

Confirmed Minutes of the Audit Committee Meeting held on Tuesday 20th November 2018 at 9.00am



carmel
college

Present: Mr Andrew Jones (*Chair*)
Mr John McCormick
Mr Paul Rooney

In attendance: Dr Mike Benson (*Partner, Murray Smith LLP*)
Ms Nicola Tucker (*Director, Murray Smith LLP*)
Mrs Michelle Williams (*Vice Principal, Strategy & Resources*)
Mrs Catherine Shaw (*Clerk to Governors*)

1. DECLARATIONS OF INTEREST

Members were invited to declare whether they had any direct or indirect personal, prejudicial or pecuniary interest or conflict of interest in any matter that formed part of the agenda for this meeting or was likely to be discussed at this meeting.

Mr Paul Rooney declared an interest in any potential discussion that included Liverpool Hope University.

2. APOLOGIES FOR ABSENCE

None, as all Members were present.

3. ITEMS FOR INCLUSION UNDER ANY OTHER BUSINESS

There were no items submitted for inclusion under any other business.

4. MINUTES OF THE PREVIOUS COMMITTEE MEETING HELD ON 2nd OCTOBER 2018 (*previously circulated*)

4.1 Approval of the minutes

The minutes of the previous meeting held on 2nd October 2018 were **approved** as a true record of the meeting and signed in accordance with Article 12 (3) of the Instrument and Articles of Government.

The publication of the minutes was authorised in accordance with Article 13.

5. MATTERS ARISING FROM THE MINUTES

5.1 To consider any matters arising from the minutes (*previously circulated*)

The Committee **noted** the action log.

6. REPORT FROM THE FINANCIAL STATEMENTS AND REGULARITY AUDITOR

6.1 Management Letter arising from the Audit of the Financial Statements for the Year Ended 31st July 2018 (*previously circulated*)

Ms Nicola Tucker guided the Committee through the 'Audit Highlights and Management Letter' which had previously been circulated. She referred to the following aspects from the external audit:

- Purposes of the Report – this was to highlight any issues which the Auditors had identified during the course of their work and which they believe should be brought to the attention of the Governing Body.
- Going Concern – the financial forecasts were prudent and predicted that the College would continue to have a strong balance sheet for the foreseeable future. The Auditors agreed with the Governing Body's assessment that the College would continue as a going concern for a period of at least 12 months from the date of signing the accounts.
- Audit Risks - these included (i) income recognition, (ii) understatement of creditors, (iii) management override of controls and (iv) useful economic lives of fixed assets.
- Review of Income and Expenditure – Staff costs represented 75% of total income. Income would continue to be under pressure over the next few years and decreases in overall expenditure were required to achieve annual surpluses.
- Balance Sheet – (i) debtors included a £284k prepayment of pension costs to the Merseyside Pension Scheme, (ii) year end cash balance remained strong.
- Cash Flow – the College had generated cash of £628k from its operations. This had been used to meet the bank loan, interest payments and capital expenditure totalling £669k, which had resulted in a net cash outflow of £41k.
- Internal Controls – evident that accurate and informative accounts had been reported by College Management to the Finance, Estates and Marketing Committee throughout 2017/2018.
- Unadjusted Errors – there were no adjustments necessary.
- Internal Audit – as part of the external audit work, the Auditors reviewed the reports produced by the College's Internal Auditors. Murray Smith concluded that an examination of RSM's detailed working papers was not necessary.
- Financial Forecast – forecasts were prepared in June 2018 at which time the College had forecast a deficit for year ending 31st July 2019 and recovering to breakeven for year ending 31st July 2020.
- Sensitivity Analysis – this high level analysis illustrated that minor fluctuations in income could result in significant annual deficits; most colleges were in a similar position.
- Conclusion – it was the Auditors intention to issue an unqualified audit report on the Financial Statements and Regularity.

A discussion ensued, during which the Vice Principal (Strategy and Resources) confirmed Management's approach to the financial forecast prepared in June 2018.

The Committee **recommended the approval** of the Financial Statements for the year ended 31st July 2018 to the full Governing Body.

The Chair thanked Ms Tucker for presenting this report.

7. REGULARITY REPORT 2017-2018

7.1 Regularity Report *(previously circulated)*

Dr Benson advised the Committee that College Management completed this Regularity Self-Assessment Questionnaire. Within the process it was the Auditors' responsibility to check the documents that were recorded within the 'suggested evidence' column of the report. This was intended to provide the required assurance to the ESFA that public money had been spent in accordance with legal requirements. A discussion took place.

In response to a question raised, Dr Benson confirmed that the completed questionnaire was presented to the Auditors during the recent audit. It was presented with a voluminous file of documentation, which contained the required evidence for the Auditor to check.

The Committee **recommended approval** of the Regularity Report for the year ended 31st July 2018 to the Board.

8. FINANCIAL MANAGEMENT

8.1 Value for Money Report *(previously circulated)*

The Vice Principal (Strategy and Resources) guided the Committee through the various aspects of the report. The contents provided the Committee with a high level summary of the activity undertaken during the last financial year to achieve value for money across a range of expenditure categories.

A discussion ensued. Members raised several questions that were responded to by the Vice Principal, which included:

- Q.** Following the staffing and curriculum review, were some subjects withdrawn from the College offer?
- A.** Yes, German was withdrawn and next year Music will not be offered at Carmel. Provision is constantly under review. Criminology has been introduced this year, which has proved to be extremely popular.

- Q.** In relation to the significant reduction in the base payroll budget, how is this communicated to the staff?
- A.** Via the Joint Union Forum (JUF) and the annual Performance Management Day for all staff.

- Q.** Is there any opportunity to participate in engagement schemes to show efficiency or possibly a link with the International Organisation Standardisation (ISO)?
- A.** Collaboration takes place and benchmarking exercises are undertaken against other sixth form colleges. Additional benchmarking takes place against (i) the Maple Group Colleges and (ii) the ACVIC Colleges.

The Committee commented on the impressive work carried out in obtaining value for money throughout the 2017/2018 academic year.

The Committee **noted** the contents of the report and the strong internal controls contained therein.

8.2 **Safeguarding College Assets** *(previously circulated)*

The Vice Principal advised that the control and security of assets derived from a number of sources. Mrs Williams referred to the Financial Regulations and provided an overview of the College's approach to the safeguarding of assets, which included processes relating to:

- Land, buildings, fixed plant and machinery.
- Asset Disposal.
- Risk Management and insurance cover.
- Security of buildings, stock, furniture and cash.
- Digital records.
- Reporting and Investigation Procedures.
- Mobile Device Allocation.
- Disaster Management Plan.

A discussion ensued. The Committee agreed that the comprehensive report fully demonstrated that assets were well controlled at the College.

The Committee **noted** the contents of the report.

9. **ANNUAL REPORT**

9.1 **Audit Committee Report 2017/2018** *(previously circulated)*

The Committee considered the requested amendment to the final paragraph in the annual report.

The Committee **approved** the Audit Committee Report 2017/2018, as presented.

10. **COLLEGE MANAGEMENT REPORT**

10.1 **College update on progress made relating to previous recommendations made by the Internal Audit Service** *(previously circulated)*

The Vice Principal provided a detailed progress report on all the recommendations made by the Internal Auditors in respect of previous audits throughout 2017/2018. The report and associated commentary confirmed that the College had completed a number of the recommendations and work was on-going on those not yet fully completed. The progress report included recommendations from the following Internal Audit assignments:

- Governance – Internal Communications and Reporting.
- General Data Protection Regulations (GDPR) – Advisory Review.
- Academic Quality – Advance Student Pastoral Monitoring System.

A discussion ensued with several questions being raised by Members and responded to by the Vice Principal, which included the following in relation to the Advance monitoring system:

Q. As an early intervention mechanism has there been a positive impact from the letters which are being sent to the parents / carers of students who are underperforming in two or more subjects?

A. Yes, the process has now become embedded.

Q. Has there been an administrative impact on staff workload?

A. Compliance is monitored to ensure deadlines are adhered to.

Dr Mike Benson and Ms Nicola Tucker were thanked for their attendance and they left the meeting.

11. APPOINTMENT OF AUDITORS

11.1 Review of audit provision 2019-2024 (previously circulated)

The Committee **noted** the Board's decision at its meeting on 16th October 2018, at which time the following was approved:

- Upon the expiration of the current contracts with both the External and Internal Auditors, a tender process was to be undertaken.
- The Internal Auditors were to continue to provide a full opinion within their annual report.

A discussion ensued with a focus on the imminent tender process to appoint both Internal and External Audit firms from 1st August 2019 to 31st July 2024.

The Committee:

- **Noted** the contents of the report.
- **Agreed** for the Vice Principal and Clerk to Governors to prepare a framework for the tender process early in 2019.

12. ANY OTHER BUSINESS

None.

13. DATE OF NEXT MEETING

Tuesday 19th March 2019 at 9.00am, possibly subject to change.

The Chair thanked all Members for their attendance and contribution. On behalf of the Committee, the Chair requested that appreciation be conveyed to the Auditors and the College Finance Department for their comprehensive reports.

The meeting was brought to a close at 10:05am.

Signed by the Chair: College File signed by Andrew Jones

On this day: 4th April 2019