appointment of the Internal and External Auditors for 2019/2020

**DATE OF NEXT MEETING – Wednesday 19<sup>th</sup> June 2019**