

THE TRAFFORD COLLEGE GROUP

**Minutes of the Audit Committee Meeting
held at 6.00 pm on Tuesday 18 June 2019
in the Boardroom at the Altrincham Centre**

Present: Jed Hassid (Chairperson)
Dawn Cole

In Attendance: Barry Watson (Corporation Secretary)
Andrea Bennett (Director of Finance & Strategy)
Michelle Leslie (Vice Principal Corporate Services & Planning)
Tom Pool (Grant Thornton)
Natalie Jackson (BDO)

Minute No

GAUD/20/19 Apologies for Absence

The Corporation Secretary (CS) reported that apologies for absence had been received from Ian Duncan and Brian Bradley.

GAUD/21/19 Declarations of Direct or Indirect Interest in any of the Meeting's Business Items

The Internal Auditors (IA) and Financial Statements & Regularity Auditors (FSRA) declared an interest in Agenda items 9 and 10 and it was resolved that they remain present for the consideration of the relevant items.

GAUD/22/19 Minutes of the Audit Committee Meeting held on 27 November 2018

The minutes of the meeting were approved and accepted as a correct account of the meetings proceedings.

GAUD/23/19 Matters Arising from the Minutes

- i) GAUD/12/19 – Internal Audit Report – Visit 1 2018/2019 – Health & Safety Training.

The Vice Principal Corporate Services & Planning (VPCSP) confirmed that online Health & Safety Training was now up and running, and that the outstanding induction training requirements, detailed in the audit report, had been met.

- ii) GAUD/14/19 – Annual Value for Money Report (Preliminary Measures for VFM).

The Director of Finance & Strategy (DFS) presented a report, which outlined proposals for a different approach to Value for Money (VFM) reporting. The DFS commented that it had been challenging to produce revised proposals as after researching current arrangements in the F.E Sector and the wider Education and Charity Sector there was very little benchmark data available.

Notwithstanding the above, the DFS recommended an approach that future Group VFM reports are structured to align with Economy, Efficiency and Effectiveness and provide the Committee with details of areas that could be reported on to enhance the current VFM reporting arrangements.

Minute No

In discussing the proposed revised approach the Committee had a detailed discussion concerning the proposals as follows:

- It is important that the report is forward looking and is not simply a statement of historic events and outcomes.
- The approach to benchmarking VFM data by spending departments within the Group.
- Suppliers and the arrangements in place to secure VFM through the tendering process and the identification of levels of expenditure with suppliers.
- The need to ensure that direction of travel is evidenced in future reports.

After due discussion and consideration the Committee welcomed the approach detailed in the report and looked forward to receiving the revised report, taking into account the Committee's comments, in due course.

Action: Director of Finance & Strategy

GAUD/24/19**Internal Audit Report – Visit 2 2018/2019**

The IA presented a series of reports arising from the reviews that had been undertaken in order to provide assurance that appropriate arrangements were in place and operating effectively in relation to the following activities:

- **Payroll**

The IA commented that there were generally good systems of control in place, which have helped to mitigate the inherent risk surrounding the payroll process.

The IA further added that a number of areas of good practice had been highlighted during the review in relation to; the design of the process, authorisation levels and the checking of payment reports before the month end.

With regard to the 3 recommendations for improvement (1 medium, 2 low risk rating) it was noted that all the recommendations had been agreed with management including dates for implementation. The Committee discussed in detail the medium risk recommendation relating to the paperwork regarding authorisation for amendments to an employee's salary and were satisfied with the management actions to resolve the matter.

It was noted that it was the auditor's opinion that the Group displayed some areas of strong control, but that there were areas for improvement and that, as a result of the testing, they had provided the Board of the Corporation with **Moderate Assurance for operational effectiveness and Substantial Assurance for design**.

After due discussion and consideration, it was resolved that the report be recommended to the Board of the corporation for approval.

Action: Board of the Corporation

- **Work Placements Phase 2 (Follow Up)**

The IA commented that the review was an advisory one and that its purpose was to follow up the 5 recommendations made as part of the Trafford Audit in 2017.

Minute No

The IA advised that the Group had made good progress in ensuring an appropriate framework was in place to support the work based learning and work placement activity. It was further advised that 2 of the 5 recommendations were deemed to have been fully implemented with the three other recommendations remaining in progress.

A member asked why there were still 3 outstanding actions given the substantial period that had elapsed since the audit.

The Committee were advised of some of the difficulties that had been experienced in relation to the migration of data and that management information systems had not been put in place as quickly as anticipated. It was further advised that revised dates for implementation had now been agreed which would be met and that the Committee could follow progress as part of the Audit Tracker Report in the Autumn Term 2019.

Action: Director of Finance & Strategy

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.

- **Subcontracting**

The IA advised the Committee of the ESFA requirement for providers with subcontracted provision to provide external assurance on subcontracting arrangements and that because of this requirement, BDO had undertaken an audit in order to provide assurance that appropriate control process had been established for the control of subcontractors.

The IA further advised that good practice had been established in respect of the following elements arising from the audit; Subcontracting declaration, Management of subcontractors, Communication to the Board of the Corporation, Legal consultation, Contract terms and Fees and Charges Policy.

However, the IA did identify two control enhancements that related to Financial Health Checks and monitoring arrangements and that as a result the review highlighted areas where application of processes had meant that the Group had not fully complied with EFSA requirements. It was further advised that once the recommendations contained within the report were actioned then the requirements would be met.

The Committee discussed the recommendations and management responses in detail and sought assurances around the future credit check arrangements for subcontracting provision.

The DFS advised that the issue had now been resolved and provided an explanation as to how the process with regard to credit checks on subcontractors had not followed due process. It was further advised that the whole process was now subject to termly review and that the current arrangements were being reviewed in their entirety. A member asked about certification with regard to the ESFA and the IA advised of the information that would be supplied to the ESFA.

A member sought clarification with regard to the capacity issue referred to in the context of focusing the risk /volume on a particular sub-contractor. The DFS advised that this would be part of the review process which would concentrate on quality and finance issues.

Action: Director of Finance & Strategy

Minute No

The External Auditor commented that this issue might have to be referred to in the Final Audit Findings Report for 2018/2019.

There were no further issues raised by members and after due discussion and consideration it was resolved that the report be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

- **Governance**

The IA commented that the audit had been very positive and that the audit had evidenced a wealth of good practice, following the merger of the Group's Governance arrangements. These included; Board effectiveness review and action plan, Board function and Strategic Focus, involvement of Governors, recruitment, training and mentoring, Board composition and challenge by members to senior leaders and managers.

The IA further commented that 2 low risk recommendations had been made which had been agreed with management and it was the auditor's opinion that, as a result of the testing, they had provided the Board of the Corporation with **Substantial Assurance for operational effectiveness and Substantial Assurance for design.**

The Chairperson commented that this was a positive review and after due consideration and discussion it was resolved that the report be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

- **Learner Records and Income (Draft)**

The Committee received the IA's draft report for Learner Records and Income and noted that, the management comments relating to the report had not been finalised.

The Committee discussed in detail with the DFS some of the difficulties that management had experienced particularly with regard to the staffing of the MIS function. The DFS reminded members that this audit had been requested by management to assist in addressing some of the identified risks that the Group were facing in this area of activity. The DFS also assured the Committee that actions were in place and being taken to mitigate the identified risk factors.

In discussing this position, it was agreed by the Committee that the Audit report should be carried over to the Internal Audit Plan for 2019/2020 and considered at the next Audit Committee meeting.

In agreeing to this course of action, the IA undertook to amend the Annual Internal Audit Report 2018/2019 accordingly and to amend the Annual Internal Audit Plan for 2019/2020.

Action: Internal Auditors- BDO

- **Follow Up**

The IA presented a Follow up report, which provided assurance in relation to previously agreed internal audit recommendations.

Minute No

The IA reported that overall the Group had made good progress in implementing the recommendations raised from internal audit reports and that all of the 6 medium recommendations had been implemented by management.

There were no issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

GAUD/25/19**Draft Internal Audit Annual Report 2018/2019**

The IA presented to the Committee the Draft Internal Audit Annual Report 2018/2019.

The report provided members with the following information:

- The background to the report outlining the role and the responsibilities of the auditors and their approach to the plan for 2018/2019.
- The scope and approach of the audit including areas of coverage. In discussing this item, a member commented that the audits had been impacted by the fact that they were undertaken in the merger year and it might be worth adding that to the context of the audit. The IA undertook to add the comment to the report.

Action: Internal Auditors – BDO

- Recommendations made during the year.
- Outcomes from their Follow up work.
- Review of the work undertaken during the Year.
- Annual Assessment of Assurance.

In discussing the agreement that the Committee had made, in the previous agenda item, to carry over the Learner Records and Income Audit into next year's plan it was agreed that this audit should be removed from the Annual Report for 2018/2019.

Action: Internal Auditors – BDO

The IA further advised that with regard to the Annual Assurance Statement, it was their view that, based on the reviews undertaken, the follow up audits completed during the period, and in the context of materiality:

- the risk management activities and controls in the areas which they examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements; and
- based on their sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved during the period under review.

There were no further issues raised by members arising from the report and after due discussion and consideration it was unanimously resolved that, following updating, the Annual Internal Audit Report 2018/2019 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

Minute No**GAUD/26/19****Draft Internal Audit Plan 2019/20 and Audit Strategy 2017/2021**

The IA presented a report which made proposals for the Internal Audit Plan for the period 2019/20, together with the proposed Strategy for the period 2017/2021.

The report provided the Committee with the following information:

- Proposed plan for 2019/2020.
- The audit approach and risk assessment.
- Proposed Resources and outputs.
- Plan overview.
- Phasing for the Plan.
- Internal audit strategy, charter, protocols and performance.

In producing the draft plan for 2019/2020 the IA advised that they had sought to further clarify their initial understanding of the business of the Group together with the Group's risk profile in the context of the following issues:

- the overall business strategy and objectives of the Group;
- the key areas where management wish to monitor performance and the manner in which performance is measured;
- the financial and non-financial measurements and indicators of such performance;
- the information required to 'run the business';
- the key challenges and risks facing the Group.

In terms of the resources required to deliver the draft plan the IA advised that the overall number of days adequately reflected the coverage requirements for an establishment the size and complexity of the Group.

It was further advised that the proposed number of Audit days was 60 which be delivered at a cost of £470 per day excluding VAT with the total cost being £28,200 plus VAT.

Members raised a number of issues arising from the report as follows:

- The driver behind the financial audit relating to Management Accounts. The DFS advised that it was appropriate to review the reporting and information arrangements to ensure best practice in this area and that it covered a very wide aspect of the Group's Financial Arrangements.
- In answer to a question raised by the Chairperson concerning the scope of the HR audit, the DFS confirmed that the scope included Senior Post Holders. It was further confirmed that with regard to succession planning element of the audit best practice from an external perspective would be covered by the audit.

Action: Internal Auditors – BDO

After detailed discussion and consideration, the Committee were of the view that, the proposed plan would enable the Board of the Corporation, through the Audit Committee, to secure appropriate assurance with regard to the Group's internal control arrangements, including risk and governance.

It was also agreed that the plan and costs associated with the plan as detailed be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

Minute No**GAUD/27/19****Board Assurance and Risk Management Framework 2018/2019 – Update**

The Director of Finance and Strategy (DFS) presented a report, which updated the Committee in respect of the Board Assurance and Risk Management Framework.

The report provided members with a summary of the proposed changes to risk scores considered by the Risk Management Group at its meeting in May 2019. The report also provided members with a copy of the updated Heat map since the Committees last meeting. The DFS went through in detail the changes in scores which related to the following strategic risks:

- Failure to deliver curriculum quality and achievement objectives resulting in decline in reputation or reduction in ability to recruit staff/students, ability to meet Ofsted Inspection standards. **Reduction in net risk** due to results of recent Ofsted monitoring visit.
- Failure to introduce optimum level of curriculum reform to meet the requirements of the new Ofsted framework, to engage changing student demands/ways of learning and to meet requirements of policy changes. **Reduction in net risk** due to the Curriculum Improvement strategy.
- Failure to manage employer and stakeholder relations due to external factors or poor communication leads to failure in curriculum offer to meet needs of community. **Increase in net risk** with increased mitigating action being implemented.
- Failure to realise the benefits of the capital work project and deliver against cost and time parameters leads to strain on finances and or student performance. **Increase in net risk** due to contract negotiations.
- Failure to deliver financial stability. **Increase in net risk** due to 2018/2019 forecast being below budget. Mitigations in place.

In presenting the report, the DFS advised that the risk relating to financial stability (score over 14) would need to be escalated to the Board of the Corporation.

Members commented on the report as follows:

- How is the journey relating to the increased net risks measured? The DFS advised that this is through the heat map and it was agreed that this should be made more explicit (through arrows of direction) in future reports to evidence distance travelled.

Action: Director of Finance & Strategy

There were no further issues raised by members arising from the report and after due discussion and consideration it was unanimously resolved that;

- The report be noted and the escalated risk (14) relating to delivery of financial stability be recommended to the Board of the Corporation for approval.

Action: Director of Finance & Strategy/ Board of the Corporation**GAUD/28/19****Draft External Audit Plan Year ending 31 July 2019**

The Financial Statements & Regularity Auditors (FSRA) presented their proposed Audit Plan for the year ending 31 July 2019.

The proposed draft plan covered the following matters:

- Significant risks identified. It was noted that these related to, the revenue cycle including fraudulent activities and management override of controls which were standard accounting risks.

Minute No

- The Auditor also advised that other significant risks included the College merger and that there was a risk that this might be incorrectly treated within the Financial Statements. He also advised that the pension valuation scheme had been included as a significant risk. In answer to a question from a member, the FSRA advised that the identified risks were standard for the sector apart from the merger risk.
- Other Risks.
- The approach to materiality.
- The approach to the Regularity Audit.
- Going concern. It was noted that the accounts would be prepared on a going concern basis.
- Fees and related matters. It was noted that the total cost for the provision of the service was £29,525 plus VAT.
- Logistics and the audit team.
- Independence and non –audit services including the Teachers' Pension return at a total cost of £2,025 plus VAT.
- Communication of audit matters to those charged with governance.

There were no further issues raised by members arising from the draft report and after due consideration of the report it was resolved that it be recommended to the Board of the Corporation for approval together with the fees for delivering the service.

Action: Board of the Corporation**GAUD/29/19****Letter of Engagement Internal and Financial Statements & Regularity Auditors**

The CS provided members with copies of the Terms of Engagement for the IA and FSRA following their recent respective appointments by the Board of the Corporation.

The CS advised that he had reviewed the proposals and that they were in accordance with the expectations for letters of Engagement for each of the Audit Services.

After due discussion and consideration, it was resolved that the respective letters of Engagement be approved and that the Chairperson of the Audit Committee be authorised to sign them on behalf of the Board of the Corporation.

Action: Chairperson of the Audit Committee**GAUD/30/19****Performance Indicators – Auditors 2019/2023**

The CS presented a report, which provided members with proposals for Performance Indicator measures for both sets of recently appointed Auditors.

There were no issues raised by members arising from the report although it was noted that the cycle of reporting on the Financial Statements (Item 11 Finalisation of the Audit – Financial Statements and Regularity Auditors) might mean that the final statements might change after the Audit Committee and before the Board meeting in December 2019.

After due discussion and consideration, it was unanimously resolved that the proposals as detailed in the report be approved.

Action: Corporation Secretary

Minute No**GAUD/31/19 GDPR Action Plan Update**

The Corporation Secretary (CS) provided members with a copy of the updated GDPR Action Plan – June 2019.

The CS also provided members with an overview of the actions that had been undertaken since the last report which included the following:

- The Action Plan continued to be considered at monthly meetings of the GDPR Steering Group.
- Legal compliance issues had now been undertaken with the requirement for a review of the Policies now being added to the Action Plan. It was noted that this would be undertaken through the GDPR Steering Group over the next Academic Year.
- 98.5% of staff had now completed on- line training in relation to GDPR with the remaining six outstanding non-completers being targeted for action.
- Data Protection Training for the Leadership Team and the Data Link Co-ordinators had now been completed and after a very successful event it was planned to embed further training for all curricular and business support sections over the forthcoming year. It was further advised that the first event of this nature would be with approximately 60 staff of the Inclusion section and would take place on 23 June 2019.
- Business support and curricular areas had now completed a health questionnaire relating Data protection and this would be used to support action within the areas.
- With the departure of the Director of MIS, the Leadership Team were reviewing the management arrangements for Data Protection and proposals would be made to the Board of the Corporation in due course.

Action: Vice Principal Corporate Services & Planning

Members welcomed the continued progress that was being made in this area of activity and resolved that the update be noted.

GAUD/32/19 Any Other Business

There were no matters raised under any other business.

GAUD/33/19 Date of Next Meeting

It was agreed that the next meeting would be held at 6.00 pm on Wednesday 27 November 2019 in the Boardroom at the Altrincham Campus.

Action: Corporation Secretary

The meeting closed at 7.05 pm.

The Vice Principal Corporate Services & Planning left the meeting at 6.31pm following the consideration of Agenda item 5.