

Governing Body
AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the meeting held at 5.00pm on 26 November 2019

Present: **J Gazzard (Chair)** **A Maltpress**
 J Wakelam **H Nydam**
 N Roberts

In Attendance: **S Jones, Vice Principal Finance and Resources**
 J Raffel, Group Director Finance
 P Ewan, Head of Finance
 C Sutherland, RSM UK LLP
 J Bridges, Clerk

No interests relevant to items on the agenda were declared by members.

- 1 **Apologies for absence**
 Apologies for absence were received from S Howard, P Goddard and L Keane of Scrutton Bland and L England of RSM UK LLP.

- 2 **Minutes of the meeting held on 7 October 2019**
 The minutes of the meeting were agreed as a correct record.

- 3 **Matters Arising from the meeting held on 7 October 2019**
 The matters arising from the meeting were summarised in the report and all actions reported had been completed or, where appropriate an update had been provided on progress elsewhere on the agenda.

- 4 **Internal Audit Recommendation Tracking Report**
 The Committee received the report and considered the progress made towards completion of the recommendations arising from the internal audit work undertaken in the 2018/19 academic year. Since the last report in October 2019 4 of the 10 recommendations are completed, 2 are on hold, 2 are ongoing, 1 remains in progress and 1 is on target.

- 5 **2018/19 Committee Annual Report**
 The Post 16 Audit Code of Practice requires the Committee to present an annual report to the Corporation.

 The report has been amended further to suggestions put forward by the Committee at the last meeting and these have been included. The Committee **approved** the report for presentation to the Corporation at the meeting to be held on 13 December 2019.

 It was noted that the performance indicator questionnaire on the performance of both the external and internal auditors that accompanies the Committee’s annual report to the Corporation is to be completed by Committee members further to the meeting. The aggregate scores of members are then presented in the final report to the Corporation.

- 6 **Audited Accounts for the year ended 31 July 2019**
 The Committee received and considered the Audited Accounts for the year ended 31 July 2019 for information and noted that the report will also be received by the Finance Committee at its next meeting for recommendation to the Corporation. The report included the Statement of Corporate Governance and Internal Control,

Action

JGazzard

the Governing Body's statement on the College's regularity, propriety and compliance with funding body, terms and conditions of funding along with the Independent Auditor's Report.

The Current and Future Development and Performance content omitted from the copy (pages 5 through to 8) supplied to the Committee ahead of the meeting was tabled and members accepted the section as presented.

Members were pleased to note the auditors opinion that the financial statements give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's surplus of income over expenditure for the year then ended; and that they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

7 Draft Audit Findings Report

Pages 3 through to 7 set out the key areas of the audit focus; Management Override of Controls, Income Recognition, Pension Scheme Liabilities, Going Concern and Accommodation Strategy. It was noted that the Maths Pilot grant funding of £295K has followed the accruals method of accounting and auditors have concurred with this treatment. An adjustment to this effect has been noted in section 4 of the report accordingly to classify this as deferred income. In addition 2 further adjustments have been made in respect of the £10K NALEP grant to recognise this income as the final confirmation of performance, not yet received and the £30K Savoy Trust grant funding received which is to be treated in accordance with Section 18 of the FE and HE SORP relating to non-exchange transactions, rather than being accounted for as a deferred capital grant.

The College is considered to be a Going Concern and no matters arose as part of the audit work to suggest that this was not appropriate. In addition, Auditors are satisfied that there were no forecast or actual breaches in the year with regard to bank covenants.

Auditors looked at the main risks of the commitments of the College in respect of its accommodation strategy plans. Fixed assets in the year for the engineering block were capitalised, however on review it was noted that the associated invoices for building works the retention had not been capitalised and the total value of this retention at the year-end was £130K (inclusive of VAT).

Section 3 of the report sets out the audit, accounting and regularity issues identified during the audit and regularity work. Auditors were pleased to report that no issues had been identified.

A summary of the unadjusted/adjusted items identified during the course of the work (as referred to above) were detailed in section 4, none of which were considered to be material.

Section 5 of the report highlights just one observation found on internal control processes. This relates to Supplier Payments and Payroll Payments where it was found that an employee who enters a supplier payment from Sage into the BACs software could be the same person who authorises the final BACs payment and this process also exists for the Payroll run. Auditors recommend that the College introduces a check between the final BACs data and the approval reports from Sage/Cintra systems to ensure payment profiles match. The College has responded to confirm that a second person is to check on the BACs system before the file is processed to confirm that the BACs file agrees to the authorised paperwork.

The section on Significant Findings from the Audit (section 6) concluded that during the course of the audit, the adequacy of the disclosures contained within the financial statements and their compliance with FRS102 and the Statement of Recommended Practice – Accounting for Further and Higher Education 2015, and the Accounts Direction issued by the Education and Skills Funding Agency were reviewed.

Members noted the 9 matters arising raised which following disclosure were reflected in the reviewed financial statements. Thanks, were extended to the Vice Principal Finance and Resources, the Head of Finance and the Finance Team for their time and assistance during the audit.

It was recorded that the fees charged during the year are consistent with those contained within the audit plan submitted to the College and dated 24 June 2019. In accordance with the International Standard on Auditing (UK) 260 it was disclosed that since the audit plan RSM have been engaged to provide Company Secretarial services in relation to incorporating a new subsidiary. Prior to these services being provided it was acknowledged that procedures required a conflict threat assessment to be undertaken. The assessment concluded that the fees for non-audit services are a low proportion of the overall fees mitigating any perceived self-interest threat of Audit Principal, C Sutherland. No other threats to independence have been noted to date.

Members considered Appendix A, the draft letters of representation along with the Regularity Assurance Engagement letter. Following due consideration, it was agreed unanimously to recommend to the Corporation that the letters of representation for the Financial Statements and Regularity Audits be signed and to further recommend the report to the Corporation for **approval**.

Members also considered Appendix B, Emerging Issues containing details of the key issues currently affecting the sector

A question arose around the treatment of the calculation of dilapidation costs of £5K in respect of leased properties at Ipswich and Sudbury which was considered immaterial but was unclear why it had been based on a percentage of rental costs in the absence of detailed evidence of actual cost. Auditors explained that a provision therefore should only be recognised where the amount of any obligation can be estimated reliably and in the absence of evidence to support an adjustment it has been proposed to remove the liability in the accounts (DR Provision, CR maintenance costs).

It was noted that the assumptions used by the pension actuary are in line with those seen across the country and that key data appears to be appropriate for the College. It was noted that overall the LGPS deficit has increased by £5.575m during the year, largely due to a fall in discount rate from 2.7% to 2.1%.

8 2019/20 Internal Audit Programme

The Audit programme for the 2019/20 academic year was shared with the Committee. The internal audits of Governance and Risk Management have already been completed. Those pending include Apprenticeships, Budget Setting and Control, IT Infrastructure, Payroll and Fixed Assets, Human Resources, Learner Records – Funding Assurance, and Estates Management, Health and Safety and Work Placements.

9 **GDPR Update**

The Breach Book was opened on 25 May 2018 and the College has experienced and logged 38 breaches in this time, 2 of which were reportable to the ICO. 18 cases were due to information being disclosed in error, 6 cases on information lost in transit, 3 cases of nonsecure disposal of information, 5 cases of Technical/Procedural Failure, 2 cases of stolen data/hardware and 4 other cases. All cases have been investigated and where appropriate the implicated individuals (data subjects) were informed. The 2 cases reported to the ICO are now closed.

The Data Protection Lead (DPL) for the College commented that since writing the report the number of breaches now totals 41. One of significance was a phishing attack resulting in 3232 contacts receiving a suspicious email from what looked like a member of College staff. The DPL has contacted all recipients to advise them of the 'attack' and provide advice on how to safely remove a threat to their systems. The Committee suggested we add a risk to the Corporate risk register concerning cyber security. The DPL further confirmed that as part of the internal audit of IT Infrastructure scheduled for 16-18 December 2019 penetration testing of our networks is to be undertaken and reported back to the Committee at the next meeting to held in February 2020.

JBridges

10 **Any other business**

None

Date of next meeting

Monday 10 February 2020 at 5.00pm. West Suffolk College - Room TG1.16

The meeting closed at 5.40pm