

AQUINAS COLLEGE

AUDIT COMMITTEE

Meeting: 4 November 2019

Time: 5.00pm

Venue: The College

GOVERNORS PRESENT

Mrs C H Dove, Ms M Garratt, Mr A Martin and Mrs J Miller.

Mr A Martin in the Chair

IN ATTENDANCE

RSM

Mazars LLP

Mrs D Blackburn

Mr T Conlon

Mr P Haydock

Mrs C Lancaster and Mr D Watson

Assistant Principal (Finance)

Clerk to the Governing Body

1. OPENING PRAYER

The meeting began with a prayer led by Mr A Martin

2. INTRODUCTIONS

Mr Haydock and Mr Watson were welcomed to the meeting and for their benefit everyone introduced themselves.

3. APOLOGIES FOR ABSENCE

An apology for absence was received from Mr I Anwar.

4. DECLARATION OF INTERESTS

Governors and Staff were asked to declare any interest, which they may have in any items on the Agenda for this meeting. No interests were declared.

5. COMMITTEE MINUTES

RESOLVED – That the minutes of the meeting held on 3 June 2019, copies of which had been circulated previously, were agreed as a correct record.

6. MATTERS ARISING FROM THE COMMITTEE MINUTES

Minute – 7 Link Governors

Mr Martin asked what progress had been made in relation to the suggestion that members of the committee could align themselves to areas of audit strategy to allow for a more in depth understanding of the compliance performance of the college. Mrs Blackburn replied that the proposal had been discussed at the Governing Body meeting on 25 June 2019.

The Governors felt that it was important that the role of the Audit Committee was independent of the management to ensure appropriate oversight was preserved. Mrs Lancaster (Mazars) felt that the Audit Committee should step back and be independent of the executive. Mrs Blackburn added that she would compile a list of Governors who are aligned to areas within college to see if there are any other areas that Governors feel they need more information on.

7. DRAFT STATUTORY ACCOUNTS

Mrs Blackburn introduced the draft Statutory Accounts for 2018/2019 that had been circulated previously to members. It was noted that the Audit Committee has a corporate governance role in approving the Statutory Accounts. The Resources Committee would also consider the draft Statutory Accounts at its meeting on 5 November 2019.

A discussion took place on a number of points included in the draft Statutory Accounts for 2018/2019 with particular reference to the following points:

- i) The college had exceeded all its targets.
- ii) The changes in the cashflow to separately identify that element of cash put on deposit to generate interest.
- iii) The Trade Union Facilities disclosure note.
- iv) The changes in the operating surplus as a result of the Greater Manchester Pension Fund.

In addition, all members were asked to check the draft Statutory Accounts for any mistakes or typing errors and to advise Mrs Blackburn accordingly.

The accounts remain draft until they are approved by the Governing Body and signed by the Chairperson, Principal and the auditors.

RESOLVED: That the draft Statutory Accounts for 2018/2019, subject to any governor amendments be recommended to the Governing Body for approval.

8. ANNUAL INTERNAL AUDIT REPORT

RSM submitted the Internal Audit Annual Report for 2018/2019 and it covered the work undertaken in the period 1 August 2018 to 31 July 2019. It summarised the work undertaken, the details of which had been considered by the Audit Committee throughout the year.

Based on the work carried out, RSM concluded that the College has adequate and effective risk management, control and governance processes to manage the achievement of the College's objectives. Members noted that of the four audits undertaken in 2018/2019 two had received substantial assurance and no high priority management actions had been proposed, whilst the other two audits were procedure and compliance reviews. There had been nine recommendations in total, three had been classed as low, two were classed as medium and four were advisory. All recommendations had been accepted by the College.

RESOLVED: That the Annual Internal Audit Report for 2018/2019 be received.

9. INTERNAL AUDIT PROGRESS REPORT

Mr Haydock of RSM advised members that the timetable for audits for 2019/2020 had been agreed with the college as detailed in the Internal Audit Plan for 2019/2020. One audit Framework for Compliance with Legislation and Regulation – Health and Safety would be carried out in November 2019 with reports to the committee in February 2020. Three further audits i) Learner Number Systems – Core 16-19 classroom based provision, ii) Key Financial Controls – Budget Control and Follow Up would be carried out in March 2020 with reports to the committee in June 2020. The timescale for IT Security Framework audit has still to be confirmed but Mrs Blackburn asked if it could be carried out in December 2019.

The following Client Briefings have been issued since the last meeting.

- a) Further education emerging issues: autumn 2019
- b) ISO/IEC 27001: New requirements for providers
- c) Trust in the boardroom: a move towards sustainable corporate governance

10. ACTION ON INTERNAL AUDIT REPORTS

Mrs Blackburn introduced the report that had been circulated to all members prior to the meeting which summarised the action taken on previous internal audit reports from 2018/2019. Members noted all the recommendations had been completed or were ongoing.

11. FINANCIAL STATEMENTS AUDIT AND MANAGEMENT LETTER

Mrs Lancaster of Mazars LLP advised members that the Audit Summary covered the Financial Statements of the College for the year ended 31 July 2019. The reporting framework had included the FRS 102 Financial Reporting Standard. Mrs Lancaster went through the Audit Completion Report and drew member's attention to the key points in the report. The report covered the following areas i) Executive Summary, ii) Status of the Audit, iii) Audit Approach, iv) Significant Findings, v) Internal Control Recommendation and vi) Summary of Misstatements.

The following Appendices were also provided:

- Appendix A – Draft Management Representation Letter
- Appendix B – Draft Regularity Representation Letter
- Appendix C – Draft Audit Report
- Appendix D – Draft Regularity Assurance Report
- Appendix E - Independence

A discussion took place on the draft Financial Statements Audit Summary that had been prepared by Mazars LLP for the year ended 31 July 2019. Copies of the report and the draft Management Letter had been circulated to members prior to the meeting. Members' attention was drawn to the Opinion section of the report and it was noted that there were no unresolved disagreement with management of the College regarding items that could be material to the accounts.

A discussion took place on the Greater Manchester Pension Scheme for support staff. The scheme is a Defined Benefits Scheme which means that the benefits are already determined. Particular reference was made to the changes to the Statutory Accounts as a result of the GMPF's assets and liabilities being de-pooled and allocated to individual colleges. In 2018/2019 the college had received a large reduction in the accounting results due to the reduction in the discount rate that is applied to the scheme liabilities compared to the assets of the scheme and the actuarial loss in respect of pensions is included in the Statutory Accounts. The fund's valuation is reviewed every three years with the next one due in 2020.

Mrs Blackburn advised members that from September 2019 the employer's contribution to the Teachers Pension Scheme will increase by 7% to 23.6%. This additional cost should be funded until April 2020. The first tranche of the grant to cover these costs has been received but there is still a shortfall against actual costs.

The report indicated that subject to carrying out a post balance sheet events review there will be an unqualified opinion, without modification on both the Financial Statements and Regularity Audit for the year ended 31 July 2019. There was one management letter points that required to be drawn to the attention of Governors in relation to a review of the college's Whistleblowing Policy (See Minute 17).

A Further Education Sector Update – 24 October 2019 had been circulated. It covered i) New FE SORP, ii) Local Government Pension Schemes, iii) capital Funding for T-Levels and iv) College Insolvency regime.

Mrs Lancaster of Mazars LLP thanked Mrs Blackburn and other college staff for their assistance in carrying out the audit.

RESOLVED: i) That the Financial Statements and Regularity Audit that had been prepared by Mazars LLP on the College for the year ended 31 July 2019 be received and ii) That the draft Management Representation Letter, iii) That the draft Regularity Representation Letter, iv) Draft Audit Report and v) Draft Regularity Assurance Report issued by Mazars LLP be received.

12. OVERSIGHT OF PUBLIC FUNDS -BOURNVILLE

Mrs Blackburn introduced a letter that had been issued by the Education & Skills Funding Agency in July 2019 to Chairs of Governors at Further Education and Sixth Form Colleges.

Following investigation that was undertaken at Bournville College in 2015 to 2016 following concerns raised in relation to college governance and oversight of expenditure. The report covered a) Regularity, propriety and compliance, ii) Audit and assurance, iii) Executive Pay, iv) Transparency and v) Open and collaborative working between governors and executive.

Members noted the contents of the letter from the Education & Skills Funding Agency and the assurances provided by Mrs Blackburn.

13. RISK MANAGEMENT ANNUAL REPORT/RISK MANAGEMENT POLICY

The draft Annual Risk Management Report for 2018/2019 and the Risk Management Policy had been circulated to all members prior to the meeting. Mrs Blackburn advised members that the draft Annual Report summarised the following:

- a) The risk management approach during the year
- b) Summary of performance against the College's Risk Management Plan identifying:
 - i) Any issues in each of the significant risk areas and how these were addressed.
 - ii) Details of Key Performance Indicators
 - iii) Changes to the Scope of the Register
 - iv) Actions and Deadlines
- v) An overall summary and conclusion on the adequacy of the process in discharging the Governing Body's duties.

It was noted that the risk management process is well established with regular reports to senior management and Governors. The College has had clean audit reports from both Internal and External auditors. The risk management process is sufficient to provide adequate assurance of sound systems of internal control.

Members noted that no changes had been made to the Risk Management Policy and that the changes to the Risk Register had been highlighted with particular reference to the change in funding as a result of additional funding being announced for the Sixth Form College sector.

RESOLVED: i) That the draft Annual Risk Management Report for 2018/2019 and the Risk Management Policy be recommended to the Governing Body for approval.

14. RISK REGISTER

A copy of the updated Risk Register (October 2019) for the college had been circulated to all members of the Committee prior to the meeting. Changes to the Risk Register had been highlighted and Mrs Blackburn identified the high risk areas and updated the Committee on the latest position.

RESOLVED: That the updated Risk Register be noted.

15. AUDIT COMMITTEE ANNUAL REPORT

A discussion took place on the draft Audit Committee Annual Report that had been circulated to all members prior to the meeting. The report covered all work carried out in the 2018/2019 financial year including concluded work relating to 2017/2018.

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Statutory Accounts and Financial Statements for the year ended 31 July 2019. Minor amendments were made to show Mazars were also the regularity auditors and that they had raised one minor management letter point.

It was agreed that the report be submitted to the Governing Body meeting for approval at the meeting on 19 November 2019.

16. COMMITTEE TERMS OF REFERENCE

A copy of the current Audit Committee Terms of Reference had been circulated prior to the meeting. After a full discussion it was agreed that the following be added:

To inform the Governing Body of any additional services provided by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and explain how independence and objectivity are safeguarded.

RESOLVED: That the Governing Body be recommended to agree the amended Audit Committee Terms of Reference.

17. FRAUD LOG BOOK/WHISTLE BLOWING

- a) Mrs Blackburn advised Members that there were no incidents of fraud, corruption or whistle blowing to report.
- b) Mr Martin and Mrs Dove agreed to review the Whistleblowing Policy and to advise the Clerk to the Governors any changes that they proposed.

18. ANY OTHER BUSINESS

There was no any other business.

19. DATE OF NEXT MEETING

10 February 2020 at 5.00pm.

Signed _____
Chair of the Audit Committee

Date _____