

PART A Minutes of the Audit Committee meeting held on 3 December 2019 at 4pm

The Boardroom, University Centre

Present Robert Edwards (Interim Chair) John White, Mike Stopper, Keith Pearson

In Attendance Susan Bailey Clerk to the Corporation, Tony Lawlor Group Director Finance, Edd Ward Mazars, Andrew McCulloch TIAA.

Prior to the meeting at 3.45 pm members of the Audit Committee met with the Internal and External Audit service without management present in order for members and the auditors to give feedback / raise any queries privately (See part B minutes)

1. Chair of the Audit Committee

1.1 The Clerk reported the Corporation's decision to appoint Robert Edwards as interim Chair of the GIFHE Board which therefore left a vacancy for the Chair of the Audit Committee. Members were asked to consider taking on the role themselves, (which included automatic membership of the Corporation) and contact the Clerk via email to confirm this.

2 Apologies

2.1 There were no apologies for absence.

3 Declarations of Interest

3.1 There were no declarations of interest.

4 Minutes of the Audit Committee Meeting held on 1 October 2019 and any matters arising

4.1 The minutes of the Audit Committee meeting held on 1 October 2019 were accepted as a correct record and signed by the Chair, subject to correction of a typo.

5 Draft Financial Statements 2018-19 and Letters of Support

5.1 The Group Director Finance submitted the **draft** financial statements 2018-19 and associated letters of support reporting that on the back of healthy revenues and tight controls on costs, GIFHE had achieved a Trading Surplus in excess of £2.5m (before pension adjustment). After this adjustment, the reported surplus for the Group was £1,262k, up £1.3m from the prior year. In addition to boosting cash balances, this had ensured the Group would end the year with a financial 'outstanding' health score. Members noted that the accounts included the large swing in the pension liability which had been disclosed and a provision in relation to Modal for £1.7m as advised by Mazaars.

5.2 The Group Director Finance also reported the delay encountered with finalisation of this year's Members report and Financial Statements. Members were informed that the CEO and Mazars LLP were currently reviewing the documents which would be

forwarded to members of the Audit Committee via email tomorrow (4 December 2019) for further comment. It was agreed that due to timescales the Financial Statements be submitted to the Corporation for approval, subject to further comment from the Audit Committee (to be tabled at the Corporation meeting)

5.3 **RECOMMENDED** that the following reports be approved by the Corporation (subject to there being no adverse comments received by the Audit Committee) :

- a) GIFHE Members' Report and Financial Statements for the year ended 31 July 2019
- b) Modal Training Ltd Directors' Report and Financial Statements for the year ended 31 July 2019
- c) Support Staff Services Ltd Directors' Report and Financial Statements for the year ended 31 July 2019
- d) Grimsby College Trading Ltd Directors' Report and Financial Statements for the year ended 31 July 2019
- e) Modal Training Ltd Letter of Support
- f) Modal going concern report.
- g) Support Staff Services Ltd Letter of Support

6. **Financial Statements Audit Letter 2019 including Audit Findings report 2018-19 and letter of representation**

6.1 Mazaars submitted the Financial Statements Audit Letter 2019 including Audit Findings report 2018-19 and letter of representation The following was noted / raised:

- The expectations of external auditors were now higher, due to the requirements of the new insolvency regime. FE Colleges could not afford to risk receiving a poor audit. External Audit's findings in relation to Modal, the TEC Partnership's Estates Strategy and Going Concern showed that external audit were happy with the TEC Partnerships treatment of these risks with no problems encountered or highlighted during the audit work.
- External Audit had advised a £1.7m general provision be included with the management letter as a 'rainy day' provision in relation to Modal. The Group Director Finance confirmed that the requirement to include this in the management accounts was not required.

RECOMMENDED that the Financial Statements Audit Letter 2019 including Audit Findings report 2018-19 and letter of representation be approved by the Corporation.

7. **Self-Assessment Regularity Questionnaire 2018-19**

7.1 The Group Director Finance submitted the completed Annual Self-Assessment Regularity Questionnaire 2018-19 recommending it for Audit Committee approval. Members were informed that the questionnaire had been updated to assist the Corporation in deciding what to include in the annual statement of regularity and propriety

7.2 **RECOMMENDED** That the Self-Assessment Regularity Questionnaire 2018/19 be approved by the Corporation

8. Audit Committee Self-Assessment of performance 2018-19 including Audit Committee terms of reference

8.1 The Audit Committee discussed the CIPFA Self-Assessment questionnaire for Audit Committees which had been submitted for members to complete collectively at the meeting (all evidence based questions had been completed by the Clerk prior to the meeting) in order to assess the performance of the Audit Committee. It was agreed that the questionnaire, completed by the Audit Committee annually since 2016-17 was too lengthy and an alternative format should be explored with a subsequent proposal submitted to a future meeting of the committee.

8.2 During discussion members agreed that the Committee had however been effective and fulfilled its terms of reference in line with the Post 16 Audit Code of Practice.

8.3 RESOLVED That an alternative format for the annual self-assessment of Audit Committee performance be explored by the Clerk and reported back to the Audit Committee accordingly.

9. Annual Report of the Audit Committee 2018-19

9.1 The Clerk submitted the Annual Report of the Audit Committee 2018-19 which members agreed provided an accurate record of Audit Committee business undertaken during the year 2018-19. During review the following was agreed:

9.2 In recommending the Annual report to the Corporation the Audit Committee was satisfied and of the opinion that on the basis of the reports received from the auditors appointed by the Grimsby Institute Group, the Audit Committee, Senior Management, the College's Risk Management Group and other sources of audit information that the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources (Value for Money), solvency of the institution and the safeguarding of its assets were adequate and effective.

- The Annual Report of the Audit Committee included the following documents as appendices:

- a. Terms of Reference of the Audit Committee
- b. Internal Audit End of Term summary report 2018-19
- c. Financial Statements Audit Findings report 2018-19

9.3 RECOMMENDED That the Annual Report of the Audit Committee 2018-19 be approved by the Corporation subject to amendment to paragraph 38 in relation to self-assessment of committee performance.

10. Financial Regulations 2019-20 proposed amendments

10.1 The Group Director Finance submitted the Group Financial Regulations 2019-20 recommending a number of additions and amendments as follows:

- Addition to section 19.3 – a new supplier form must now be completed for all new suppliers and approved by the Group Director Finance before being added to the system.

- Addition to section 19.5 - all purchase invoices must have a purchase order number to ensure system-based controls in relation to supplier selection, purchase order authorisation, goods/services receipt and invoice payment.
- Proposed Change to section 19.15 - BACS payment runs would now be undertaken every other week rather than weekly. A monthly exception report showing all new suppliers and supplier changes would be produced for review by the Group Financial Director.
- To provide further clarity regarding segregation of duties and robust controls a number of procedural changes had been made to ensure BACS file(s) could run in the absence of a Finance BACs card holder (ie the Group Director HR could process a BACS file run) The requirement for the Group Director Finance to review the payroll 'month by month' variance report had now been included within the financial regulations.

10.1 RECOMMENDED that the amendments to the Financial Regulations be approved by the Corporation.

11. Senior Post Holder expenses 2018-19 annual report.

11.1 The Group Director Finance submitted the Senior Postholder Expenses 2018/19 Annual Report which provided full details of all expenses claimed over 2018/19 by the Executive Management Team (EMT) The Group Director Finance stated that the report would be submitted annually to the Audit Committee going forward to provide the Audit Committee with assurance that VFM had been secured in respect of EMT expense claims.

11.2 Members welcomed the report in providing the Audit Committee with full and transparent information regarding senior post holder's expenses claims.

11.3 RESOLVED The Senior Post Holder expenses 2018-19 annual report was noted.

12. ESFA Funding Assurance Review October 2019

12.1 The Group Director Finance submitted the ESFA report detailing the findings and conclusions arising from the ESFA funding assurance review ("the review") for the funding year 2018 to 2019. Funding streams under the review undertaken by KPMG LLP included:

- Carry-in apprenticeships
- Adult education budget provision
- Apprenticeships (from 1 May 2017)
- Advanced Learner Loans 16 to 19 provision
- Funding year: 2018 to 2019

12.2 The Group Director Finance confirmed that whilst a number of observations and recommendations had been identified during the audit (set out in an associated action plan to ensure full compliance with ESFA funding rules) a 'good' funding assurance had been achieved demonstrating that the TEC Partnership operated under robust internal control systems.

12.3 RESOLVED the ESFA Funding Assurance Review report was received and noted.

13. Internal Audit Service (IAS) review of project management and progress on Internal Audit Plan verbal update

13.1 The Group Director Finance provided a verbal review of the outcome of the Internal Audit Service review of projects and progress on the Internal Audit Plan. Members were informed that the review of Project Management had achieved reasonable assurance that Project Management ran well and had secured an income of £4m (10% of revenue)

13.2 A number of Internal Audit reviews were to be undertaken during next term, the outcome of which would be reported to the next meeting of the Audit Committee.

13.3 RESOLVED The verbal report on the IAS review of Project Management and progress on the Internal Audit Plan was received and noted.

14. Risk Management and Board Assurance verbal update

14.1 The Group Director Finance provided a verbal update on the current position of the Risk Register and formulation of the TEC Partnership's Board Assurance Framework which were to be submitted to the next meeting of the Audit Committee for review and scrutiny. The Audit Committee were assured that management of risk was effectively managed and mitigated at all times throughout the TEC Partnership.

14.3 RESOLVED the update report was noted.

15. Funds fraudulently obtained - verbal report

15.1 The Group Director Finance confirmed that there had been no instance of funds fraudulently obtained since the last meeting of the Audit Committee.

15.2 RESOLVED The Funds fraudulently obtained verbal report was noted.

16. Modal Training Ltd verbal update

16.1 The Group Director Finance provided a verbal update on Modal Training Ltd performance to date including a summary of the progress of the following:

- Contract with Orsted to deliver training at Modal
- HGV building conversion to allow truck reversing training
- Active recruitment for cadets ongoing.

16.2 Members were pleased to learn that Modal had recently won an AoC International virtual learning award for the use of the Modal simulators.

16.3 RESOLVED The verbal update report on Modal Training Ltd was received.

17. Letter to Chairs of governors from ESFA CEO re Bournville College investigation

17.1 Members reviewed the recent letter received from the Chief Executive of the ESFA outlining ESFA expectations and recommendations in relation to governors' effective oversight of College activities, effective control and the need for governors to effectively hold executive leaders to account in light of the recent Bournville investigation report.

17.2 Members agreed that as a minimum the Corporation demonstrated good governance via the effective oversight of the following documents reviewed by governors throughout each academic year:

- College Accounts direction (latest version)
- Annual Statement of regularity self-assessment questionnaire (updated to assist the Corporation in deciding what to include in the annual statement of regularity and propriety)
- Post 16 Audit Code of Practice (latest version)
- College Oversight Policy (latest version)
- College’s Senior Staff remuneration code (adopted by the Corporation in January 2019)
- Financial Benchmarking tool
- Charity Commission role of trustees (issued to governors annually via the declaration of continuing eligibility process)
- DfE College’s governance guide (now key part of the Corporations Training plan)
- Management Accounts issued to all governors on a monthly basis and at each Corporation and Local Board meeting.

17.3 **RESOLVED** The letter to Chairs of governors from the ESFA CEO was noted.

18. Chairs 1 to 1s with governors summary report

18.1 The Chairs report detailing the outcome of recent governor 1 to 1s was reviewed. It was agreed that the time allocated to speak with the Chair privately to discuss any issues arising and personal training and development requirements was very welcome.

18.2 **RESOLVED** The Chairs governor 1 to 1s report was received and noted.

19. **Date and time of next meeting** Tuesday 17 March 2020 4pm

The meeting closed at 5.45 pm

Chair of the Audit Committee

Signed _____

Date _____

Chair of the Audit Committee

Action Schedule

No	Minute Title	Action by	Action required
1	Chair of the Audit committee	All	Consider position of chair of the Audit Committee
8	Audit Committee Self-Assessment of performance 2018-19 including Audit Committee terms of reference	Clerk	Explore alternative SAQ format and report back to the Committee
10	Financial Regulations proposed amendments	Clerk	Submit for Corporation approval