## MEETING OF THE AUDIT COMMITTEE

**TIME/DATE 19th March 2020**

**VENUE St HELENS**

**PRESENT:**

Paul Christian Co-opted Member

Alison Cannon External Governor

Debbie Calderbank (Chair) External Governor

***John Heritage External Governor***

**IN ATTENDANCE**

Jonathan Creed ICCA

Richard Allanach Interim CFO

Ian Johnson Head of Finance

Lorna Lloyd-Williams Governance Director

**Italics denotes absence MINUTES**

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|  | **The meeting opened at 14.00 and the meeting was quorate with at least three Governors present the majority of whom were external Governors.** |
|  | **GDPR: REPORT ON INFORMATION BREACH AT 14-16 ACADEMY (Confidential)**  **This item was elevated on the agenda.**  **This item was considered to be confidential by the committee with the details therefore recorded within the confidential minutes of this meeting.**  **14.14 The Principal left the meeting.** |
|  | **APOLOGIES**  Apologies were received and accepted from Mr Heritage. |
|  | **DECLARATIONS OF INTEREST**  There were no declarations of interest. |
|  | **MINUTES OF THE MEETING HELD ON THE 28TH NOVEMBER & 9TH DECEMBER 2019 AND EACM 22 01 20**  The minutes of the meeting held on the 28th November which continued on the 9th December 2019 and the EACM on the 22 01 20 were approved as a true and correct record and authorised for signature by the Committee Chair. |
|  | **MATTERS ARISING**  The Governance Director advised the committee that all matters were completed. |
|  | **EXTERNAL AUDITORS MANAGEMENT LETTER**  The CFO advised that this was now historical and had three recommendations all of which are in the audit tracker and will be dealt with in next year’s financial statements audit. Governors spoke about the impairment and the going concern and that March/April would be tight and questioned going concern in the maelstrom of future funding. The CFO informed the committee that the College had been granted an overdraft facility so the cash position for March and April was secure and the Board would be considering the maelstrom at next week’s board meeting. |
| **7** | **INTERNAL AUDITS 19/20** |
| **7.1** | **INTERNAL AUDIT PROGRESS REPORT**  Mr Creed took the committee through the report and advised the committee that to date, ICCA had only undertaken two ‘Advisory’ audits, one of which is in ‘Final’ and one in ‘Draft’, resulting in two ‘Advisory’ recommendations. It was noted the draft report did not require a management response. Mr Creed highlighted that this impacted upon the auditors ability to give an ‘Assurance Opinion’ on the adequacy and effectiveness of the College Group’s governance, risk management and systems of internal control within our 2019/20 Annual Internal Audit Report. Mr Creed advised that in relation to the outstanding review of Apprenticeship delivery it might not be possible to complete as it cannot easily be undertaken remotely.  The committee were advised that there is a good possibility that ICCA would be unable to achiever the audit plan which was small anyway and this therefore raised the question of how will the audit committee gets its assurance to report to the Corporation. Mr Creed advised that he anticipated he would not be able to offer an opinion on governance or risk management although he might be able to offer an opinion on internal control. There was discussion about the committee falling back on other sources such as Ofsted, FE Commissioner, funding audits although conclusions were not as robust as the committee might like. Governors asked if other years could be looked at to be relied on. It was agreed that the committee might need to look back at cumulative work that has been done and were advised that management assurance is a valid assurance but the committee would need to be satisfied collectively that you share that view and can make that conclusion. ICCA confirmed they will work with the committee.  **ACTION: Governance Director to look at historical reassurances and pull this together for the committee.** |
| **7.2** | **SUPPORT COST BENCHMARKING**  Mr Creed highlighted the purpose of the report which was to look at where the College sits in terms of its non-teaching cost base against the sector median. He advised the committee that benchmarking will identify questions or areas that warrant further enquiry. It was explained that at a high level it is noted that the College is below the median but caveated by the fact that the median is not necessarily the best in terms of where the College might want to be. The audit committee were advised that the key question is, is the median where the college wants to be which would then be a catalyst for the management team to review how individual departments are set up and delivered.  Governors advised they had questions for management in terms of what we now do with the report, what the next steps would be. The CFO advised that the report was already framing next year’s budget which would mean consequences in terms of the organisation of some areas. The committee were advised that the overall budget position suggests the College will need to seek further savings to produce an acceptable budget for next year. Governors commented that we have senior individuals in HR and not the number of junior posts might expect and that the HR Directors salary is low. Secondly marketing looks high and management might want to look at whether this was an area of unnecessary overspend.  ICCA advised they just needed confirmation that they could mark the audit as final but there would be no changes to the report.  **Action: CFO** |
|  | **INTERNAL AUDIT RECOMMENDATION TRACKER**  The CFO spoke to his report advising that of the recommendations which are being tracked 82% of the recommendations which should have been completed by now have not been reported as having been completed. The approval of the committee to remove the recommendations which have been reported as being completed was sought and given. Governors advised the focus was then on the timeliness of audit actions close out. Governors asked what the difficult was with timelines and whether anything further could be done. The CFO advised that audit committee’s comments would be reported to an early meeting of the SLT.  **Action: CFO** to advise SLT urgently that this is unacceptable.  **Action: Governance Director** to raise with the Principal that the internal audit recommendation tracker be a standing agenda item at weekly SLT meetings. Also for a member of SLT to have overall responsibility for the internal audit recommendation tracker. Also for the SLT to be advised that the audit committee have again expressed dissatisfaction. |
|  | **RISK REGISTER**  The CFO spoke to his paper which identified seven risks with a net risk score of fifteen or more viz:   * Change in government policy; * Failure to retain 16-18 students during first 42 days * Failure to deliver appropriate HE offer * Failure to resolve Stockbridge Lane * Problems with financial health * Excessive non-staff costs * Failure to profitably sell Bobbies Lane   **Covid 19**  The CFO advised the committee that we now should include more external risks and that the College now faces something that has not been on the risk register. The CFO advised that these new external risks needed to be added. Governors asked whether the next risk meeting would deal with Covid 19 and its impacts and received confirmation that it would and that the next meeting would be focusing on external risks. The committee chair advised there needs to be a clear process with controls in place. The CFO explained that Governors at yesterday’s FRC meeting had asked for all Governors too receive two reports on a weekly basis and the committee were advised that there would be papers coming to Board.  Governors advised they need to look at the greatest risks and that the current summary paper is a better focus for discussion than the risk register. Governors asked about risk 22, the failure to resolve the VAT and PFI issues on Stockbridge Lane, Governors noting that the risk had increased. The CFO explained that the real issue was regarding occupancy of Stockbridge lane when the College does not have an acceptable legal agreement to do so and has a different view from the council. Governors asked for guidance as to how these risks could feed back into the internal audit plan which was noted to be internally focused.  It was agreed that moving forward the risk register needs to incorporate looking at the broader risk landscape.  **ACTION: CFO.**  The committee discussed the college’s business continuity plan and that it did not consider the impact or risk of the unavailability of staff. Mr Creed flagged that this was a gap analysis and something audit should look at once the business contingency plan is reviewed in light of Covid 19.  **Action: Audit committee academic year 2020/21** |
| **7.3** | **PROPOSAL TO REPLACE THE COMPLIANCE WITH QUALITY MANAGEMENT SYSTEMS REVIEW WHICH HAS BEEN CANCELLED.**  **At the CFO’s request this item was discussed after the risk register agenda item.**  The committee had considered the paper, assurance mapping noting that it drew out three areas of risks:   * Direct impact on the student experience * Direct impact on finances * Other key controls and assurances   The committee discussed these and what audit might be appropriate and would be possible to undertake remotely. After consideration it was agreed that there should be an audit entailing a broad review of the management accounts looking at what happens to them, how they play a role in the management of the college and what challenge levels there are. Mr Creed advised this would also enable him to plug a gap in the annual internal audit opinion. It was  **Resolved** to recommend to the Governing Board that an audit of the management accounts should replace the cancelled management systems review.  It was noted that the mock funding audit would still be undertaken. The CFO was thanked for his very useful analysis contained within the assurance mapping paper. |
|  | **POLICIES- FOR RECOMMENDATION TO THE GOVERNING BOARD-WHISTLEBLOWING POLICY**  The Head of Finance advised Governors that the policy had to be overhauled as it was not practical and was not compliant with guidelines. The committee were advised that the policy before them was based on AoC guidelines and it was highlighted that there was a need to make all staff aware by way of an email from HR. Governors commented that this may result in more cases coming through and therefore the College needed to ensure the process was set up and robust. Following discussion it was agreed that the Governance Director would be the most appropriate person to make staff aware of the whistleblowing policy.  **Action:** Governance Director to notify staff once the Whistleblowing policy is approved by the Governing Board.  It was  **Resolved** to recommend the whistleblowing policy to the Governing Board for approval. |
|  | **POLICIES FOR RECOMMENDATION TO THE GOVERNING BOARD HOSPITALITY AND GIFTS POLICY**  The Head of Finance spoke to his paper and the committee noted that the policy had been updated with minor changes and would then be circulated to all staff emphasising the need to adhere to the policy. It was  **RESOLVED** to recommend the Hospitality and Gifts Policy to the Governing Board for approval. |
|  | **APPOINTMENT OF EXTERNAL AUDITORS/EXTENSION OF CONTRACT OF INTERNAL AUDITORS (Confidential)**  **15.31 Mr Creed left the meeting.**  **This item was considered to be confidential by the committee with the details therefore recorded within the confidential minutes of this meeting.** |
|  | **GOVERNANCE** |
|  | **REVIEW OF CONFIDENTIAL ITEMS 18/19**  The committee considered the one confidential item and it was  **RESOLVED** to remove confidentiality from the minute |
|  | **ANY OTHER BUSINESS**  There was no A.O.B. |
|  | **ANY MATTERS TO BE REFERRED TO ANOTHER COMMITTEE**  There were no matters to be referred to another committee. |
|  | **REFLECTION ON COMMITTEE PERFORMANCE**  The committee felt that everything was needed, there had been good discussion and it was noted that the risk register was evolving and providing good input. |
|  | **DATE OF NEXT MEETING**  THURSDAY 25TH JUNE 2PM KNOWSLEY BOARDROOM |
|  | **The meeting closed at 16.00pm** |