

AUDIT COMMITTEE MEETING
Tuesday 26 November 2019 at 5.00pm
MINUTES

Present: Chairman: Andrew Gregory

Members: Gareth Bullen Shaun Tymon

Also present: Phil Rumsey – Principal by invitation
Linda Jeffreys – Director of Finance by invitation
Rosalind Armstrong – Principal Auditor, Audit One
Angela Ingham – Senior Manager, Baldwins Accountants

Heather Campbell – Clerk to the Corporation

1 **Apologies for absence**

Apologies received from Michael McCluskie and Jason Saunby.

The meeting was quorate with 3 members present.

2 **Declaration of any personal conflicts of interest**

None.

3 **Minutes of the previous meeting.**

a **Agree minutes.**

The Minutes of the meeting held on 12 June 2019 were approved and signed by the Chair

b **Updates from Clerk or College Management – None raised.**

c **Action previously agreed.**

The Schedule was reviewed and the following noted that the actions will be picked up under Item 5 with the Internal Auditor.

d **Matters arising not covered in agenda below**

None raised.

4 **Risk Management and Business Assurance Update**

a) Risk Management Policy Statement

Members had received the policy statement prior to the meeting and there were no matters raised and they agreed the policy statement was fit for purpose.

b) Annual Risk Management and Business Assurance Report

Members had received the report prior to the meeting which included the Individual Risk Management Records for SSR1, SSR2 and SSR3.

No matters were raised and members approved the Annual Risk Management and Business Assurance Report and that it should be included in the Audit Committee's Annual Report 2018-19 for approval by the Corporation.

5 **Meet with Internal Auditors**

(a) Internal Audit Annual Summary Report 2018-19

The Chair invited Rosalind to take the committee through the Internal Audit Annual Summary Report 2018-19.

Rosalind introduced herself and advised that as requested at the last Audit committee to reduce complacency she has taken over the Internal Audit process for the College from Wayne Brown, Education Audit Manager. She took members through the report and the following was noted:

- The Audit Committee and Corporation approved an internal audit plan of 19 days for 2018/2019 and 5 audit assignments were carried out
- The internal audit reports contain an opinion in the form of an assurance level, which are described at Appendix A
- 3 graded Good, 1 Reasonable and 1 limited
- Recommendations are described as high, medium or low and the report contained a total of 45 recommendations
- As an annual exercise, the IAs revisit the recommendations made in the previous year, along with any still outstanding from previous years, to confirm implementation
- As part of the 2018/2019 the followed up a total of 22 recommendations (from 2017/18 to 2018/19)

(b) Draft Annual Internal Audit Plan 2019-20

The Chair invited Rosalind to take members through the Internal Audit Plan for 2019-20.

Rosalind observed a structured approach had been adopted to create the Annual Internal Audit Plan for the College. Key features of the approach include:

- Creating an audit universe based on the College's structure, activities and our knowledge of the sector. This audit universe defines the boundaries of internal audit and areas that could be subject to review.
- Consideration of a cyclical approach to reviewing significant systems and / or processes (such as coverage over learner number systems, financial systems, etc.).

- Identification of audit areas by the Principal and Director of Finance (which were then discussed by the Senior Management Team as being appropriate areas to review for the 2019/20 year).

Linda advised that with regard to the IT Reviews she has spoken to the Assistant Principal who now line manages IT and he felt that some of IT outstanding recommendations have been implemented and it would be good to have a list of what the auditors covered so he can check it with the IT manager. Linda suggested that she and Rosalind liaise with the Assistant Principal on this in order to take forward completion of the recommendations in the follow planned in May 2020.

LAJ raised in terms of Safeguarding governors will be aware in light of Ofsted that management are reviewing this. Management Team looked at the proposed areas for review at their meeting today and agreed to replace Property Management Review with a Safeguarding Review to cross check HR processes are in line with Keeping Children Safe in Education. Linda advised members that she would discuss the remit for this with Rosalind.

The Chair asked Rosalind how many days would she need to do the Safeguarding Audit.

Rosalind advised that the Safeguarding could be covered in one day and could increase the IT Review to 2 days.

Shaun observed that going forward management and the Audit committee should be carrying out a review of the Risk Management Processes every three years.

The Chair suggested that could allocate adding a day from next year to include Risk Management Processes.

Members agreed this would be appropriate.

Linda advised she would pick this up with Rosalind when she updates her on the proposed change to the plan for next year and days allocated.

Members approved the Internal Audit Plan for 2019-2020 subject to the changes proposed above.

c) Internal Audit Report Follow-up of Previous Recommendations

The Chair asked Rosalind to take members through the Follow-up report.

Rosalind referred to the report and advised 64% of the recommendations examined had been fully implemented, 18% have been partially implemented and 18% are outstanding. The follow up covered the implementation of recommendations that had been reported as completed since the previous formal follow up audit which was undertaken in May 2018. Recommendations from the reports were followed up during the course of this audit.

Shaun raised his concern that Staff Absence Policy was still outstanding from 2017.

Linda observed that she had discussed this with Rosalind and advised that the previous Audit Manager had said it was not necessary, therefore management had not implemented the policy.

The Chair and Shaun both raised that they had serious concerns that there were a number of outstanding recommendations that had not been completed and Shaun reiterated that he has raised his concerns over a number of meetings and that he feels he is not being listened to and limited action has taken place with a view to implementing the outstanding recommendations.

Shaun also reiterated his serious concerns over previous audit recommendations not being completed. As an example, Shaun referred to a recommendation relating to staff absence policy. This in Shaun's opinion is one of many examples but the facts relating to staff absence are:

1. Recommendation made in May 2015 - medium level
2. Shaun queried why this hadn't been implemented, following the recommendation being made around February 2016
3. At the February 2017 meeting that Shaun asked why having raised this point at the last 3 meetings the committee and his comments were not being listened to.
4. Following this meeting Shaun has over a period of well over 2 years raised his issue and asked if the date needed to be put back for any reason the committee should be advised of this and be able to express its views at this time.
5. The recommendation is still outstanding after 4 years 6 months.
6. Linda initially stated that they disagreed with the auditor and felt that this action was complete. Shaun stated at the meeting that any disagreement with the auditors should be outside the meeting and in any case, it is clear that the auditor is correct and is not completed. Not only that but there are a number of other similarly uncompleted actions which are long overdue.
7. Linda then said that the failure to complete the recommendation was that staff didn't attend meetings of the audit committee in the past to be able to find out about these issues. In Shaun's opinion this represents an even more serious issue. Shaun asked if someone could check the minutes of the last 4 and a half years meetings to check whether Linda had attended any or not but was confident that Linda was not correct.

The report the Internal Auditor gave as a follow up of previous recommendations in fact only covered the reports in the previous year. It did not address the schedule of audit recommendations and work in progress detailed at previous audit committees This covered areas such as IT (which the auditor acknowledged was a significant area of weakness), procurement and purchase ledger.

The Chair asked why all the audit recommendations were not contained in one single schedule and presented to the committee. He requested this should be done for the next meeting.

The Chair said he had emailed Phil (and copied to members of the committee) after the February 2019 audit committee expressing his and the committees concerns over the delay in implementation of the auditors recommendations. He also felt it was disappointing to say the least that the same recommendations, some dating back to February 2017 were still outstanding, past the target completion date, no update provided by management and no action detailed as to how these would be implemented and when.

The Chair was concerned that from the previous audit minutes he noted it appeared that there was a trend where the outstanding audit recommendations would be taken back to the relevant staff, be discussed with them and brought back to the following audit meeting. However there was no meaningful progress as previously discussed.

He advised that this was not a criticism of management, but this committee is here to scrutinize and monitor and strongly felt members are not being advised or informed properly of what is being done or in a timely manner. And this is a concern if the committee is questioned by an external agency i.e. Ofsted. He asked Rosalind if the auditors, to save management "reinventing the wheel" if they have any systems or guidance that will help management implement the recommendation in the most efficient time possible.

Gareth raised that the IT system is a major part of the College and case in point was the IT outage this time last year which does not instil confidence that these will be dealt with.

Linda advised members that IT have been given extra days in the Auditors follow up in May and she has looked through the outstanding recommendation and level of priority, She tabled an overview for members. Since reviewing this Rosalind had advised her that the auditors have an audit checking software that would help management keep track of recommendations, reviews, reports deadlines etc.

Rosalind confirm advising that the audit checking software sends the owner of a report an automated prompt of deadlines, evidence that the owner has supplied, and this allows reports to be produced giving status updates to committee and management.

The Chair confirmed this would be good and that the audit report needs to ensure that management are updated and that the update that comes to the committee includes progress so far. Similarly, the software may provide the updates for management and committee but the implementation of the audit recommendations are paramount.

Shaun raised that all priorities and deadlines should be met and it is a case of getting the right balance if a date is not achievable then management need to set realistic timelines.

Linda observed that managements' best endeavours to meet deadlines is difficult and agreed that management need to look at more realistic timescales with the staff involved and the audit checking software will be a big help to management and the committee.

Garth observed that having the audit checking system in place will give the governors the reassurance that actions are being implemented.

There were no further matters raised and the Chair thanked Rosalind for her input on the Internal Auditors' reports and plans.

ACTION AGREED

Clerk to check the minutes of the last 4 and a half years meetings to check whether management had attended.

d) Finalised Reports since the last Audit meeting

i. Cyber Resilience: Server Operational Management

Rosalind referred to the report and briefly covered the following:

- Reasonable assurance that the risks identified are managed effectively
- Scope of the Audit
- Risks for consideration
- Risk 1 and Risk 2
- Design of the control framework
- Compliance with the control framework

Members noted the report and no matters were raised.

ii. General Data Protection Regulations Compliance Assessment

Rosalind referred to the report and advised the following:

- Limited Assurance that the risks identified are managed effectively
- 10 Medium and 8 Low Priority areas outstanding
- Main issue is conflict of interest is that the GDPR Officer is also the HR

Linda asked Rosalind who she has come across in other colleges that is assigned the Data Protection Officer role.

Rosalind observed that some colleges assign the Quality Manager as GDPO and that they risk assess the appointment. Some other colleges assign it to the IT manager but with the data they deal with have this would be a conflict of interest.

No further questions or concerns were raised and the Chair thanked Rosalind for her input.

6 **Meet with the External Auditors**

a) Report and Financial Statements Y/E 31/7/19

The Chair welcome Angela and asked her to take members through the EA's Report.

Angela referred to the report advising that it was similar to the report produced by the previous External Auditor, Graham. She observed that she was not going to cover every aspects of the Financial Statement as this was covered below in item 6 b) Final Audit Findings Management Report.

Angela highlighted that Baldwins are independent from the College and carry out sample tests of the College Finances and procedures and briefly took members through the Notes to the Accounts.

The Chair asked Angela if the External Auditors had any concerns to raise in the College's Financial Statements and she confirmed there were none and that the College was financial stable.

The Chair asked members if they had any questions on the Financial Statements. No matters were raised and it was noted that the Members Report and Financial Statements would be considered by the F&E Committee at their meeting (3 December 2019) and would be recommended to the 10 December 2019 Corporation for approval.

b) Audit Year End Management Report 31 July 2019

Angela referred members to the Report and advised that it was similar to last year and summarises findings in respect of the financial statements of Scarborough Sixth Form College for the year ended 31 July 2019. The following was noted:

- The Auditors did not identify any high risk areas during our audit planning
- Audit materiality was set at £56,000
- Revenue Recognition – no income recognition errors noted
- Management Override – no examples of such activity identified
- Litigation risk – none identified
- Sustainability and going concern – financial forecasts and their basis reviewed and no material concern identified
- Financial statement disclosures accounts and policies reviewed no problems identified
- Pension Reporting – calculated liability of £802,000 as at 31 July calculated liability is represented on your balance sheet. This has increased significantly from £175,000 in the previous year, with a significant actuarial loss reported in the period. See Note 25 to the financial statements.
- Errors and misstatements other than clearly trivial (set at £2,800) – no misstatements identified
- Summary of audit findings – 2 recommendations and actions set for the Clerk and Director of Finance

In terms of their Audit Opinion Angela stated that the Management Letter confirms that there were no significant matters that arose during the course of their work which they believe are necessary to draw to the committee's attention.

The Chair thanked Angela for her input.

There were no further questions or actions arising and Rosalind and Angela left the meeting at this point.

8 **Review Performance of:**

a) Internal Auditors

The Chair noted in the Performance Indicators that the IAs had followed what was asked of them in 2018-19 and that to reduce complacency through knowledge of the College that a new Audit Manager has been appointed.

The Chair observed that the Internal Auditors had agreed to fix their fees for 3 years and their appointment was approved at the Corporation meeting on 2 July 2019.

b) External Auditors

The Chair referred to the Performance Indicators for the EA's and noted there were no concerns raised about their performance in 2018-19 and that they had also appointed a new manager to reduce complacency when auditing the College Finances. Baldwins has also offered and agreed to set their fees for 3 years and their appointment was approved at the 2 July 2019 Corporation.

No matters of concern was raised by the members.

Linda advised the committee that a new checking measure has been put in place that all Audit Reports now go to the College Management Team to follow up with the owners who are members of management team to pick up recommendations and completion dates are being acted upon.

8 **Audit Committee's Annual Report**

Members had received the report and appendices prior to the meeting and it was noted that the report was pulled together from the opinions provided by the Internal Auditors and External Auditors in their Reports.

Members consider the report and the Chair asked members if they had any matter they wanted to raise.

No matters were raised and members agreed to recommend the Audit Committee's Annual Report 2018-19 to the Corporation for approval.

RECOMMEND TO THE CORPORATION:

The Corporation approve the Audit Committees Annual Report for 2019.

9 **Any discussion item(s) to be classified as "Confidential / Restricted"**

No matters discussed were noted as being classified as Confidential / Restricted other than Item 12 below.

10 **Any Other Business**

No further business raised.

11 **Date of Next Meeting: **Wednesday 13 February 2020****

12 **Confidential Items** – See Separate Minute