

Brooke House Sixth Form College

Minutes of a meeting of the **Audit Committee (AC)** held on 10 July 2018 at 1700hrs.

Present	James Cross (Chairman)	Olga Venosa	
In Attendance	Ralph Devereux (Clerk)	Mike Cheetham (RSM)	Adrian Cottrell (Interim FD (IFD))
	Rajeev Shaunak (McIntyre Hudson)	Kevin Watson (Principal)	

The Chair welcomed Olga Venosa to her first Committee meeting and thanked her for so promptly volunteering to join the AC, her input would be welcomed.

20/17 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS AND APOLOGIES

No notice had been received of any member becoming ineligible to hold office and no interests were declared.

21/17 MINUTES OF/ACTIONS FROM THE LAST MEETING

- a. Minutes. The Minutes of the last meeting held on 8 March 2018 were confirmed for electronic signature, Clerk to action. **(Action 1)**
 - b. Actions:
 - (i) Re 15/17. Catering manager. The catering manager had left the College and been replaced by an employed professional; and
 - (ii) re Action 2 re Free Meals (FM) payments remained outstanding however the IFD had made progress, the detail had been scheduled and it appeared unlikely that there would be any clawback. However, falling student numbers may prompt repayment of some of the current year's (unspent) allocation. FSM and Bursary payments would now be fully detailed in the accounts.
- a. **The information was noted and received.**
b. **Actions had been identified. (Register at 29/17 below)**

22/17 MATTERS ARISING AND URGENT BUSINESS

There were no matters arising and no urgent business requested.

23/17 INTERNAL AUDIT REPORTS

There were 2 IAS Field Reports (Agency Staffing and Financial Planning and Budgetary Control) to consider, both remained in draft format since College response and feedback were still awaited, although this was understandable when considering the churn that had been experienced over the last few weeks, it was important that these reports were finalised in the near future; at present the IAS had **not provided any assurance** on either, which meant that *"Taking account of the issues identified, the Board could not take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s)".* Lack of coherent control and monitoring had been evident in both areas; although adequate frameworks and processes appeared to be in place, they had not been followed or actions recorded. The reports were then considered individually, and the Committee recorded serious concerns; whilst accepting the recent turmoil, expressed a strong requirement that the reports were addressed immediately, and that strong focus was applied to the necessary process for both. **(Action 2)** The scope, approach, risk and objectives of the testing were explained by the IAS before detailed consideration of each:

- a. Agency Staffing. (02.17/18) (Report issued 16 April 2018). **No assurance had been given**, the risk associated with the testing was "CR5. That the college does not have sufficient staff at the required quality". Three High Priority recommendations had been made, viz:
 - (i) lack of appropriate authorisation of procurement of staff;
 - (ii) inadequate budget for agency spend; and

- (iii) lack of SMT awareness of the actual spend.

There had also been two “Medium Priority” (lack of SMT procedure review and departmental expenditure reports) recommendations. All recommendations had been accepted. The IAS had drafted a response and timescale; however, the college needed to complete/amend the management responses together with revised timescales.

- b. Financial Planning and Budgetary Controls (03.17/18) (Report issued 3 May 2018) **No assurance had been given**, the risk associated with the testing was “CR13. That the college does not have appropriate procedures and plans in place to manage its exposure to reductions in Public Finances”. Four High Priority recommendations had been made, viz:
 - (i) unsatisfactory Board approval process for the 2017/18 budget;
 - (ii) inadequate budget monitoring;
 - (iii) lack of action on cash flow material variances; and
 - (iv) lack of high level consideration of actual v planned expenditure.

There had also been five “Medium Priority” (unavailability of learner numbers, lack of action on adverse budget variances, unsuitable financial budgeting software, lack of budgetary training, unsubstantiated budgetary savings) recommendations. All recommendations had been accepted with responsibility allocated and implementation dates yet to be identified; however, no action had been implemented.

Both reports would be finalised as a matter of urgency to inform completion of the Annual IAS Report for 2017/18, **(Action 3)** the IAS gave notice that it was likely that the Report would contain a qualified opinion; noted by the Committee. **(Action 4)**

- c. Audit Strategy and Plan. The Internal Audit Plan (2017/18) and other IAS documentation was reviewed informed by the considerations above. The IAS had advised:
 - (i) progress with the operational audit plan 2017-18, Appendix A, which was discussed and noted (see a&b above);
 - (ii) possibilities beyond the current plan, Appendix B. Additionally the IFD had tabulated possible areas for scrutiny in next year’s plan, each area included strengths and weaknesses associated with each area, informing comments and suggested timings. The items were individually considered and discussed, and the Plan was agreed with the exceptions of:
 - strategic planning;
 - marketing; and
 - student journey

The IFD and the IAS would now progress finalisation of that programme into a formal plan for the coming year and this would be considered at a meeting tbh on 27 September at 1730. **(Action 5)**

- (iii) the Internal Audit Strategy, Appendix C was noted and received;
- (iv) the Internal Audit Charter, Appendix D was noted and received; and
- (v) IAS client care standards, Appendix E

- a. **The information was noted and received.**
- b. **Actions had been identified. (Register at 29/17 below)**

24/17 FINANCIAL STATEMENTS 2017/18 AUDIT STRATEGY

The External Audit Approach plan for audit of the annual financial statements (AFS) together with the Regularity and Teachers’ Pension Agency (TPA) audits was discussed. A key development had been

detailed in the introduction identifying (as the previous year) that “Going Concern” remained a serious risk area, together with resolution of the catering and marketing anxieties and senior management and governance changes. Treatment of the car park and sports hall sale was discussed. A bespoke plan for completion had been determined with a clear and manageable mutually agreed timetable, which agreed with the Corporation meeting schedule. The process would allow Committee consideration in November and the Corporation in December 2018. The detail would be fully compliant with the SORP requirements and approved by the Corporation. Subject to minor amendments required in relation to materiality calculations and disclosure of non-audit services, the plan was recommended to the Corporation for approval at a fee of £12,650+VAT (£12,400 - 2017), the plan and associated fee was recommended to the Corporation. **(Action 6)**

- a. The information was received.
- b. Actions had been agreed. (Register at 29/17 below).

25/17 RISK MANAGEMENT (RM)

RM was planned for consideration at each Committee meeting. Since the last review of the documentation in March 2017 several important influences had emerged, but the register had not been updated; it would be reviewed and brought to the next meeting. The chairman expressed disappointment that this had still not been addressed given his comments at the previous meeting. **(Action 7)**

- a. The information was received.
- b. Actions had been agreed. (Register at 29/17 below).

26/17 ESFA INTERVENTION – ACTION PLAN

The ESFA and Sixth Form Commissioner intervention had prompted determination of an action plan and progress against each of the requirements had been RAG rated and tabulated; each was discussed individually. Most items had been rated green or amber and progress with these was noted. the two red ratings were:

- a. re 5.1. Catering income and expenditure records see 21/17b, the new Catering Manager would adopt IFD requirements;
- b. re 9. Progress against financial recovery plan; rejig of current KPI information considering reduced 16-18 recruitment; and
- c. the rolling IAS action list would be reintroduced wie to inform the action plan. **(Action 8)**

The plan would continue to be closely monitored.

The information was received and noted.

27/17 URGENT BUSINESS

There had been no urgent business requested.

28/17 DATE OF NEXT METING

The next meeting would be 27 September 2018; after discussion it was agreed as 1730 normal meeting start. **(Action 9)**

29/17 ACTION REGISTER

Note referenced minute for full detail.		Resp	Date
Action 1	21/17. Minutes from 08.03.18 confirmed for electronic signature.	Clerk	asap
Action 2	23/17. Strong Committee concern registered.	IFD	
Action 3	23/17. Draft reports to be actioned asap.		
Action 4	23/17. Qualified IAS Annual Report likely.	All	12.09.18
Action 5	23/17c. Areas for inclusion in IAS Annual Plan 2018/19 agreed.	IFD	asap
Action 6	24/17. Ext Audit Strategy and fee recommended to Corporation.	Chair	asap
Action 7	25/17. Updated Risk Register to next meeting.	IFD	12.09.18
Action 8	26/17. IAS rolling action list to be re-introduced.		
Action 9	28/17. AC regular meetings - start time agreed as 1730.	Clerk	wie