



Audit Committee Minutes

Meeting	Audit Committee	Date	Tuesday 5 th March 2019
Location	Boardroom J221, Canterbury College	Time	9.05am
Membership	Tony Allen (Chair), Tom Price (Vice-Chair), Gail Clarke and Peter Wood		
In Attendance	Paul Sayers, (Executive Director – Strategy and Partnerships) Chris Legg (Executive Director – Finance and Commercial Development) Christiaan de Lange (Wilkins Kennedy) (Item 5) Tara Ashman (Clerk)		

* *Italics notes absence*

	ITEM	COMMENTS	ACTION
1	Welcome and Apologies	The Chair welcomed members to the meeting, to which there were no apologies.	
2	Declarations of Interest	There were no declarations raised at the meeting directly related to any items within the agenda.	
3	Minutes of the Meeting held on 4th December 2018	The minutes of the Audit Committee meeting held on 4 th December 2018 were approved as a true and fair account and duly signed by the Chair.	
4	Matters Arising	There were no matters arising not covered with the agenda.	

5	Internal Audit Report – Financial Controls	<p>[Christiaan de Lange joined the meeting at 9.08am]</p> <p>The Chair welcomed CdL to the meeting who was invited to lead the Committee through the key findings of the report:</p> <p>Bank Reconciliations – There was an issue with some credit card transactions being posted to the new bank account for the Yarrow prior to its set up. Overall, the banking was reconciled however, there was lack of clarity in a brought forward amount from 2017. CL advised there were some staffing issues within finance during this period and not a systematic failing however noted this would be resolved by year-end. Recommendations from the report have been factored into the specification for the new finance system, which will improve the reliability of the process.</p> <p>Self Service Expense Claims – Noted as a low risk, the sample tested did not find any issues but it was recommended that no one member of staff has more than 12 individuals to line manage to ensure there continues to be no errors. Governors discussed the level of expense claims across the Group and CL noted that the financial regulations state Governor expenses are approved by the Chair where in reality it is the Clerk who is the budget holder. Members agreed to review the financial regulations at the next meeting.</p> <p>Purchase Invoices – There were a couple of cases of mixed VAT issues, which required manual adjustment. A Governor asked if this was human error in processing or a limitation of the system; CL confirmed that both were factors.</p> <p>Tenders – The tender for contracts and the approval process was reviewed in accordance with the financial regulations. CdL noted that the Governors approve expenditure within a budget for the year however the process is unclear in its explanation of this. Members discussed the limit for going out to tender (currently £150,000) and agreed that there should be a mechanism for reporting this level of expenditure back to the board, suggesting the Finance Sub-Group as an option. A Governor felt that the College had paid a premium for some of the previous capital expenditure and would welcome this level of oversight. The Chair would make this recommendation to the board at the next meeting.</p> <p>VAT Return – Whilst VAT had been calculated correctly, some of the total had been included as gross as opposed to net. There was some technical discussion around lettings income being an exempt or a standard-rated supply.</p>	Agenda
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6	Internal and External Auditors Re-Tendering	<p>The Chair invited discussion on the re-tendering of both internal and external auditors. The Committee were reminded that Wilkins Kennedy were appointed as internal auditors in September 2015 following a tender process and Buzzacott have provided a quote for the next three years. It was agreed to consider each separately.</p> <p>External Auditors - Members discussed partner-level familiarity, however felt that having historical knowledge of the recent changes to the Group was of benefit at the current time. Member received information on the 26 largest Colleges and their audit services benchmarking and agreed that the external audit report is prescribed in such a way the comparison should be price-based in the main. Members approved the continuation of Buzzacott as External Audit providers for a 3-year period, to be reviewed in 2022.</p> <p>APPROVED – Audit Committee approved Buzzacott as the External Auditors to cover the period August 2018 to July 2021</p> <p>Internal Auditors – Members considered the work of Wilkins Kennedy to date, noting the recent change in their management for the financial controls auditing of the Group. Internal Audit looks at the controls in real time whereas external audit is a review of what has passed and members were keen to review both internal and external audit at different years in the future. Members approved the continuation of Wilkins Kennedy as Internal Financial Statement Audit providers for a 2-year period, to be reviewed in 2021.</p> <p>APPROVED – Audit Committee approved Wilkins Kennedy as the Internal Auditors to cover the period August 2019 to July 2021</p>	

7	Subsidiary Company Proposal	<p>The Chair discussed the report provided by Buzzacott, which was rejected at the last board meeting. The Committee felt that the report did not provide enough information regarding the pros and cons of setting up a company or a clear recommendation to consider.</p> <p>PS noted that following legal advice the nurseries could not be included in the MAT unless it is legally attached to a school within the MAT.</p> <p>Without a clear recommendation the Committee felt they did not have enough information to understand the full ramifications and other options were not presented.</p> <p>The Committee asked CL to speak to Buzzacott on their behalf for a more detailed report to come to the next meeting.</p>	<p>CL</p>
8	Risk, Audit and Compliance Committee Report	<p>CL advised members that the items of note are discussed in greater depth on a cyclical basis over the 6 meetings across the year. The Audit Report management responses are considered at this internal meeting. CL highlighted the following areas within the minutes:</p> <p>ESFA Match Audit – The ESFA are a co-financing organisation which attracts matched funding from the EU with very strict requirements. At some point there may be an external audit by EU Auditors, this funding is devolved to the LEP until 2022.</p> <p>High Needs – The Group is still waiting for KCC to detail the new proposals and is currently in a 3-year block funding deal. The recommendation is to postpone an audit review until the proposal detail is known.</p> <p>GDPR Audit – It was agreed to review the scope of the brief as quotes coming in are much higher than anticipated. PS noted the risks around GDPR are still uncertain with no precedent set thus far. Audit Committee agreed to receive the update at each meeting for review but continue to test the market should the expertise be evident.</p> <p>Funding Audit – The three quotes for the funding audit have come in higher than expected. With the field work due to start in March it will test whether the funding claim for each learner is accurate and is a good trial of any potential external funding audit.</p>	

		<p>Health & Safety – RAC members discussed the invacuation procedure; although deemed as a low risk for the Group there is some exploration into low cost options for alert systems. A Governor asked if there were issues with knife-based incidents across the Group, although this has happened on occasion the invacuation procedure is more about someone intent on doing mass harm.</p> <p>Retention of Records – The Group is in discussion with the insurance company at present regarding the duration of the retention of HR data to 50 years in case the employer or employee was deemed culpable in a case in the future. There is a counter argument relating to GDPR, however with no case law surrounding GDPR it is the Groups interpretation of the regulations which is maintained at this point. The Audit Committee were supportive of this.</p> <p>Brexit – This appears on the risk register in both the impact of funding to non UK EU nationals and in terms of logistical disruption to learning.</p> <p>It was noted that as RAC meet six times per year and Audit Committee meet three times per year that two sets of minutes should come to each meeting.</p>	
9	<p>Group Performance Indicators</p>	<p>CL reminded members that the two indicators for Audit to review are health and safety incidents and staff absence, both of which were challenged at the recent Risk, Audit and Compliance meeting. The Committee were presented with the Group and Business Level detail and questions were invited.</p> <p>Health and Safety is now a monitoring indicator as it was agreed to not have a target against this. A Governor queried why Dover appeared to have a low number of incidents and challenged the accuracy of the reporting. CL advised that there have been no reports of non-compliance however the curriculum offer at Dover does not pose the same level of risk as some of the other Colleges. There is an inconsistency in systematic reporting within EKC WorkHigher and EKC IntoWork which is a focus for the Health and Safety Advisor in the coming weeks and will be reported to the next RAC meeting.</p>	<p>Agenda</p>

		Members were assured in the control and process of the indicators.	
10	GDPR Update	<p>The minimal number of data security breaches comforted members, noting these as human error as opposed to systematic issues. It was also noted that there had been no reportable breaches to refer to the Information Commissioner’s Office (ICO).</p> <p>A previous employee complaint regarding a subject access request was submitted to the ICO however, the ICO upheld the Group’s process, which is reassuring.</p> <p>The Group is looking to be accredited with Cyber Essentials Plus and is currently going through the process of accreditation. A number of public funded contracts require this so the benefit would not only look to support the Group in its security measures but offer future opportunities.</p> <p>The Clerk asked that the Committee remind the board of the agreed action that all Governors undertake GDPR training; the Chair will include this as part of his update.</p>	Chair
11	Risk Management Report	<p>PS noted that the risk management report remains unchanged in its scores however it has been reviewed by both the Risk, Audit and Compliance Committee and the Executive Team. The register has been updated to reflect the current picture and PS cited Brexit funding impact as an example but the material scores have not moved.</p> <p>PS advised it would be clearer following the next round of meetings the impact that the Local College Boards (LCB) are having on College and Group risk management and it is important that the minutes reflect meaningful discussion. The Chair asked that a report on LCB risks come to the next meeting.</p>	Agenda
12	Update on Internal Audit Plan	<p>PS recommended that, given the delay in information, the High Needs review be postponed to next year, which was approved by the Committee. The Committee agreed to the increase in fees for the Funding Assurance Review and this report will come to the June meeting.</p> <p>Members discussed the scope of this report and agreed that should there be any follow up work between now and the next meeting this can be considered with the Chair of Audit Committee providing the work remains within the internal audit budget. PS confirmed the deadline for procurement against this year’s internal audit budget is 31st July 2019.</p>	

		<p>Members agreed to hold the remaining budget in reserve for any potential work that may have implications for the Group in the coming months.</p> <p>AGREED – Governors agreed the updated Internal Audit Plan for 2018-2019</p> <p>The Chair noted that a review of Governance should be considered within the plan for 2019/2020.</p>	PS
13	Terms of Reference	<p>Members reviewed the terms of reference and agreed that, as the corporation had agreed to the removal of a Vice-Chair, that Audit Committee should remain consistent. Tom Price was thanked for his tenure and the terms of reference will be updated accordingly to reflect the removal of the Vice-Chair.</p> <p>APPROVED – The Audit Committee approved the Terms of Reference for 2019/20, subject to the removal for the requirement of a Vice-Chair</p>	
14	Draft Agenda for next meeting	<p>Members considered the draft agenda for the next meeting, approving its content and the inclusion of:</p> <ul style="list-style-type: none"> Buzzacott Subsidiary Company Proposal Financial Regulations Review Local College Board Risk Register Review <p>PS will speak with Sharon Hollingsworth as to whether there is a requirement by the insurers to have an annual review of the Business Continuity Plan.</p> <p>Should the quotations for GDPR be deemed to add value this item will remain within the Internal Audit Plan.</p>	PS
15	Any other business	<p>CL tabled the recommendations for the annual insurance cover. The Chair had requested that the Governor professional indemnity, which would also cover the Senior Management Team, be increased from £2.5million to £5million which still effects a saving over the year and remains within budget.</p> <p>Arthur J Gallagher recommended that the Group consider Cyber Liability & Data Protection cover and Sabotage & Terrorism cover. The executive team discussed both of these in detail and would not be recommending either cover, the Committee agreed with this recommendation.</p>	



		There was no further business to report at the meeting.	
16	Date and Time of Next Meeting	Tuesday 18th June 2019, 9.00am, Canterbury College	

There being no further business the meeting closed at 11.21am

Signed:

Print:

Date: