

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE
MINUTES OF THE AUDIT COMMITTEE, MEETING HELD ON WEDNESDAY 27 NOVEMBER 2019,
1700 HRS, IN ROOM A115**

Present:

Shirley Nellthorpe (Chair)
Verona Hall
Jem Musselwhite
Bernie Topham

In attendance:

Melanie Weston	Southern Internal Audit Partnership
Frances Millar	RSM UK Audit LLP
Ryan Sarll	Finance Controller
Matt Phelps	Vice-Principal Commercial
Dr Chris Davis	Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.15.19 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

A.16.19 COMMITTEE MATTERS

i Apologies

There were apologies from Paul Cox, Vice Principal Curriculum, and Quality.

ii Declarations of interest

There were no declarations of interest, financial or otherwise, in any items on the agenda.

iii Minutes of last meeting

The minutes of the meeting held on 22 May 2019 were agreed as a true and accurate record.

The minutes of the meeting held on 22 May 2019 were agreed and signed.

iv Matters arising

All actions from the previous meeting had been completed.

v Review Operation of Committee

The Clerk reported that no amendments had been made to the Operation of the Audit Committee.

The Chair asked if anyone had amendments they wished to make.

No amendments were proposed.

Governors recommended the Operation, including the Terms of Reference, for Audit Committee to the Board for approval.

A.17.19 GOVERNORS' MONTHLY REPORT, AUGUST-SEPTEMBER 2019

(Confidential item)

i Financial aspects including the Financial Position 2018/19

(See Confidential addendum)

ii Matters arising

There were no further matters arising from the monthly report.

Governors noted the financial aspects and matters arising in the Governors' Monthly Report, August -September 2019.

A.18.19 AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD

Mr Sarll stated that the report was an annual requirement of the Joint Audit Code of Practise, covering a summary of the committee's activities for the year under review, including any significant issues arising and any significant matters of internal control included in reports received from auditors or other assurance providers. It provides the committee's view of its own effectiveness and how it has fulfilled its terms of reference. Also included in the report is the committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.

Mr Sarll asked the Committee if there were any questions regarding the report.

Miss Nellthorpe asked what was happening with the creditor balance of £84,500 in regards to AGE grants, which remained from the previous apprenticeship scheme.

Mr Sarll responded saying that the College is currently in the process of determining the correct action going forward.

Mrs Hall enquired whether the final statement with regards to the Overall Audit Assurance was correct, focusing on the final part of the sentence, "that material errors or irregularities are either prevented or would be detected within a timely period". She felt that in light of the recently reported financial position for 2018/19, this might require further qualification.

Dr Edrich said that there were controls in place to prevent material errors or irregularities, there had been two significant changes caused by two systematic errors in processing amongst over 22,000 applications not identified in a timely fashion and she felt this situation needed to be seen and responded too with a sense of perspective and balance.

ACTION: RS

It was agreed that the new wording should be shared amongst the Committee via email prior to the next Board meeting.

Post meeting

The Clerk redrafted the wording of the Overall Assurance and distributed this to the Committee and members of the SMT for amendments and comment.

The Committee agreed and approved the changes so that the Overall Assurance statement now reads:

"It is Audit Committee's opinion that the College has an adequate and effective framework of control, which provides reasonable assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period."

However, the Audit Committee understands that there have been errors, which have amounted to a material change in the college's financial performance for 2018/19 meaning that the Financial Statement had to be amended. The Committee is satisfied that immediate actions have been taken designed to eradicate this happening in the future. The Audit Committee will in the future audit the monitoring of these prescribed actions by the SMT as a standing item at all future Committee meetings."

Governors reviewed and submitted the Audit Committee Annual Report to the Board.

A.19.19 AUDIT MATTERS

i Internal Audit Reports, 2018/19 (3 Visits)

Ms Weston began by identifying the role of the internal audit as stated in the report and went on to affirm the audit opinion in relation to areas covered in the three visits.

- Visit 1:
 - Estates Management, Substantial assurance, no significant issues.
 - GDPR, Adequate assurance, no significant issues.

The Committee reviewed the Key Observations identified in the report, all actions were either complete or were in the process of being completed.

- Visit 2:
 - Fundamental Financial Accounting, Substantial assurance, no significant issues.
 - IT – Cyber Essentials, Adequate assurance, no significant issues.
 - Follow-up, some actions have been addressed and implemented, no significant issues.

The Committee reviewed the Key Observations identified in the report, all actions were either complete or were in the process of being completed.

- Visit 3:
 - Debtors and cash income, Adequate assurance, no significant issues.
 - Learner numbers systems, Substantial, no significant issues.
 - Apprenticeship documentation – limited, significant issues relating to the evidence surrounding apprenticeship progress reviews and off the job training.

The Committee reviewed the Key Observations identified in the report, all actions were either complete or were in the process of being completed.

Governors recommended the Internal Annual Audit Report and Opinion 2018/19 to the Board for approval.

ii Annual Internal Audit Report and Opinion

Ms Weston explained that the report provided an annual opinion on the overall adequacy and effectiveness of the College's framework of governance, risk management and control.

In the opinion of the report, Eastleigh College's framework of governance, risk management and control is adequate and audit testing had demonstrated controls to be working in practise.

The approved audit plan included 32.25 audit days reviewing 7 business areas, (giving 3 substantial assurances, 3 adequate assurances and 1 limited assurance).

Follow up work included review of the Subcontracting Control Assurance Certificate that is required to be submitted to ESFA. The results of this review have been taken into consideration when forming the overall assurance opinion for the year.

No incidents of fraud or corruption were reported to the auditors during this year.

Governors noted the Annual Internal Audit Report and Opinion

iii Revised Strategic Internal Audit Plan 2019 – 2022 and annual internal audit plan 2019/20

Ms Weston explained that there had been a number of significant failings highlighted in college intervention reports at other colleges within the sector. Common themes are around failings in governance, financial planning and reporting, recruitment and remuneration, expenses, procurement and subcontracting.

As a result of discussion with the College it has been recommended that the following business areas be reviewed:

- Governance
- Financial Planning
- Cash flow
- Human resources

To accommodate these additions to the plan it is proposed that the following reviews are rescheduled in the plan, as they are considered lower risk:

- Health and Safety
- Asset controls
- Procurement and payments

Governors noted the Revised Strategic Internal Audit Plan 2019 – 2022 and annual internal audit plan 2019/20.

iv Feedback on External Audit liaison with Southern Internal Audit Partnership

Ms Millar said she had met the internal auditors in the early Autumn and had discussed matters of relevance. She reported that the External Auditors had received and reviewed all the Internal Audit processes and paperwork and there were no issues arising during the year, however she reiterated that no reliance could be placed on their audit opinion. Governors noted feedback regarding external audit liaison with Southern Internal Audit Partnership.

(Confidential items)

v External Audit Progress re 2018/19 closure and associated audit report
(See Confidential addendum)

(Ms Weston and Ms Millar retired from the meeting)

vi Approve Procedure for appointment of External and Internal Auditors 2020/21
(See confidential addendum)

(End of (Confidential items))

(Melanie Weston and Frances Millar returned to the meeting).

A.20.19 RISK MANAGEMENT

i Risk Management Board (RMB) minutes, 11 October 2019

Dr Edrich summarised the minutes of the meeting and reported that the RMB had undertaken a thorough review of the Risk Register and Risk Reduction Plan and summarised some of the amendments made.

There had not been many changes identified, but asked if there were any questions in relation to the RMB minutes of the 11 October 2019.

Governors noted the inclusion of new Governance Risk 7.10, Insolvency and its entry in the Risk Reduction Plan.

Miss Nellthorpe reported that no Governor had been available to attend the RMB on the 11 October 2019, however there would be Governors available for the meetings in January and April 2020.

Governors noted the minutes of the Risk Management Board meeting held on the 11 October 2019.

ii Risk Management Policy

Mr Sarll informed Governors that there were no proposed changes to be made to the Risk Management Policy.

Governors approved the Risk Management Policy.

iii Review Governors risks on the Risk Register

The Clerk reminded Governors that they had approved decision to review the Governance section of the Risk Register every 6 months. The last review had taken place in May 2019.

He confirmed that the Board had approved Risk 7.10, 'Insolvency' at the Board meeting July 2019 and this had now been included in the Risk Register and consequently in Risk Reduction Plan.

Mr Phelps informed Governors that concerning Risk 7.8, 'Governors' understanding of financial complexities, implications and impact'; that there planned to be Governor training on the new Financial models, which would come on-line in February 2020.

Governor' reviewed the Governors risks on the Risk Register.

A.21.19 TO RECEIVE

i Self Assessment of compliance with regularity and propriety requirements

Mr Sarll explained that this was a self assessment of compliance with regularity and propriety requirements, which must be completed and passed to the external auditors to inform the regularity assurance engagement.

Governors received the Self Assessment of compliance with regularity and propriety requirements.

ii Bourneville Investigation Report and ESFA recommendations

The Clerk made Governors aware that the Chair of the Board had received a letter from Eileen Milner, Chief Executive, ESFA about an investigation report recently published detailing the findings in relation to the oversight of the proper use of public funds by college Governing bodies. The report is of the investigation that was undertaken at Bourneville College in 2015 to 2016.

Along with the report is a regularity questionnaire, which he said had now been completed supporting regularity and propriety.

The Clerk said that the action on the Audit Committee was to receive the report with the completed regularity questionnaire. This will then be delivered to the full board in December within the minutes of the Audit Committee.

The Committee received the Bourneville Investigation Report and ESFA recommendations and would take to the full Board at their next meeting.

A.22.19 DATE OF NEXT MEETING

Wednesday 29 January 2020 commencing at 1700 hrs

Progress report on implementation of recommendations of previous audit reports
Internal Audit report – visit one and two 2019-20
Anti Bribery Policy
Review Performance of External Auditors against PIs
Review Risk management
Governors' Monthly Report – matters arising

(Dr Edrich, Mr Phelps and Mr Sarll retired from the meeting)

A.23.19 PART 2 OF THE MEETING (without SMT)

Governors were given the opportunity to raise any points they might have with the auditors.

There being no further committee business, the meeting closed at 2000 hrs.

