

## Newbury College Corporation Audit Committee

**Minutes of a meeting held on Monday 18<sup>th</sup> November 2019, 16.00  
in the College Restaurant**

|                      | Name                   | Present | Role  |
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| <b>Membership</b>    | Sally Osmond (SO)      | *       | External Member – Chair   |
|                      | Jonathan Hopson (JH)   | *       | External Member   |
|                      | Glyn Howells (GH)      | *       | External Member – Vice Chair  |
|                      | Tom Rossiter (TR)      | *       | External Member   |
| <b>In Attendance</b> | Jayne Steele (JS)      | *       | Director of Finance & Resources   |
|                      | Jo Houghton (JH)       | *       | Director of Business and Partnerships   |
|                      | Cathy Wright (CW)      | *       | Director of Human Resources   |
|                      | Lee Hunt (LH)          | *       | Vice Principal  |
|                      | Daniel Canham (DC)     | *       | Mazars Manager (internal Auditors)  |
|                      | Mark Eagle (ME)        | *       | Director of Audit and Business Services –<br>MacIntyre Hudson (External Auditors) |
|                      | Gill Parkinson (GP)    | *       | Clerk to the Corporation  |
| <b>Quorum:</b>       | Three members required |         | Meeting quorate, 4 members present  |

### AGENDA ITEMS

| Item No.                |  | Action |
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| <b>1</b>                | <b>APOLOGIES FOR ABSENCE</b><br>There were apologies from Iain Wolloff (IW) the Principal. Tom Rossiter (TR) and Jonathan Hopson (JH) arrived later.   |        |
| <b>2.</b>               | <b>DECLARATIONS OF INTERESTS</b><br>Members confirmed that they had no declarations of interest to make.   |        |
| <b>3.</b>               | <b>MINUTES OF THE PREVIOUS MEETING</b><br>The minutes of the meeting held on 13 <sup>th</sup> June 2019 were approved.   |        |
| <b>4.</b><br><b>4.1</b> | <b>MATTERS ARISING FROM THE MINUTES</b><br>The following items were discussed:<br>Item 3 – Glyn Howells had recommended that a tracker be used between the internal auditors and SMT to ensure follow up of actions and status of resolution – this had been put in place. |        |

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|                                    | <p>Item 4 - Risk Register Action Plan – a proposal that a new risk be created against the University Centre was mitigated by the decision to postpone the UCN.</p> <p>Item 4 – It was agreed to add climate change to the Corporation Agenda in the next academic year – the Clerk had had included this in the Business Plan.</p> <p>Item 5 - The Management team would evaluate the counter fraud strategy, fraud risk and create a fraud response plan for review at the next Audit Committee. The Plan was ongoing. Action to take to the next meeting for a progress update</p> <p>Item 5 – To ensure that the new Insolvency regime was added to the next Corporation agenda – this was added and discussed.</p> <p>Item 10 – IW to add Progress Against Audit Committee Strategic Targets to the template going forward – this had been done.</p> <p>Item 11 – The Committee requested an update on the investigation into the fire alarm incident at the next committee meeting – see Item 4.2.</p> <p>Item 12 – Jayne Steele and Wolloff to discuss the Operational Audit Plan and present recommendations – see Item 6.</p> <p><b>4.2 Fire evacuation report</b></p> <p>The Committee discussed the report written by Cathy Wright (CW) in response to the recommendations made after the fire evacuation event in June 2019. She noted:</p> <ul style="list-style-type: none"> <li>• That there had been successful evacuations since the incident;</li> <li>• Staff replacements were not as experienced as previously (i.e. HR and Health &amp; Safety);</li> <li>• Responsibilities had been clarified;</li> <li>• Training had been completed;</li> <li>• New roles were assigned;</li> <li>• The fire brigade had been involved in improvements;</li> <li>• Initial training and co-ordination were key.</li> </ul> <p><b>Sally Osmond (SO) expressed concern over how staff know who is present in the building.</b> There was no way of ascertaining this. SO noted that other Colleges (e.g. BCOT) have systems to vet who is present at any one time, but JS pointed out that the cost implications of any new system were onerous. Other options were being considered.</p> <p>Lee Hunt noted that the open campus meant that the wearing of lanyards was very important. As the site was open students could leave during the fire evacuation (albeit not by driving).</p> <p>The Chair thanked CW for her report.</p> | <b>GP</b> |
| <p><b>5.</b></p> <p><b>5.1</b></p> | <p><b>INTERNAL AUDIT SERVICE – TO RECEIVE AND APPROVE REPORTS</b><br/>(TR arrived at 16.33).</p> <p>Daniel Canham (DC) presented the internal audit reports and a discussion ensued:</p> <p><b>Internal Audit Annual Report 2018-19</b></p> <p>The Plan had covered a total of 30 days including 3 days follow up and 4 days audit management. The areas covered were:</p>   |           |

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|            | <p>Estates and Facilities Management – Adequate assurance given;<br/> Cash and Banking and Follow Up - Substantial assurance given;<br/> CFS Payroll and Expenses - Adequate assurance given;<br/> HR Recruitment Retention and Succession - Adequate assurance given.</p> <p>Internal Audit considered that Newbury College governance, risk management and internal control arrangements were generally adequate and effective to manage its achievement of the College's objectives. Certain weaknesses and exceptions were highlighted but none were considered fundamental. These and all other matters had been discussed with management, to whom they had made several recommendations. All of these have been, or were in the process of being addressed, as detailed in their individual reports.</p> <p>Additionally, all assignments were completed, and an unqualified opinion given. Benchmarking to Mazars client base resulted in no red flags on assurance being given. Compared to recommended benchmarks, Newbury College performed better than Mazars' general client base and there were no Priority 1 recommendations.</p> <p>DC confirmed the College was in good standing overall compared to other Colleges.</p> <p><b>The Audit Committee approved the 2018-19 Internal Audit Report and its findings.</b></p> |  |
| <b>5.2</b> | <p><b>Internal Audit reports - Estates final</b></p> <p>DC explained that since the last meeting the report had been finalised and an adequate rating confirmed. Estates Strategy would be finalised by December 2020; this was to give time to consider all aspects. In total there were 4 recommendations, of which 1 was graded significant (priority 2) and 3 housekeeping.</p> <p>The significant recommendation addressed the lack of monitoring and audit of the Planned Preventative Maintenances (PPMs) undertaken by Mitie, to ensure the College is satisfied that the PPMS are being adequately carried out. The first audit of Mitie's services took place on 8th October 2019 – see Item 5.4.</p>  |  |
| <b>5.3</b> | <p><b>Internal Audit Outstanding recommendations</b></p> <p>DC summarised the outstanding recommendations. There were no outstanding actions from 2017/18. For the 2018/19 Internal Audit:</p> <ul style="list-style-type: none"> <li>• There were no Priority 1 recommendations;</li> <li>• There were eight Priority 2 recommendations, of which the College had completed 7 and had 1 still outstanding. This related to the SLA with Moorepay (payroll provider). The longer-term plan which was linked to the introduction of the new HR system in April 2020 would involve migrating payroll to the new system supplier and eventually bringing in-house;</li> <li>• There were 19 (housekeeping) recommendations, of which the College considered 9 completed. Many of the remaining 10 actions were mostly complete except for the update of the Financial Regulations which would be completed by the end of December.</li> </ul>   |  |
| <b>5.4</b> | <p><b>Actions of Internal Audit of Mitie services</b></p> <p>The audit was undertaken by Keystone Projects and covered Statutory testing: Fixed Electrical, Gas systems, Water (Legionella); Other services: Helpdesk and reactive</p>   |  |

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|                                    | <p>maintenance, Deep cleaning. The results from the audit confirmed the College's concerns regarding poor management of the site. It became apparent that whilst the statutory testing had been performed, there was an issue with record keeping and a serious lack of accountability to follow-up results and take appropriate remedial action, with the auditors singling out electrical testing.</p> <p>It was noted the College should audit the services that Mitie provides by sample testing the PPMs to ensure value for money from the contract.</p> <p>The Committee agreed to add this to the Audit Business Plan with a target for presenting in July and a review in December.</p> <p>Additionally, Glynn Howells (GH) was concerned that the risk of Legionella was not being adequately addressed. JS had met Mitie and bacterial tests showed a lower risk although additional tests were still to take place. GH noted that it was easy to spread the disease in a College situation and felt Mitie were not addressing this risk seriously enough. Jayne Steele (JS) replied that their response had been good compared to other issues. The Health and Safety manager was attending training and JS spoke to Mitie daily.</p> <p>(JH arrived at 16.45).</p> <p>The Committee noted their wish to progress this and an update would be added to the Committee business plan.</p> | <p><b>GP</b></p> <p><b>GP</b></p> |
| <p><b>6.</b></p>                   | <p><b>INTERNAL AUDIT SERVICE – TO APPROVE 2019-20 OPERATIONAL AUDIT PLAN</b></p> <p>JS stated that, after consideration between the Management team and the Chair of the Audit Committee, the following risk areas were proposed for Internal audit this year:</p> <ul style="list-style-type: none"> <li>• Learner Numbers – to take place at Easter;</li> <li>• Financial Forecasting – to begin on 23/3/20;</li> <li>• Credit control and debtor invoicing – December start;</li> <li>• Student Recruitment – December.</li> </ul> <p>The usual 5 areas (30 days) had been reduced to 4 (25 days) and agreed with Internal Audit – this was primarily to cut costs.</p> <p>GH suggested Health &amp; Safety could be considered in the future- JS to investigate this option.</p> <p><b>The Audit Committee approved the 2019-20 Internal Audit Plan.</b></p> <p>The Chair thanked DC on behalf of the Committee.</p>  | <p><b>JS</b></p>                  |
| <p><b>7.</b></p> <p><b>7.1</b></p> | <p><b>EXTERNAL FINANCIAL STATEMENTS YEAR ENDED 31<sup>ST</sup> JULY 2019</b></p> <p>Mark Eagle (ME) presented the financial statements.</p> <p><b>Audit Management Report 2018/19</b></p> <p>ME explained that the early pages discussed Governance.</p> <p>Review of financial performance - the income increase was largely due to increased recruitment of adults with learning difficulties and some 16-18. There was an</p>  |                                   |

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|            | <p>improvement in staff costs given higher nos. Debtors decreased and there were some fixed asset additions.</p> <p><b>SO asked whether fixed assets reflected the current UCN position?</b> JS confirmed that they reflected the strategy at the time of accounts preparation. JS noted there should be more certainty in the coming months.</p> <p>Some Colleges would now have negative balance sheets due to LGPS liabilities. The College pension liability had increased from £5m to £7m. JS noted this was predominantly due to the discount rate used rather than demographics. Some colleges had considered mitigating this by putting new staff members into a different pension scheme, but this could affect recruitment adversely.</p> <p><b>JH queried whether the College should be more pro-active regarding the pension liability?</b> The Income &amp; Expenditure charge was outside the College's control and ME wasn't aware of any College challenging this. GH noted the notional nature of this charge and added that external users disregarded this when looking at financial statements. ME would raise this query at his College audit forum.</p> <p>There was an unqualified opinion and ME noted that the College performed appropriately compared to other colleges. The report would be taken to the Full Corporation meeting in December for approval.</p> |  |
| <b>7.2</b> | <p><b>Statutory Accounts 2018/19</b></p> <p>JS presented. The audited accounts for 2018/19 showed a deficit of £407k, compared to a deficit of £837k in 2017/18 and an original forecast of £553K.</p> <p>The land sale capital receipt moved into August (2019/20 financial year) due to issues with the PFI. This didn't affect the College's financial health grade.</p> <p>Other areas of note were:</p> <ul style="list-style-type: none"> <li>• PFI costs – policy changed on grants – and now released on a straight-line basis following discussion with ME resulted in a £80K reduction;</li> <li>• Restructure costs – original assumptions made based on worst case scenario - £32K lower than budgeted;</li> <li>• Prince's Trust costs were lower than expected by £77k;</li> <li>• Staff costs were lower than forecast by £36k;</li> <li>• AWE negotiations resulted in a better deal.</li> </ul> <p>The cash position was £2.3m at end of year with £806k received just afterwards. The audit had been earlier than usual to allow for the earlier Committee dates leading to some areas feeling rushed and more wording needed in the report.</p>  |  |
| <b>7.3</b> | <p><b>Letter of Representation review</b></p> <p>This was a standard letter – there were no comments.</p>   |  |
| <b>7.4</b> | <p><b>Outstanding Actions</b></p> <p>There was one outstanding action from the 2017/18 audit, which was to review the depreciation policy for IT equipment. This action was completed in the 2018/19</p>  |  |

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| 7.5 | <p>accounts. The depreciation policy had been changed from 3 years straight line to 5 years, to better reflect the useful life of the assets in this category.</p> <p>The only recommendation from 2018/19 was in relation to tidying the asset register.</p> <p><b>Sub-Contracting Controls Report</b></p> <p>JS noted that this was an annual audit as the ESFA required all subcontracting arrangements to be audited by the 31st July each year.</p> <p>There were 5 areas of good practice and 1 recommendation for ‘good practice’ in relation to learner agreements. The rules had changed and Jo Houghton (JHo) had been ensuring NC was compliant. JHo noted that reporting was now quite onerous with DC stating there had been instances of fraud and irregularities recently within the sector.</p> <p>There were no further comments. Both auditors left.</p> <p>SO, noted concerns over both auditors’ engagement had been addressed, however it was agreed that both audit contracts would be re-tendered next year.</p>   |  |
| 8.  | <p><b>RISK MANAGEMENT REPORT AND RISK REGISTER</b></p> <p>JS presented this and reiterated that the SMT review risks regularly. New risks identified were:</p> <ul style="list-style-type: none"> <li>• Liquidity risk (8) based on the University Centre (UCN) – changed to be more general around cashflow;</li> <li>• Climate risk;</li> <li>• ESFA intervention risk;</li> <li>• Risk of failing to make a success of the University Centre;</li> <li>• Maths &amp; English changes – reduced classes freeing up space. Bidding for monies to refurbish an area of the corridor – failure could affect the Colleges’ reputation;</li> <li>• Increased competition and lack of access to schools;</li> <li>• Marketing challenges - focus on how to grow other income streams and evaluation of marketing performance.</li> </ul> <p><b>SO asked for more detail on Marketing issues.</b> Lee Hunt (LH) replied that, in relation to 16-19s, the College is surrounded by high standard schools who retain learners. There was a need to look elsewhere – distance learning could widen the marketplace. Attracting foundation learners was crucial, as was HE. LH felt that the 16-18 sector needed work. There was a greater footfall at Open Day although not as many learners signed up. The decision to end the full-time pre-16s had given a different feel to the College. <b>Were there enough staff to assist recruitment (TR)?</b> JHo remarked that increased efforts being made on the web-site and social media had resulted in more effective marketing campaigns, but more analytics were required.</p> <p>LH thought the use of Marketing Champions and utilisation of current staff to market courses would improve learner numbers. Staff goodwill was being built up. TR encouraged the SMT to let Govs know if more resources were required. JS felt more marketing resource was required.</p> |  |

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| 9.  | <b>AUDIT COMMITTEE TERMS OF REFERENCE</b><br>There were no comments.<br><br><b>The Audit Committee approved the Audit terms of reference.</b>  |           |
| 10. | <b>ANNUAL REPORT OF THE WORK OF THE AUDIT COMMITTEE 2018-19</b><br>JS explained this was submitted to the ESFA and summarised the year for the Audit Committee. This was the Committee's report.<br><br><b>The Audit Committee approved the Annual Report of The Work of The Audit Committee 2018-19</b> and thanked the Chair for her work. |           |
| 11. | <b>AUDIT COMMITTEE STRATEGIC TARGETS 2019-20</b><br><b>The proposed strategic targets for 2019/20 were approved by the Audit Committee.</b><br><br>GP would send a link to the Audit Committee of the most up-to-date JACOP.   | <b>GP</b> |
| 12. | <b>AOB</b><br>SO thanked the SMT for attending and congratulated them on achievements in difficult times.<br><br>The meeting closed at 18.27.  |           |
| 13. | <b>EVALUATION OF MEETING</b><br>TR agreed to complete the evaluation form.   |           |

Confirmed as a correct record:

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Signature of Committee Chair

Date .....