



Audit Committee Minutes

<b>Meeting</b>	Audit Committee	<b>Date</b>	3 <sup>rd</sup> March 2020
<b>Location</b>	Canterbury College, Room J221	<b>Time</b>	9am
<b>Membership</b>	Tim Kent (Chair), Gail Clarke, Peter Cheney, Peter Wood		
<b>In Attendance</b>	Chris Legg – Chief Financial officer Paul Sayers – Chief Strategy Officer Andrew Stevens – Chief Operating Officer Sharon Hollingsworth – Interim Director of Governance Nicole Leader – Executive Support Officer Christiaan De Lange – Wilkins Kennedy [Item 5] Sally Ewing – Arthur J Gallagher [Item 6]		

	ITEM	COMMENTS	ACTION
1	Welcome and Apologies	The Chair welcomed everyone to the meeting and introduced Sharon Hollingsworth, Interim Director of Governance.	
2	Declarations of Interest	There were no declarations of interest raised at the meeting.	
3	Minutes of the Meeting	The minutes of the Audit Committee meeting held on 3 <sup>rd</sup> December 2019 were reviewed by the members and approved as a true and fair account. The minutes were agreed and signed by the Chair.	

4	Matters Arising	Minute item 5: CL confirmed that Jonathan Cresswell [Director of Finance and Business Improvement] now approves journals posted by the Head of Finance.	
5	Internal Audit Report –Financial Management and Controls to encompass the review of Open Accounts.	<p>The Chair welcomed Christiaan De Lange from Wilkins Kennedy who was invited to lead the Committee through the key findings of the two Internal audit reports:</p> <p><b><u>5.1 Internal Audit report</u></b></p> <p><b>Bank reconciliations</b> - There was a significant number of unreconciled items within the main EKC business account, resulting in £327,000 difference to the bank statement. This was mainly due to the lack of integration between the new accounting system and both the till system and student database initially following the changeover. There was also an issue regarding the timing of bank reconciliations when being prepared.</p> <p>CL commented that the issue with the tills need to be followed up urgently with Advanced. CL noted that meetings are already arranged with Business Systems to review the ProSolution export file and, that the Finance Team have been tasked to get the bank reconciliation up to date as best they can until the above issues are resolved.</p> <p>A Governor asked if the issue can be resolved by a patch or an upgrade. CL confirmed that an upgrade would be required to resolve the issue.</p> <p><b>Nursery pricing</b> – No specific pricing policy is in place for any of the Nurseries. Prices should be justified with a review against costs to ensure that the best price is being set. CL agreed that a pricing policy should be put into place for all Nurseries.</p> <p><b>Nursery Credit Control</b> - There is no formal policy in place for debt recovery in the Nurseries. The Nursery Managers do not have any long outstanding debts so appear to be recovering debt in a</p>	

		<p>timely manner via regular letters and reminders. Wilkins Kennedy recommend that a structured approach be put into place for if or when debt needs further escalation.</p> <p>A Governor asked if the nurseries follow the same debt recovery process as the Group. CL advised that the Commercial Team undertake responsibility for this aspect of the nurseries; it is managed well and they have not had to follow the procedure for debt recovery, but if necessary the Group Procedures would be used. The Committee agreed that a Nursery fees policy should be put in place which will include a debt recovery structure.</p> <p><b>AGREED ACTIONS:</b></p> <ul style="list-style-type: none"> <li>• Full Governing Body finance report to include an update on the bank reconciliation issue including the total number of unreconciled items within the main EKC business account.</li> <li>• The Committee agreed that the unreconciled bank items should be monitored by the Finance Sub Group at their regular meetings.</li> <li>• Wilkins Kennedy to follow-up outstanding recommendations as part of the scope in the next internal audit, and to re-audit in May for presentation at the June Audit Committee</li> <li>• Nursery fees policy to be put in place which will also encompass a debt recovery structure.</li> </ul> <p><u>5.2 Systems Review</u></p> <p>Wilkins Kennedy was asked to conduct a Systems review and the scope of this review included:</p> <ul style="list-style-type: none"> <li>➤ Purchases</li> <li>➤ Sales</li> <li>➤ Fixed assets</li> <li>➤ Cashless payments</li> </ul>	<p>CL</p> <p>CL</p> <p>CL</p> <p>CL</p>
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		<p>A sample of sales transactions through the system was tested checking controls and, the same for purchases and fixed assets. The potential of cashless payments and the opportunities and threats was also reviewed.</p> <p><b>Purchases</b> – According to the procurement policy three quotes need to be obtained for purchases over £2,500. In some cases, a preferred supplier was used rather than obtaining three quotes. EKC Group responded that they are mindful of consistently asking the same suppliers to quote as they are unlikely to keep doing so if consistently unsuccessful. This is why there is a less regular approach to obtaining three quotes and a tendency to adopt a preferred supplier where appropriate. The Committee agreed that the Procurement Policy needs to be updated to better reflect any exceptions when obtaining three quotes.</p> <p>A Governor asked if the system automatically asks for three quotes when raising purchase orders over £2,500. CL commented that the three quotes need to be procured manually, the budget manager would recommend the preferred supplier and the purchase order would be approved at the appropriate level depending on the amount of the purchase order.</p> <p>Members noted that invoices with a net amount below £2,500 but a gross amount above, that eBIS does not recognise the need for approval to be escalated to a Director/Principal level. As the Group is unable to reclaim VAT on educational suppliers, approval should be based on the gross amount, which is the total cost to the Group. CL responded that this was an issue when the Open Accounts system had a re-boot in October when this setting was lost and unfortunately we were not aware of this. An Advanced consultant has been on-site and resolved this issue.</p>	
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		<p>A Governor commented that it is fundamental that we are aware of any settings lost when re-booting/upgrading the system. CL replied that a Systems Accountant has been appointed and part of their remit will be to check for these issues when re-boots and upgrades occur.</p> <p><b>BACS payments approval</b> – The Procurement Procedure and Financial Regulations do not detail the approval procedures for BACS payment runs. CL commented that when the BACS payment run is made, the invoices have already been fully authorised. Committee agreed that the Financial Regulations and/or Procurement Policy should be updated to reflect this.</p> <p><b>Recording of sales</b> – The transfer of student data from ProSolution to OpenAccounts show that there is a significant weakness resulting in student fees not exported properly subsequently, there is a risk of debtor balances being incorrectly recorded in the accounts. CL commented that the issue is in the way which data is entered into ProSolution at busy times i.e. enrolment. The Chief Operating Officer advised that he had been informed of this and has planned for a Management Information support team to be available during enrolment and will offer training/support sessions before enrolment.</p> <p>A Governor asked what contingency we have in place to capture fee errors. CL responded that there is a robust automated checking system in place to capture errors and request payment, there is also a new member of staff in place to support this team. CL assured the Committee that student debt is low.</p> <p><b>Cashless Payments</b> – Wilkins Kennedy have identified a number of risks and rewards for cashless payments. CL commented that we are not looking for immediate endorsement but looking at the risks before recommending approval to the Board. A Governor asked if the Yarrow has cashless systems. CL responded yes and noted that the Group is also looking to introduce this at college sites and possibly the nurseries but particularly in the refectories.</p>	
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6	<p><b>Insurance Tender Responses Outcome</b></p>	<p>The Chair welcomed Sally Ewing, from AJG who was invited to lead the Committee through the key findings of the Insurance Tender process:</p> <p>SE informed the Committee that Arthur J Gallagher carried out a full and compliant tender process of Insurance provision for the EKC Group. Nine Insurance companies were invited to tender; a process of evaluation was carried out with a 70/30 split. At the same time of the tender being undertaken UMAL (Mutual Association) approached EKC Group. The differences between a Mutual and commercial insurances are outlined in the presented report.</p> <p>SE tabled an updated version of the summary evaluation. Zurich and Malvern scored top for quality and price. Members noted that UMAL could not be evaluated on quality due to the absence of this information and further that UMAL do not qualify for Insurance premium Tax.</p>	

		<p>CL, PS and SH had met with SE prior to the Audit Committee meeting to go through the Tender evaluation outcome and any queries regarding the proposals and provision of cover had been resolved for both providers.</p> <p>Arthur J Gallagher provided a summary, conclusion and next steps within the report.</p> <p>SE noted that in some cases where a Mutual Association has been chosen a legal challenge could be raised if the other bidders feel the process has not been followed correctly.</p> <p>Members noted that Terrorism cover is not provided within the option currently being recommended. A Governor queried if terrorism cover is compulsory. SE confirmed that it is not compulsory for colleges that fall outside London. A Governor asked if a situation was to occur where would we stand if no terrorism cover is in place. SE responded that it would come down to legal liability. If the College could evidence that security procedures and processes were in place and that students and staff were made aware of these and, were followed there is likely to be no legal liability.</p> <p><b>AGREED ACTION: The Committee agreed to request a quote for Terrorism cover.</b></p> <p>A Governor asked what the current Group insurance premium is. CL replied that although he did not have the exact figure to hand, the saving is in the region of £100,000 a year based on the Zurich fee proposal provided.</p> <p>The Committee discussed the benefits of both Zurich and UMAL. Members felt that the advice and service offered by Zurich and their experience of the FE sector would be invaluable. SE confirmed that it was unlikely that UMAL could offer the same level of knowledge and expertise.</p>	SH
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		<p>The Committee agreed that the tendering process has been followed. The Committee were supportive of the recommendation to appoint Zurich and Malvern for the EKC Group insurance.</p> <p>Terrorism cover would be additional to this process, if required</p> <p>The Chair invited further questions or comments. SE was thanked for her work and attendance to the meeting.</p> <p>SE left at [10.26]</p> <p><b>AGREED ACTION</b> - The Audit Committee recommend the appointment of Zurich for the core Group insurance cover and Maven for Personal Accident &amp; College Trips. The proposed Long Term Agreement will be on a 3 +2 year basis. The fee proposal recommendation is Option A (per Tender less Option A discount) £432,536 per annum.</p>	
7	<p><b>7.1 Risk, Audit and Compliance Committee Report(s)</b>  <b>7.2 2019/20 Outstanding log of recommendations from Internal Audit</b></p>	<p>7.1 - CL presented the minutes and reminded the Committee that the minutes of the Risk, Audit and Compliance meeting are presented in full to offer assurance that matters raised at Audit Committee are discussed by the management. The three main items of the meeting are audit related matters, health and safety and risk and these are rotated within the agenda to allow a greater focus at specific meetings. CL reported no current concerns.</p> <p>7.2 Outstanding log of audit recommendation. Completed actions are agreed at the Risk, Audit and Compliance committee and recorded in the minutes, these items are then removed from the report only leaving the outstanding items to be actioned.</p> <p>Wilkins Kennedy actions to be added to the report.</p>	CL



8	Group Performance Indicators	CL reminded members that the two indicators for the Audit Committee to review are health and safety incidents and staff absence, both of which were challenged at the recent Risk, Audit and Compliance Committee meeting. The Committee were presented with the Group and Business Level detail and questions were invited. AS noted that the staff absence CPI is also reviewed at the Business Units Performance Review.	
9	Data Protection Update	<p>AS presented the updated data protection action plan to the Committee highlighting the following:</p> <p>A new role has been approved to support in the monitoring and administration of data protection. This has been approved due to the additional work load that Alison Gray (AG) current data protection lead has taken on in her new interim role of Director of Corporate Services.</p> <p>A Governor questioned when the action plan will be completed by. AS replied that AG had recently informed him that all but four actions are now completed, and that the action plan will be updated accordingly. AS offered to circulate the list of those data protection actions that are unlikely to be completed by 31<sup>st</sup> March via the Clerk. AS clarified that the list will also be submitted to the next RAC meeting.</p> <p><b>AGREED ACTION - Circulate updated data protection action plan to Audit committee members.</b></p>	AS
10	Risk Management Report	PS noted that the risk management report has been updated. A comprehensive review has been undertaken and the clearing of out of date items in the assurance and controls has been completed. PS invited any questions on updates or items of risk.	

		<p>CL commented that the risk associated with Ashford College not going ahead or being delayed could have an impact to the financial health status of the Group.</p> <p>Members discussed the risk of Coronavirus. PS commented that they are being guided by the Public Health England and if a pandemic was announced then the Business Continuity Plan will be put in place. The Committee agreed this is an item to take forward to the FGB meeting on the 17<sup>th</sup> March.</p> <p><b>AGREED ACTION - To recommend that the risks associated with the Coronavirus is discussed at the FGB, including implementation of the BCP if needed.</b></p>	<p>Chair</p>
<p>11</p>	<p>Internal Audit Plan Update 2019/20</p>	<p>AS informed the Committee that the Information Management Review will no longer be part of this year's internal audit plan due to no company's willing to tender for the audit work. This will now be approached as a peer review. A Governor suggested that maybe we could approach a colleague on the National Leaders Programme to assist with this review.</p> <p><b>AGREED ACTION – The Committee agreed that the follow up Wilkins Kennedy Systems Review to be added to plan to take place in May 2020.</b></p> <p>The Internal Audit Budget for the year is £30,000 currently we have spent £19,000. Once the follow up Systems Review has been completed and the report received there may be areas that require further audit particularly in the new Spring Lane Site.</p> <p><b>AGREED ACTIONS</b></p> <ul style="list-style-type: none"> <li>• Remove Information Management review from plan</li> <li>• Follow up Wilkins Kennedy Internal Audit Review on unreconciled items to take place in May 2020</li> </ul>	<p>AS</p> <p>AS</p>



12	Annual Health and Safety Report	<p>AS presented the Annual Health and Safety Report and highlighted the following:</p> <p>This report has been recently approved by the Risk, Audit and Compliance Committee.</p> <p>AS explained that although it looks like some areas have not moved forward he assured Members that they had, just not enough to push them over the threshold into Good as the scoring boundaries have changed since the previous year.</p> <p>AS gave assurance to the Committee that there are no significant issues being reported and that there is confidence in the reporting of incidents/accidents. The Health and Safety Report is scrutinized at the RAC committee six times a year.</p>	
	AOB	<p>Tresuary Management Policy – CL advised that the changes to the policy are minor updates to Job titles.</p> <p><b>AGREED ACTION – The Audit Committee recommends that the updated version of the Treasury Policy is approved by the FGB.</b></p> <p>CL noted that the addition of Spring Lane Animal Center to the Insurance will be no bigger risk than the current Animal Center at Canterbury College.</p>	
13	Draft agenda for next meeting	<p>Remove Information review from agenda</p> <p>Governance review – keep as a place holder</p> <p>Wilkins Kennedy Follow Up Review - Fieldwork to take place in May, report presented at Audit in June</p>	



		Spring Lane Review	
14	Matters considered confidential	None	
15	Date and Time of Next Meeting:	9am, 9 <sup>th</sup> June 2020 at Canterbury College.	

There being no further business the meeting closed at 11.04am

Signed:  .....

Print: *TJKEW* .....

Date: *9/June/2020* .....

AGENDA