



**MINUTES OF A MEETING OF THE CORPORATION'S
AUDIT & ASSURANCE COMMITTEE
3.00pm, TUESDAY 26 JUNE 2018, in the Whatmoor Room**

Members [5]:	*Michael Clarke (Chair); *Henry Cox; *Hannah Crocker; *Annetta Minard; Andrew Robinson
In attendance [3]:	*Chris Pedder (Deputy Principal (Finance & Corporate Services) (DPFCS)); *Vanessa Gifford (Clerk); *Will Barnard (TIAA Ltd); *Carol Davey (Mazars Ltd)

ITEM NO.	DETAIL	
1.	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>	
2.	<p>APOLOGIES</p> <p>Apologies for absence were received from Andrew Robinson.</p> <p>Will Barnard, Internal Auditor with TIAA Ltd, was welcomed to his first meeting.</p>	
3.	<p>MINUTES OF THE MEETING HELD ON 13 MARCH 2018</p> <p>The Committee APPROVED these minutes as a true and accurate record, and also APPROVED the open minutes for website publication.</p>	
4.	<p>MATTERS ARISING FROM THE MINUTES</p> <p>The following matters arising were NOTED:</p> <ul style="list-style-type: none"> • The GDPR Follow Up was within the Internal Audit Plan. • The GDPR Action Plan had been circulated to the Corporation. It was suggested that Governors could access further training by completing the online exercise that staff had completed. The DPFCS suggested there may be a licence issue but agreed to check with HR. • It was noted that a DASP meeting had not been held since the last meeting, therefore this action was outstanding. • It was noted that year 2 of the Catering provision would be reviewed in due course. 	<p>CP/VG</p> <p>AM</p>
5.	<p>INTERNAL AUDIT REPORTS</p> <p>Procurement & Payments: this review had been assessed as having 'Limited Assurance' of the effectiveness of the internal controls with one urgent</p>	

recommendation, nine important, three routine and one operational. The overall conclusion was reported as:

- There was a limited segregation of duties issue in relation to the payments process.
- Financial 'regulations did not set out the arrangements for single tenders/quotations.
- Lack of evidence of value for money being determined in certain areas of the College
- No formal checks to ensure new suppliers were legitimate suppliers.
- Evidence of late payments made to suppliers which contravenes the Late Payment of Commercial Debts Regulations 2013.
- Bank Reconciliations were not being reviewed and signed off in a timely manner.

The Committee was disappointed with this report, however the DPFCS advised that all the recommendations had received some action already. The DPFCS advised that he was also disappointed with the report as it covered a breadth of the College activity, but considered it to be a 'wake up' call for managers' performance. The College Management Team had recently analysed the issues, however the urgent recommendation was a difficult one to solve in a small college but some training could be provided to segregate duties.

The Internal Auditor advised that the recommendations were not unusual and was pleased to note the actions. The Committee questioned whether electronic signatures were acceptable and the External Auditor advised that they were now readily used and accepted. The DPFCS agreed to investigate the technology. The Committee also discussed the limits within the Financial Regulations and agreed that they were very low and were historical best practice and questioned whether it was realistic to manage. The DPFCS advised that recording three phonecalls to confirm prices was all that was necessary but he would review the limits and make recommendations to the Corporation. It was reported that staff were submitting invoices to the Finance Department after the due date and this was not acceptable. It was suggested that purchasing should be stopped if staff were not complying. The D-PFCS advised that he would be discussing with the culprits and the College Management Team had recently received training on financial procedures, although some managers were absent. The DPFCS would continue to monitor as it was imperative that this was adhered to so that there were no surprises at the end of the year and cashflow was maintained. It was noted that the Internal Auditor would be carrying out a follow up the following month to ensure that the situation had improved. The Committee agreed that the report was not acceptable and offered any support to ensure that procedures were complied with. The Internal Auditor advised that that the follow up report would be presented to the Committee in due course.

CP

Learner Number Compliance: this review had been assessed as having 'Substantial Assurance' of the effectiveness of the internal controls with two routine recommendations. The overall conclusion was reported as:

"Processes were in place for ensuring the accuracy of the MIS data through exception reporting and identification of missing information. /the /review found the data to be accurate with some minor amendments to withdrawal dates required.

- No Urgent or Important recommendations were made."

The DPFCS advised that a lot of time had been taken to address issues which had successful. The Committee questioned whether Ansbury were informed when

	<p>students withdrew and the DPFCS advised that it was although possibly not within 6 weeks.</p>	
<p>6.</p>	<p>INTERNAL AUDIT PLAN 2018/19</p> <p>The Internal Audit Plan for 2018/19 was scrutinised with the following points NOTED:</p> <ul style="list-style-type: none"> • The Internal Auditors had met with the DPFCS to match the Plan with the College Risk Register. • The key emerging themes within the education sector were: <ul style="list-style-type: none"> * Fraud/Whistleblowing * Enactment of GDPR * Cybercrime • The Committee discussed the implications of Brexit with the Auditors suggested the main issue was whether Brexit would create a recession, or not. It was suggested that a downturn in the economy would mean more people looking to commit fraud. • Annex A relating to the GUARD Risk Analysis was noted, especially the College's progress with GDPR actions. • It was agreed that the planned Governance Reviews within Annex B, the Rolling Strategic Plan, should be swapped around as it was important to monitor the KPI's from the new Strategic Plan before looking at any future review of the Plan itself. The DPFCS suggested that the two audits could be combined and would check with the Internal Auditor. • The summary of Internal Audit Reviews within Annex D was noted. • The Committee discussed whether Brexit should be highlighted as a risk within the Risk Register as it could affect government funding with more stringent tension on government finances. This led to discussion on what funding would be available with support from EU Banks unlikely. It was acknowledged that KMC had made all the necessary savings with little scope for more, so had little to lose. There was a risk if funding per student reduced, with increased growth at KMC. The College currently received £4K per 16-18 student and there was a risk that this could be reduced in the future. It was noted that schools received variable amounts depending on the area but it was around £3,500 per student up to the age of 16. It was suggested that the Corporation should monitor the 'tipping point' for not continuing to grow. The Committee was advised that the College had already looked at future school leavers in the system and there was a definite increase coming up with the College looking at significant growth in two year's time. <p>It was agreed to RECOMMEND the Internal Audit Plan 2018/19 to the Corporation subject to the slight amendments suggested.</p>	<p>TIAA CP</p>
<p>7.</p>	<p>EXTERNAL AUDIT STRATEGY FOR THE YEAR ENDING 31 JULY 2018</p> <p>The External Auditor presented the External Audit Strategy for the year ending 31 July 2018, and the following points were NOTED:</p> <ul style="list-style-type: none"> • The Audit Scope, Approach and Timeline were noted. The External Auditor had monitored the reviews of the internal Auditors and considered any risks to the Financial Statements as low. • The Significant Risk areas were highlighted as: <ul style="list-style-type: none"> * Management Override of Controls * Revenue Recognition * Loan Covenants – the College should ensure that a waiver is in place before year end if there are signs of a breach. The External 	

	<p>Auditor advised that the year on year decline in cash may be an issue. New members questioned whether the costs relating to the loan for the LRC were investigated, and the DPFCS advised that all risks would have been considered at the time but a loan was the only source of funding at the time to replace an inadequate building.</p> <ul style="list-style-type: none"> * Land Disposals – the External Auditor advised that the college should look at the 'overage' position in relation to any land disposal in the future due to taxation issues. • The Key Judgement areas were highlighted as: <ul style="list-style-type: none"> * Going Concern assessment and financial plan – the External Auditor advised that all documentation would be scrutinised during the audit for any weaknesses. * Defined benefit pension scheme assumptions * Depreciation * Bad Debt provision – non student debt * Clawbacks • Materiality and Mis-Statements – the External Auditor advised that mis-adjustments were reported over £5,800, with the materiality being extrapolated. She explained that mis-adjustments would always be found with a certain number reported. There would only be a concern if it switched the financial statements from a profit to a loss. <p>The Committee RECOMMENDED the External Audit Strategy for the year ending 31 July 2018 to the Corporation for approval, which included the standard Engagement Letter.</p>	
8.	<p>AUDIT RECOMMENDATIONS TRACKING REGISTER</p> <p>The Audit Recommendations Tracking Register was REVIEWED, with the following points NOTED:</p> <ul style="list-style-type: none"> • The first Recommendation relating to Governance, Risk Management and Strategy would be completed during the summer and reported to the next meeting. • A major area of work was the GDPR Action Plan. The Committee questioned whether there were any signs of the system being tested and the DPFCS advised that he had expected a rise in the number of requests for data but this had not occurred. • It was suggested that the IT team was at its limits, and vulnerable, with all the new issues surfacing, including new technology; Compliance and Cybercrime. The DPFCS reported that SMT were currently reviewing the issues. • The DPFCS explained that this report highlighted all recommendations from Internal Audit Reports and a recommendation would not be removed until the action had been reported. It was therefore a rolling working document which gave assurance to the Internal Auditor. • The DPFCS advised that encrypted memory sticks would be allocated soon with disciplinary action taken if they were not used. 	CP
9.	<p>DEBTORS UPDATE REPORT</p> <p>The Debtors Update Report to the end of May 2018 was NOTED, and the following points made:</p> <ul style="list-style-type: none"> • The 90+ days debtors had now mostly been paid relating to the High Needs funding with the local authorities. £3-4K was currently being disputed by Poole Borough Council. The DPFCS advised that legal action 	

	<p>had been threatened for the original sum.</p> <ul style="list-style-type: none"> The aim of the DPFCS was for a similar level of debt to the previous year by the end of the financial year. 	
10.	<p>DATA PROTECTION POLICY</p> <p>The draft Data Protection Policy was SCRUTINISED and agreed that it read well. The DPFCS advised that he had purchased a 'fit for purpose' document from legal advisors and had not points to bring to the attention of the Committee other than the requirement for an independent Data Protection Office (DPO) which was being considered.</p> <p>The Committee RECOMMENDED the Data Protection Policy to the Corporation for approval.</p>	
11.	<p>WHISTLEBLOWING POLICY</p> <p>The Committee REVIEWED the Whistleblowing Policy and agreed to RECOMMENDED the document to the Corporation for approval.</p>	
12.	<p>TERMS OF REFERENCE AND WORK PROGRAMME 2018/19</p> <p>The following points were NOTED:</p> <p>Terms of Reference 2018/19</p> <ul style="list-style-type: none"> As the Financial Handbook had now recommended that staff members should not be members of the Audit and Assurance Committee it was agreed to amend the bold highlighted paragraph to read: ".....and any other staff member." <p>Work Programme 2018/19</p> <ul style="list-style-type: none"> The Clerk was requested to add the dates to the top columns. <p>Subject to the above amendments the Committee's Terms of Reference and Work Programme 2018/19 were RECOMMENDED to the Corporation for approval.</p>	<p>VG</p> <p>VG</p>
13.	<p>RISK MANAGEMENT 2017/18</p> <p>The Risk Management Report 2017/18 was NOTED:</p> <p>a. Corporate Risk Register – it was noted that the Risk Management Group had carried out a full review of the Corporate Risk Register and all amendments had been incorporated. The Committee raised the following points:</p> <ul style="list-style-type: none"> * It questioned why the original Risk 5 had moved to Risk 7 and the DPFCS explained that there were still concerns over the apprenticeship funding however this was an issue for the whole sector. The explanation was accepted. * The DPFCS was requested to check the scoring for Risk 10. * It was agreed to look at the mitigation and qualify for some risks eg the student accommodation, where members could check in their role as Link Governors. * The new Risk relating to the Gender Pay Gap Report and the impact of an Equal Pay Claim was noted. * The Clerk asked the auditors whether the Insolvency Regulations and the chance of governors being personally liable should be highlighted. The Auditors suggested that the 	<p>CP</p>

	<p>level of insurance could be reviewed however this would only be enforced if it was shown that Governors had been negligent. Therefore it was important to ensure that all issues were well documented and if the Corporation was following all the guidance there should be no problems. The only risk could be if the banks called in any debts. It was agreed to look at the issue at the next RMG meeting.</p> <p>b. Risk management issues raised at College meetings – Items raised were included in the Register.</p> <p>c. Risk Management Group update – the minutes of the last Risk Management Group were unavailable and would be presented to the next meeting.</p>	<p>CP</p> <p>CP</p> <p>VG</p>
14.	<p>ANY OTHER BUSINESS</p> <p>No further business was reported, other than thanking those members that could be moving to other committees in the new academic year, in particular the Staff Governor.</p>	
15.	<p>2018/19 COMMITTEE DATES</p> <p>The following dates were NOTED, subject to Corporation approval:</p> <ul style="list-style-type: none"> • 13 November 2018 • 2 April 2019 • 18 June 2019 	
	<p><i>The meeting closed at 4.50pm with no further business.</i></p>	

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