

Scarborough Sixth Form College

AUDIT COMMITTEE MEETING
Wednesday 12 June 2019 at 5.00pm
MINUTES

Present: Chairman: Andrew Gregory

Members: Jason Saunby Gareth Bullen

Also present: Phil Rumsey, Principal (by invitation)

Graham Fitzgerald, External Auditor (Baldwins)
Wayne Brown, Internal Auditor (AuditOne)

Heather Campbell, Clerk to the Corporation

1 **Apologies for absence**

Apologies were received from Shaun Tymon.

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 13 February 2019 were approved and signed by the Chair at the Corporation meeting 9 April 2019. Members noted the minutes with no matters raised.

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

c **Action previously agreed.**

The Schedule was briefly considered and the Chair advised he would pick up the work in progress items below under Item 5 on the agenda.

d **Matters arising not covered in agenda below – None raised.**

4 **Risk Management and Business Assurance Update**

- a) Schedule of Risk Areas Evaluated by CMT
Phil observed that the review process of the Risk areas has begun and SSR1 to be discussed below but due to workload the review of SSR2, SSR3 and SSR4 which should have come to this meeting have been delayed and will come to the next meeting.
- b) Individual Risk Management Record(s)
Failure to enrol students in sufficient numbers, or “to target”, in a planned and well-managed way (SSR1)

Phil observed that he had reviewed the risk and made minor changes to the Current issues and included possible higher risks with the competition from the UTC and STEC making stronger attempts to take some of our prospective students. Although currently the STEC is not a risk to the College but it could in the future.

The Chair observed that the detail in the record was helpful and asked Phil to give the committee a broad brush report on the outcomes of the “Actions to be taken” for the next meeting rather than waiting till the next review.

Phil confirmed he take this forward.

Members noted the paper and there were no further questions.

ACTION AGREED

Phil to do a broad brush report on the outcomes of the “Actions to be taken” for SSR1 for the next committee meeting.

5 **Receive Summary of Internal Audit Outstanding Recommendations and Work In Progress Report**

The Chair referred to the Schedule of Audit Recommendations Work in Progress report that was issued and discussed at the last meeting. There were a number of concerns raised by members at the meeting which the Chair had emailed these to Phil. The main concern was the delay in completion of IAs recommendation. The chair reiterated what he had previously emailed to Phil that potentially there were some items on the schedule that could be dealt with, in his opinion fairly quickly for e.g. the IT Disaster Recovery Controls asked that a hard copy of the IT DR Plan and procedures should be kept should be accessible by any member of the team. Following an update in March 2018 discussion by management and the IT department had been given to providing a cloud-based disaster recovery plan when in fact the internal auditors had made reference to using the existing hard copy. The cloud plan would be a future aspiration, but the hard copy would fulfil the internal auditors’ recommendations.

Similarly some items in the schedule have been part completed and the chair wondered how much time was further required to complete these and again help to reduce the number of outstanding actions.

The Chair observed previously the document was a lot larger than it is now and the committee is aware that management time is tight but it is the Audit committee's responsibility to question and challenge when actions have not been completed. And they do not want outstanding actions to go back to how it was 10 years ago. The suggestion that Linda and the Clerk would look at the outstanding actions over the summer will add another level of delay but the committee would like it addressed earlier. He advised that this was not raised as a blame but a concern that actions will drift.

Phil concurred with the committee's concern and suggested that management look at the level of priority of the outstanding recommendations and where there are any quick fixes then pick these up and deal with them.

Wayne suggested that AuditOne push their follow up dates to later in the year to give management to give management time to look at the current outstanding

The Chair and Phil agreed this would be helpful.

ACTION AGREED

Phil to look at the level of priority of the outstanding recommendations to take forward completion of actions to be taken.

6 To discuss AuditOne's Internal Audit Reviews

The Chair invited Wayne to take members through the AuditOne reports and proposal.

(a) Treasury Management Report

Wayne took members through the report covering the following:

- Management Action priorities grading – 0 High, 2 Medium and 3 Low
- Key findings – the College has undertaken informal market testing of their banking facilities but the results have not been formally reported
- Conclusion: Governance, risk management and Control arrangements provide a good level of assurance that the risks identified are managed effectively. A high level of compliance with the control framework was found to be taking place
- Scope of the Audit

Members noted the report with no matters raised.

(b) Corporate Governance Report

Wayne took members through the report and covered the following:

- Key Findings from the audit on Governance
- Recommendation summary of priorities – 0 High, 4 Medium and 10 Low
- Action Plan

Phil commented on the recommendation that New Governors should not attend College business until all necessary checks and documentation have been formally finalised and advised that management felt that as two of the new governors were local Head Teachers and would have undergone DBS check that they were low risk.

Wayne advised that he recognised that it may have been a low risk and it was about being proportionate on this occasion but good practice would be to have to have documentation in place.

Jason referred to the governor training register raised in the audit and that all governors had received the SFCA governance webinars and asked what the next step was with these and should the board be acting on what they have picked up from them.

Phil advised that the aim of the webinars was as a governance training tool. If there was something in the webinar that a governor felt the board was not doing and felt that it should then the individual should raise it with the Clerk.

Member noted the report and no further matters raised.

(c) Proposal for Internal Audit Services for 2019/20

Wayne referred to AuditOne's Proposal and Fees for 2019/20 and noted the following:

- AuditOne uses two different day rates depending on the nature of the internal audit review. Internal audit reviews are charged at £330 per day (excluding VAT), whereas Technology Risk Assurance audits are charged at £425 per day (excluding VAT).
- AuditOne understand that the overall budget for internal audit services normally totals 16 days per year. The minimum cost for internal audit services will be £5,280 (excluding VAT) although this will rise depending on the volume of Technology Risk Assurance audits scheduled for 2019/20.
- The fees include travel costs.

RECOMMENDATION TO THE CORPORATION:

That the Corporation approve the appointment of AuditOne for 2019/20.

ACTIONS AGREED:

Clerk to contact AuditOne to confirm re-appointment if approved by the Corporation on 2 July 2019.

(d) Internal Audit Progress Report

Wayne briefly took members through the report covering the following points:

- Introduction
- Progress against the 2018/19 Annual Internal Audit Plan
- Advised no changes made to the 2018/19 Annual Plan
- Internal Audit Plan 2017/2018

Members noted the report with no matters raised.

(e) Sector Updates

Wayne advised that he had started to produce a sector update for Audit Committee members. This provides a selection of updates from the ESFA and might be useful to give the committee a snapshot of what is going on in the sector.

The Chair noted that although the document was informative, a bullet point summary would be more helpful.

Phil observed that the College Management Team are signed up to the ESFA Updates and receive these on a weekly basis.

7 **External Auditors – Audit Strategy & Fees Proposal**

The Chair invited Graham to take members through the EA's Audit Strategy and Fees Proposal.

Graham observed that as in previous years Baldwins scope is to carry out regulatory checks and look for material errors. He took members through the report covering the following:

- Audit of the financial statement in accordance with International Standards on Auditing
- Report to the College and ESFA on regularity
- Report on the Teachers Pensions End of Year Certificate in accordance with appropriate guidelines
- Scope of the Audit
- Audit Approach
- Discusses specific risks with Linda on a regular basis
- Timetable for conduct of the audit – this has been pulled forward to the end of September to be ready for the December Audit Committee

Graham took members through the Audit Fee proposal and advised that 1 year's extension is based on 2% increase plus VAT.

He also put to the committee the option of a 3 year extension which would only cost £20 more than the 1 year extension.

RECOMMENDATION TO THE CORPORATION:

That the Corporation approve the Audit Strategy Document.

ACTIONS AGREED:

Clerk to contact Baldwins to confirm re-appointment if approved by the Corporation on 2 July 2019.

8 **ESFA Post-16 Audit Code of Practice 2018-19**

The Chair referred members to the report and Graham noted that this is updated by the ESFA year on year and very little has changed this year with the main area looking at Fraud and they have aligned the regularity self-assessment questionnaire to the document. The changes are highlighted on page 4.

Members noted the ESFA Post-16 Audit Code of Practice 2018-19 and no questions were raised.

The Chair thanked Wayne and Graham for their respective input. He advised that the committee will now consider their fee proposals and that they were free to leave the meeting and the Clerk will advise them of the committee's decision in due course.

Wayne and Graham left the meeting at this point.

Gareth suggest prior to making a recommendation to the Corporation to approve the Internal Auditors Fees that it might be worth asking AuditOne if they would be willing to set their fee for the next three years as the External Auditors have.

ACTION AGREED

Clerk to contact AuditOne to enquire if they would be willing to set their fee for the next three years.

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

Members considered and agreed that the discussion on the proposed auditor fees should be classed as confidential.

10 **Any Other Business**

Gareth raised a concern that he felt uncomfortable discussing the auditors individual fees in the presence of the other auditor and that each auditor had a copy of the others fees within the paperwork.

The Chair agreed it was awkward but has been the practice over the years. He suggested the way forward is that the auditors only have a copy of their own fees in the paperwork and that when the EA or IA is asked to go through their fees with the committee the other is asked to leave the meeting.

Members agreed this would be appropriate.

ACTION AGREED

Clerk to ensure auditors only have a copy of their own fees in the paperwork for discussion.

11 **Date of Next Meeting 13 November 2019**

12 **Confidential Items** – See Separate Minute

There being no further business to discuss the meeting closed at 5.45pm.