

Newbury College Corporation Audit Committee

Minutes of a meeting held on Monday 1st June 2020 from 4pm via Teams

Present	Name	Role
Membership	Sally Osmond (SO)	External Member – Chair
	Jonathan Hopson (JH)	External Member
	Tom Rossiter (TR)	External Member
	Glyn Howells (GH)	External Member – Vice Chair
In Attendance	Iain Wolloff (IW)	Principal
	Jayne Steele (JS)	Director of Finance & Resources
	Jackie Heggs (JHe)	Teaching & Quality Manager
	Jo Houghton (JoH)	Director of Business and Partnerships
	Cathy Wright (CW)	Director of HR
	Gill Parkinson (GP)	Clerk to the Corporation
Quorum:	Three members required	Meeting quorate, four members present

AGENDA ITEMS

Item No.		Action
1	APOLOGIES FOR ABSENCE Apologies were received from Lee Hunt.	
2.	DECLARATIONS OF INTERESTS Members confirmed that they had no declarations of interest to make	
3.	MINUTES OF THE PREVIOUS MEETING The minutes of the meeting held on 24 th February 2020 were approved as a correct record and signed by the Chair.	
4.	MATTERS ARISING FROM THE MINUTES JS presented the matters arising: Item 4 – Explore responsibilities for Health & Safety Health & Safety came within the Finance & Resources Committee remit - it had received and discussed a report on Health & Safety at the meeting of 2 nd March 2020 and would receive termly reports on these issues. GP would ensure this item is included in the F & R business plan. Item 5 New credit control system details to be provided	GP

	<p>To avoid bad debt building up again, the Finance team had implemented/ strengthened the following:</p> <ol style="list-style-type: none"> 1. Fees Policy updated to include a section on payment, which includes stronger stipulations on payment in advance, installment plan agreements, purchase orders and loan agreements being in place prior to attending classes. 2. Tutors asked to process withdrawals in a timelier way, and MIS to send withdrawal report to Finance at least monthly. 3. Credit controller reconciles invoicing to the MIS by end of December. 4. Credit controller reconciles invoicing to tutor held class lists by end of January. 5. Processing of credit notes would take place in-year and up-front payments would be taken where possible. This would include students who had never attended or suffered serious ill health/lost their employment and had subsequently attended very few classes. All cases would be assessed with due regard to the Refund of Fees policy. Where there was attendance without payment, students would not be allowed to take exams or re-enrol. <p>Item 5 Credit control improvement suggestion (SO) The College should keep a dated record of the stage one and two emails sent to all debtors and evidence that these were sent to the debtor. The credit controller had worked with the Finance System support company (Minerva), and this had now been implemented within the finance System (Exchequer)</p> <p>Item 5 Tuition fee policy to be updated The Fee policy had been fully updated and approved by the Senior Management team in May 2020. A payment section had been added into the policy including the condition that students would not be able to enrol onto a new programme if they have outstanding fees from another course.</p> <p>Item 5 Policy on debt write-off time limits to be formulated The updated Financial Regulations to be reviewed by this Committee include the following: <i>The Director of Finance is responsible for reviewing the provision for bad debts and make an appropriate adjustment when preparing the year-end accounts. Any debts carried forward should be written off or presented to the Finance and Resources Committee for write off by the end of the following financial year if not collected. See Item 12.2.</i></p> <p>Item 6 Progress on updating of financial regulations to be added to next audit agenda This would be presented to the Committee in Agenda item 12.2.</p> <p>Item 10 Tendering for external and internal auditors to be added to next agenda See Agenda item 11.</p>	
5.	<p>OUTSTANDING RECOMMENDATIONS (INTERNAL AND EXTERNAL AUDIT) ^(SI) JS presented the report. The 2018/19 Internal Audit Reports included recommended actions classified as Priority 1, 2 or 3. The Audit Committee had agreed that a new tracker was required – a copy was provided. In summary: 2018/19 Internal Audit:</p> <ul style="list-style-type: none"> • There are no Priority 1 recommendations • There are eight Priority 2 recommendations of which the College consider 7 to be completed and 1 is now superseded. The superseded action relates to 	

	<p>the agreement of an SLA and KPIs with the payroll provider, Moorepay. The requested information had not been provided and the College continued to have concerns regarding the quality and timeliness of the service. The retendering and research of cost/benefit of an in-house solution is underway but a conclusion has not been reached due to the additional workload created by the pandemic.</p> <ul style="list-style-type: none"> There are nineteen 'housekeeping' recommendations of which the College consider 17 to be completed. One recommendation, relating to recruitment request forms, has been superseded by the arrival of the new HR system. The recommendation in relation to purchasing a new till for the restaurant is in progress with the cost included in the 20/21 capital bid prioritisation exercise. <p>2019/20 Internal Audit:</p> <ul style="list-style-type: none"> There are no Priority 1 recommendations There are three Priority 2 recommendations of which the College consider all have been completed. There are three priority 3 (housekeeping) recommendations of which the College consider 2 have been completed. The recommendation to produce timely management accounts on a monthly basis was proving problematic, especially with ESFA submission requirements and the pandemic causing additional workload this year. JS could not assure the committee that monthly Management accounts could be sent in a timely way using her current resources due to staff holidays, problems with information from the payroll bureau and lack of interchangeability between staff to perform tasks. JS noted that the ESFA auditors and FE Commissioner stipulated the need for monthly accounts (even for August when there was little activity). GH suggested providing a "slimmed-down" version in months where there were no large variances. IW agreed the narrative could be reduced particularly as JS was very conscientious and produced monthly forecasts albeit this was due to the changing situation arising from the pandemic. It was agreed that JS would slim down the management accounts where possible and provide quarterly forecasts (as agreed at the last finance meeting). This should satisfy the external bodies as they weren't prescriptive about this. <p>The Internal auditors would provide their assessment of the College actions - due to the pandemic, this had been delayed and some staff had been furloughed, but where work could be conducted remotely it was expected to take place before the end of the financial year.</p>	JS
6.	<p>PROGRESS AGAINST AUDIT COMMITTEE STRATEGIC TARGETS (SI)</p> <p>IW noted there was positive progress in all aspects.</p> <p>In summary details of progress with the agreed strategic targets for 2019/20 were:</p> <ul style="list-style-type: none"> There is a robust and responsive risk management strategy and plan for the College, which is regularly reviewed as evidenced by risk management audits. <i>This had occurred, including Corporation briefings on the pandemic in March and May – see Item 7.</i> Key risks are evaluated to ensure that the planned risk mitigation strategy is appropriate. <i>To be planned for 2020/21, when College building is re-opened.</i> Robust internal and external audit plans are in place for 2019/20 provided by internal and external auditors and actioned by managers. <i>Audit plans were</i> 	

	<p><i>reviewed and approved by the Committee and all prior year and 5 out of 6 current year actions completed.</i></p> <ul style="list-style-type: none"> The Audit Committee is compliant with ACoP (post 16 Audit Code of Practice) in terms of governance and management. <i>The Audit Committee Annual Report for 2018/19 approved in November 2019 confirmed this.</i> Audit Committee to include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the committee should have recent, relevant experience in risk management, finance and assurance. <i>Skills and experience of members to be reviewed in Autumn Term 2020/21 – Committee Members to confirm competencies.</i> GP to add to business plan. <i>GP to explore the existence of a skill list for members with the Clerks Network and AOC.</i> 	GP
7.	<p>RISK REGISTER ACTION PLAN (SI)</p> <p>JS highlighted that risks arising from the pandemic had been considered at two Corporation meetings held remotely on 30th March and 22nd May 2020, so this plan focussed on the other risks. The original Risk Register had been reviewed by the Senior Team and key areas were identified in the circulated report in which planned actions were either making ‘positive progress’, or were ‘on track’, or where ‘limited/no progress’ had been made. There were several questions:</p> <ul style="list-style-type: none"> Point 7 Resources - Produce detailed project plan for delivery of the University Centre by Sept 2020 SO enquired about progress on the UCN (University Centre). JoH noted that one employer had moved their start date to 2021. There was progress in recruiting a digital lead. Many employers were optimistic about upskilling employees once the lockdown is over. IW noted space delivery was progressing and on-target for September. SO asserted that the concept of the UCN was still widely supported in Newbury. Point 8 Financial/Cashflow Discussion ensued about whether increasing PFI costs were the most significant factor affecting the College’s long-term financial viability. The ESFA had acknowledged that without the PFI obligation the College would be profitable as costs had been minimised and the College was operating very leanly. However, an additional factor was that income growth was not in line with expectations at the time that the PFI was contracted, partly because funding of the sector had been cut by 20% in the last 8 years. 	
8.	<p>INTERNAL AUDIT PLAN</p> <p>JS presented the report.</p> <p>The 2019/20 Internal Audit plan agreed with Mazars consisted of four audits, (cut down from 5) in addition an internal audit of Mite which was conducted by Keystone Projects. Two audits had taken place this year:</p> <p>Financial Controls – Credit Control and Debtor invoicing An adequate assurance level was provided with six recommendations – see Item 4.</p> <p>Mitie planned preventative maintenance (PPMS) The first audit was conducted by Keystone Projects in October 2019, covering water safety, electrics and deep cleaning, with a second audit scheduled for April.</p>	

	<p>The dates of the remaining scheduled audits fell into the pandemic lockdown period, and similarly to other Colleges, need to be rescheduled.</p> <p>The SMT had assessed the risk and believe the Learner Numbers audit to hold the highest risk as compliance issues could result in a funding clawback and consequently this was usually conducted annually. Additionally, the College had not had an ESFA funding audit for some time. The team were engaging with Mazars to ascertain whether it would be possible to conduct this audit on site, observing social distancing, as a significant amount of scanning hard copy documents was required.</p> <p>Given the poor results of the Mitie audit in October, concerns about how their PPMS impact College health and safety, and ensuring value for money from the service provided, it was recommended that the second Mitie audit originally scheduled for April take place before the end of July. JS would be talking to the new site manager and Keystone Projects. Even without terminating the PFI there should still be cost savings.</p> <p>It was being proposed that the remaining two audits (Financial Planning: Forecasting and Budgetary Control and Learner Recruitment) be moved to 2020/21. SO asked whether this would be in addition to planned audits. This would be decided after consultation with Mazars. JS assured GH that guidance including the Post-16 Code of Practice didn't stipulate how many internal audits to perform and it was the responsibility of the Corporation to assess risk and decide whether assurance was adequate. Other Colleges were also deferring audits.</p> <p>The possible attendance of External Audit at Audit Committee meetings was discussed – this was usual in the sector at the December meeting but not the other meetings unless specifically required.</p> <p>JS and SO would meet to discuss a way forward for Internal Audit.</p>	<i>JS/SO</i>
9.	<p>UPDATE ON ACTIONS ON INTERNAL AUDIT OF MITIE SERVICES</p> <p>JS would circulate a written update after the meeting when more information was available.</p>	<i>JS</i>
10.	<p>SIGNIFICANT INCIDENT REPORT (SI)</p> <p>JS noted there had been travellers on-site twice in the previous 3 weeks. A fire door had been damaged and a complaint received. Mitie had cleaned the site after the Police helped to move the travellers on and the gates had been welded together to prevent the gates being pushed open or lifted out of place.</p>	
11.	<p>TENDERING OF EXTERNAL AUDIT</p> <p>JS reiterated that the incumbent external auditors had been in place for a total of ten years during which time they had won individual competitive tenders conducted on a 3-year basis. It was agreed at the 24th February 2020 Audit Committee meeting to undertake a tender for services from 2020/21. Progress on the tender had fallen behind schedule due to the additional workload pressure arising from the Covid-19 pandemic.</p> <p>A report had been issued that explained that to meet the timescales for Corporation approval of a contract greater than £50,000 (as stipulated in our financial regulations) and ensure a quality tender process, Tenet Procurement</p>	

Services, an education specialist, as part of Crescent Purchasing Consortium, had been engaged to conduct the tender with the following timeline:

Activity	Date
Invitation to Tender Issued	26 th May 20
Last date for receipt of tenders	26 th Jun 20
Supplier Presentations	TBC
Preferred service provider to be selected and unsuccessful companies notified	03 rd Jul 20
Corporation Approval	13 th Jul 20
Voluntary Standstill Period	10 th – 20 th Jul 20
Contract to be issued subject to Governors formal approval, and Contract Award Notice posted	w/c 27 th Jul 20
Contract Start Date	1 st Aug 20

The College Financial Directors' network had indicated the likelihood of an increase in audit fees of up to 60% due to OfS requirements and the increase in regulations. The current auditors had not been invited to tender albeit they had not indicated their prices would increase. Four of the companies invited to tender had been recommended by the Chair of the Finance and Resources Committee and all but one had FE experience.

The services identified to be tendered were Audit of College Accounts (incl. pre and post audit meetings), Preparation of College Statutory Accounts, Attendance at December Audit Committee Meeting, Teachers' Pension Audit, Subcontracting Audit, Academy Trust Audit and Preparation of Academy Trust Accounts. Other services to be priced were a VAT helpline.

There were no questions.

**12.
12.1**

POLICY REVIEW

Anti-Fraud Policy & Response Plan

The Post-16 Audit Code of Practice was updated in 2019/20 to include additional governance concerning the risk of fraud. This policy should be approved annually and had been derived from a recently approved document from an Academy Trust and adapted to align with the FE Post-16 Code of Practice. It included the requirement for the Senior Management Team to review the Post 16 Audit Code of Practice Anti-Fraud checklist on an annual basis (to be included as an annual agenda item on the Audit Committee plan), examples and indicators of fraud and a clear plan to respond to a suspected fraud, including:

1. The requirement for the suspected fraud to be reported to **the Chair of the Audit Committee** if the fraud involves the Principal or Director of Finance;
2. The reference to the Whistleblowing policy which includes reporting to the **Clerk to the Corporation**;
3. The requirement for the Principal to report fraud which meets the following criteria to the **ESFA, the Chair of the Corporation not Governors and The Chair of the Audit Committee**:
 - Fraud in excess of £10,000
 - The particulars of the fraud are novel, unusual, systematic or complex
 - There is likely to be public interest
4. The guidance on limiting losses and the possible courses of action to be taken

12.2	<p>SO had reviewed both policies and thought they satisfied College needs. GH agreed there were no omissions.</p> <p>In response to a query on how fraud policy permeates to staff CW noted some e-learning had been circulated with its depth dependent on department. There would be regular retraining. Anti-bribery was included in the Induction Day.</p> <p>SO thought Governors should be reminded of obligations. The Committee commended JS on the policy and response plan.</p> <p>The Committee approved the Anti-Fraud Policy and Response Plan dated 20th May 2020.</p> <p>Financial Regulations</p> <p>The Financial Regulations are the most important financial governance document for the operation of the College and should be reviewed annually and presented to the Corporation for approval.</p> <p>The Financial Regulations submitted for review were approved by the SMT in May 2020 and incorporated recommendations from the auditors. Some key changes to the document were:</p> <ul style="list-style-type: none"> • Inclusion of delegated approval for the Finance & Resources Committee for contracts between £50,000 to £150,000; • Specific reference to Mitie change orders in relation to obtaining three quotations and transparency of costs between labour and materials; • Scheme of Delegation changed to remove unlimited cost commitment for the Principal. The limit is now £10,000 with payments and cost commitment greater than £10,000 requiring the Director of Finance approval in addition to the Principal; • Expense claim thresholds and requirement for Director level approval for mileage claims included – this had been picked up by the auditors; • Details of staff who can approve the payroll BACS payment included; • Debt write off time limit of next financial year added. <p>JS noted the financial regulations hadn't been updated for three years and she had incorporated auditors' comments and other requirements. This document should be presented to the Audit and Finance & Resources Committees and Corporation annually with any changes highlighted – GP to add to Business Plan.</p> <p>The Committee recommended increasing the threshold for capitalisation of assets (p.56) to £1,000 or £1500 – JS to change this clause. NB The limit was subsequently changed to £1,000 and presented to the Finance & Resources Committee on 15th June 2020. To be presented to the Corporation on 12th July for final approval.</p> <p>After discussion the Committee also recommended some nonexecutive oversight when crediting back income (p.63) – Section to be added by JS.</p> <p>The Committee recommended the Financial Regulations to the Corporation subject to the changes highlighted– GP to add to next Corporation agenda.</p>	<p>GP</p> <p>JS</p> <p>JS</p> <p>GP</p>
13.	<p>AOB</p> <p>There was no other business.</p>	

14.	EVALUATION OF MEETING TR completed the evaluation.	

Confirmed as a correct record:

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Signature of Committee Chair

Date