

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE**

**MINUTES OF MEETING HELD ON WEDNESDAY 11 MARCH 2020, 1700 HRS,
IN ROOM A018**

Present:

Shirley Nellthorpe (Chair)
Jem Musselwhite

In attendance:

Melanie Weston	Southern Internal Audit Partnership
Paul Cox	Chief Executive and Principal designate
Kevin Jones	Vice Principal Finance, Funding & Management Information
Dr Chris Davis	Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.01.20 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

A.02.20 COMMITTEE MATTERS

Mr Kevin Jones Vice Principal Finance, Funding & Management Information was welcomed by the Chair to his first meeting of the Audit Committee.

i Apologies

There were apologies from Verona Hall and Bernie Topham. The Committee's Terms of Reference state:

4.2 A quorum shall be two members for general business and three members for policies.

Therefore with the advice of the Clerk the meeting was constituted as quorate.

ii Declarations of interest

There were no declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 27 November 2019 were agreed as a true and accurate record. All actions have been completed.

iv Matters arising

A.19.19, vi: Governors were provided with an update on the progress in appointing External and Internal Auditors for 2020/21 by Mr Jones.

Mr Jones recommended that a change in Auditors at this time was not a good idea and that he wished to keep both External and Internal Auditors in place at the present time.

The Committee agreed to this proposal. The Chair said she would report this back to the Board at their March meeting.

All other actions had been completed and there were no other matters arising.

A.03.20 GOVERNORS' MONTHLY REPORT, JANUARY 2020

i Financial aspects

Mr Jones began by drawing Governors' attention to the Management Accounts Summary and the graph stating that the operating deficit for the six-month period ended 31 January 2020 is £1,030k, compared to a budgeted deficit of £211k. The forecast outturn has been increased to show an operating surplus of £406k. He said that he was

a little surprised that the forecast was better than budget and concerned by this and would take steps to check this forecast figure that reflected a balance and prudent picture for the College at the earliest opportunity.

Mr Cox reiterated that the forecast surplus although good news, must be taken with a word of caution and that the budget was still immensely challenging, with some unknowns and assumptions with regards to income moving forward.

Mr Jones reported that the financial information delivered within the monthly report would change format slightly. Mr Jones was looking at this to ensure this was incorporated within the Governors' monthly report for February.

Mr Jones continued by saying that the Expenditure within the I&E account is closer to real time. There are he said significant savings being made, which should provide greater confidence in the accounts; the challenge of course is that the savings need to be greater than the drop in income generated by the end of the year. This would all be part of his initial review of the accounts, to firm up on the income side and to make sure that money is well managed.

Further discussion followed around the monthly checks of ESFA and Mr Cox confirmed that very positive talks had followed concerning the position delivered to the Board at their meeting in January 2020 and the phased reduction in sub-contracting.

Mr Jones continued by drawing Governors' attention to the fact that there was no indication of the Cash flow within the report. He felt that as there were concerns over the College being a 'going concern' in the 2018/19 financial statements, it was necessary to provide a graph showing the historic and forward cash flow within the report.

He concluded by saying that the Cash position at this point in the year is stronger than the forecast. The position at the end of February 2020 he reported is closer to £3m.

ii Matters arising

There were no further matters raised from the monthly report.

Governors noted the financial aspects and there were no matters arising raised regarding the Governors' Monthly Report, January 2020.

A.05.20 AUDIT MATTERS

i Progress Report on Implementation of Recommendations of Previous Audit Reports.

Mr Jones reported that a number of the recommendations from previous audit reports had been completed, however there were two recommendations that were not yet due from visit three 2018/19;

Debtors and cash income:

- i. Debt collection process and
- ii. Pricing reviews for College commercial.

There was also an on-going action with regards to Debtors and cash income; Non-consecutive till Z-readings, with more training and a review of cashless payments required.

The Chair asked that completion due dates should be inserted against all the recommendations so that the actions could be followed up.

ACTION: KJ

Mr Jones said that there was an expectation that the Financial Regulations would need to be updated and these would go to F&GP Committee for review before going to the full Board for approval.

Governors noted progress on implementation of recommendations made in previous audit reports.

ii Sub-contracting controls assurance, audit report and audit certificate

Ms Weston reported that this was a statutory requirement from the ESFA, which required colleges to provide an annual assurance statement on the controls and processes in place regarding Subcontracting controls assurance. The audit reviewed the controls and processes in this area to support the assurance statement and gave an audit opinion of Adequate assurance. There were no significant issues raised by the audit report.

The Audit Committee noted the three observations made and the management responses:

1. Learner records:

Audit testing of a sample of 30 learner records across five sub-contractors identified the following issues:

- For 1/30 there was no evidence of eligibility for funding.
- For 9/30 there was no evidence of independent verification of identification documents.

Management response Completed.

2. Learner reviews:

Testing of the same sample of 30 learner records identified that:

- 2/30 learner reviews were overdue (last review dates were June and July 2019)
- 1/30 learners had not received a recent review as they had been dismissed. This learner should have been withdrawn.

Management response Completed.

3. Employer liability insurance:

Although the audit confirmed that evidence of current employer liability insurance was in place at the time of enrolment for all learners selected, there was no process in place to check that the insurance remains up to date for the duration of the learning. The audit also noted that there is no re-checking of the insurance when a learner returns after an agreed break in learning.

Management response on-going 30 June 2020.

Mr Jones said this would be picked up in the agenda of the May Audit Committee meeting.

Governors' noted Sub-contracting controls assurance, audit report and audit certificate.

iii Internal Audit report, visit one 2019/20

Ms Weston explained that visit one had looked at three business areas agreed in the audit plan. Payroll, which received an adequate assurance and Risk Management and Safeguarding which both received a substantial assurance audit opinion. All the observations had been completed through management actions.

Ms Weston drew Governors' attention to the added value statement, which referred to the business area of Risk Management:

"Risk Owners are assigned to each risk documented in the Risk Reduction Plan, however there are no risk owners assigned to the risks in the Risk Register."

Mr Cox felt that Risk management within the College was robust and fit for purpose. He said it was a very collaborative process, whereby risks are not looked at as 'owned' elements, they are reviewed by the team. If the team has made that view that risk reduction is needed, then it is right that at that point the risk reduction has an owner. He felt that adding a name to the risk in the Risk register would result in a less collaborative approach.

The Chair supported this claim and said that Governors attended all meetings of the Risk Management Board and received the minutes of the meeting at each Audit Committee meeting.

The Committee noted the added value and said that it was perhaps worth considering in the future but not at this present time.

The Committee agreed that the Safeguarding audit was very positive report with no significant issues raised.

Ms Weston did make comment with regards to the added value on the Safeguarding business area:

“The 2019/20 funding agreement from the ESFA states that if any issues relating to sexual violence are reported to the LA and/or Police, or any allegations of abuse against college staff are referred to the local authority Designated Safeguarding Lead, they should also be reported to the ESFA (paragraph 8.9). We would encourage the College to update their safeguarding procedures to include this requirement as soon as practicable.”

Mr Cox said he was confident that the College reports any issues relating to sexual violence are reported to the Local Authority and/or Police, or any allegations of abuse against college staff are referred to the local authority Designated Safeguarding Lead, they should also be reported to the ESFA (paragraph 8.9).

The Chair asked that an action needed to be taken to ensure that this procedure is fully adhered to by the College. The Clerk was asked to ensure that this was followed up by the SMT and Safeguarding leads.

ACTION: PC/CD

Governors noted the Internal Audit report, visit one 2019/20

iv External Audit Management report year ended 31.07.19 (Board minute 29.1.20, B.04.20, i; refers)

The Chair began by highlighting a typographical error on page 5 of the report:

- Paragraph one and two of the response to the Going Concern, it refers to discussion with Lloyds bank in 'January 2021', this should read 'January 2020'.

Mr Cox took the Committee through the report explaining that Financial Statements had already been approved at the Board meeting in January because of the late submission of the Financial statements and the going concern issues.

Mr Cox reminded the Committee that this was a new Final Audit Findings Report on the Financial Statements 2018/19 issued by RSM UK Audit LLLP. This report replaced the report presented to the Committee in November 2019, which stated that the College was not a going concern because of breaches to the loan covenants. He continued by saying that those issues previously reported had now been resolved and the report had now been submitted alongside the Financial Statements 2018/19.

The Committee was asked to note the following declarations:

- The impact of GMP equalisation or the McCloud judgment
- The structure of the Finance Team and issues around succession planning
- The ability of the College to meet the new bank covenants
 - Mr Jones explained that the covenants and Financial Health score are to be reported in the Governors monthly report through the KPIs and the impact this has on loan liability
- Appendix B, much of the information was out of date and if included in future reports needed to be updated.

Mr Jones made the Committee aware that the External Auditors had included an additional fee of £5k for the extra work carried out in respect of the Financial Statements 2018/19.

Governors' received the External Audit Management report year ended 31.07.19.

v Performance of the External Auditors

Mr Jones made Governors aware that the Audit Committee is required under its terms of reference to monitor the performance of the College's external auditors (RSM UK Audit LLP). The Committee have previously agreed a set of performance indicators (PIs), against which the external auditors' performance is monitored.

He reminded Governors that a review of Internal audit performance against the agreed PIs was appended to the Internal Audit Annual Report, which was received by Audit Committee on 27 November 2019.

He reported that all the PIs had been achieved across all areas and that had achieved all expectations.

The Chair said she would share the report of both Internal and External Auditors with the Board at their next meeting.

ACTION: CD

Governors' reviewed the Performance of the External Auditors.

vi DSAT output/action summary as of R06

Mr Cox explained that the DSAT reports are validation reports for FE and Training providers to test the integrity of the Individual Learner Record (ILR) data.

He commented that the reports are now being routinely used and as the reports matures the College will be in a better position to see how the teams are responding.

At present there is no national benchmarking available. The reports assist in carrying out routine data cleansing and submitting accurate ILR data returns to the funding agencies (ESFA). They are referred to as the "are you sure reports" as they highlight potential discrepancies which may be justified; in which case, the teams record a justification.

He made Governors aware of the following headline areas:

- The 2 high priority reports
 - Possible duplicate learners
 - Recording co-investment payments
- All reports indicates data anomalies that may lead to funding claw-back

DSAT reporting will in future be a standing item on all Audit Committee agendas.

Governors noted the DSAT output/action summary as of R06.

A.06.20 RISK MANAGEMENT

i Risk Management Board minutes, 22 January 2020

Mr Cox reported that the Risk Management Board (RMB) had agreed a new risk regarding declining financial health (Risk 2.6) and the Chief Executive and Principal would be writing a Risk Reduction Plan for review at the next meeting of the RMB.

He also reported that it had been agreed that Risk Management Training would now be the responsibility of the new Vice Principal, Funding, Finance & Management Information.

Governors' noted the Risk Management Board minutes, 22 January 2020.

ii Review Risk 7.8, Governors' Understanding of Financial Complexities, Implications and Impact

Mr Cox asked Governors to approve an amendment to Safeguards and Control of Risk 7.8 on the Risk Register. The word 'Adequate' had been replaced by the word 'Robust'.

Governors approved the change to Risk 7.8.

iii Review Risk Reduction Plan - Risk 7.10, Insolvency

Mr Cox asked Governors to approve an amendment to Progress to date of Risk 7.10 on the Risk Reduction Plan from the '18 March 2020' to the '25 March 2020'.

Governors approved the change to Risk Reduction Plan - Risk 7.10, Insolvency.

A.07.20 TO APPROVE

i Anti Bribery Policy

The agenda item was taken out of meeting via email communication prior to the meeting taking place. This was to ensure that the review and decision was quorate with the need for at least 3 Governors to approve a Policy.

The response was 100% of the Committee membership and they approved the policy with the following amendments:

1. Paragraph 5.1.2, delete the word 'absolutely'.
2. Paragraph 5.4.3, process required for the receiving of donations and contributions.

ACTION: KJ

It was felt that the other two amendments raised were fully realized within the present procedures.

The Chair asked that the Anti Bribery Policy should return to the Audit Committee at its next meeting in May before approval is given.

ACTION: CD

Mr Cox thanked Miss Nellthorpe for her outstanding work as a Governor at Eastleigh College during the last 6 years. He said her contribution and commitment to SEND and Safeguarding, College House and her position as Chair of Audit has been beyond reproach. Governance has been greatly enhanced at the College by Miss Nellthorpe's contribution at meetings and her key focus on improving the learning experience for everyone. He said she will be a great loss to the College Board and wished her every success in her new position as Vice Chair of the Hampshire Schools Forum.

A.08.20 DATE OF NEXT MEETING

Wednesday 20 May 2020 commencing at 1700 hrs

Progress report on recommendations of previous audit reports

External Audit Plan –financial year 2019-20

Annual Internal Audit Plan 2020-21 and strategic Internal Audit Plan 2020-2024

Review of risk management (including annual review of effectiveness of systems of internal control 2019-20, Risk Register and Risk Reduction Plan)

Governors' Monthly Report – updates re Financial aspects and matters arising

Progress report on recommendations of previous audit reports

Anti Bribery Policy

DSAT output/action summary

A.09.20 PART 2 OF THE MEETING (without SMT)

Mr Cox and Mr Jones left the meeting at this point. Governors were asked if they had any questions or wished to raise any points with the Internal Auditor.

Ms Weston was given the opportunity to raise concerns with Governors over the audit process.

No issues were raised with the auditor and the auditor did not raise any points with the Committee.

There being no further business, the meeting closed at 1855 hrs.