



Audit Committee Minutes

Meeting	Audit Committee	Date	Tuesday 4 th December 2018
Location	Room 2.119, Discovery Park Offices	Time	9.03am
Membership	Tony Allen (Chair), Tom Price (Vice-Chair), Gail Clarke and Peter Wood		
In Attendance	Paul Sayers, (Executive Director – Strategy and Partnerships) Chris Legg (Executive Director – Finance and Commercial Development) Katharine Patel (Buzzacott) (Items 5-7) Tara Ashman (Clerk)		

** Italics notes absence*

	ITEM	COMMENTS	ACTION
1	Welcome and Apologies	Tony Allen as the new Chair of the Audit Committee welcomed members to the meeting, in particular Peter Wood who has joined the Committee from this year. There were no apologies to the meeting.	
2	Declarations of Interest	There were no declarations raised at the meeting directly related to any items within the agenda.	
3	Minutes of the Meeting held on 27th June 2018	The minutes of the Audit Committee meeting held on 27 th June 2018 were approved as an accurate record and duly signed by the Chair.	

4	Matters Arising	<p>Commercial Sensitivity – Internal audit reports should be treated on the same grounds as any other report or minutes with a genuine commercial sensitivity. Some internal audit reports will be marked intended for use by the management and Governors of EKC Group only and this was noted.</p> <p>Internal Audit (Subcontracting) – This will be discussed later in the meeting with Katharine Patel in attendance</p> <p>Internal Audit (Wilkins Kennedy Review) – The report was circulated to the Committee in September with an update provided by management. Any outstanding issues will be considered as part of the internal audit review by Wilkins Kennedy early next year.</p> <p>CL advised that Tammy Mitchell now has the management of the nurseries within her remit and a new action plan has been agreed following the nursery internal audit.</p>	
5	Independent Meeting with the external Auditor	<p>[Chris Legg and Paul Sayers left the meeting at 9.11am]</p> <p>The Chair reminded members that this item gives the Committee an opportunity to meet with the external auditor’s independent to the Officers in Attendance.</p> <p>[Katharine Patel joined the meeting at 9.12am]</p> <p>Katharine Patel (KP) noted the main point within the management report is the assurance of EKC Group and its going concern status, this was due to the delay in receiving the accounts rather than any material concern and work remains outstanding in this area. This will be resolved in the next couple of days.</p> <p>[Chris Legg and Paul Sayers re-joined the meeting at 9.15am]</p>	

6	Internal Audit Report – Corporation Tax	<p>KP advised this report was undertaken by her tax colleagues requested by the Committee due to the potential direct tax implications of the Yarrow Hotel. The recommendation is to set up a trading subsidiary, which would include all commercial activity. Any taxable profits could be gift aided to the Group.</p> <p>A Governor asked what the risk was in setting up a subsidiary; CL advised there was minimal risk but more administration. PS pointed out that the board would need to consider whom would be the directors of the company and CL advised that the asset would remain under the College ownership and a paper would be coming to the full board in January.</p> <p>Internal Audit (Subcontracting) – There is a requirement from the ESFA to review subcontracting by the Group. The full board considered subcontracting partners for 2018-2019 at the last meeting and the internal audit report was presented for information.</p>	
7	Financial Statements, Draft Post Audit Management Letter and Audit Representations Letter to 31 July 2018	<p>KP guided the members through the management report and discussed the key points page by page within the document. There is some work to be done regarding going concern but this is due to a delay in the preparation of the financial statements as opposed to any material issue. Governors need to be assured that the Group is a going concern for the next 12 months. A Governor asked if there is any sensitivity analysis to be done to see how far wrong it could be, CL advised that the buffer is being managed through capital programme reduction.</p> <p>The financial ratio needs some analysis on how the ESFA treat the grant and break costs. The break costs need to be included to work through an accurate operating position. Members discussed the headline accounts and how the message can be managed once the figures are published, CL noted that the EBITDA position is what needs to be highlighted. Current financial health is satisfactory.</p> <p>The Chair sought clarification of when the adjustments to the statements would be made, these will be circulated through the Clerk later this week for final approval outside of the meeting in advance of the Full Governing Body on 18th December.</p>	

		<p>Katharine Patel confirmed the audit representations letter provides assurance to the full board and is an endorsement of the regularity assessment. Members were in agreement that this be signed by the Chair of the Governing Body.</p> <p>AGREED - The Audit Committee recommend that the Audit Representation Letter be signed by the Corporation Chair.</p> <p>The Committee agreed that the Financial Statements & Management Reports 2017/18 be recommended to the Full Governing Body on 18th December 2018 for approval and signature by the Chair.</p> <p>The Audit Committee recommend that Financial Statements and Management Reports for 2017-2018 be approved and signed by the Corporation Chair.</p> <p>[Katharine Patel left the meeting at 10.03am]</p>	
8	Wilkins Kennedy Engagement Letter	<p>The Clerk advised that a revised terms of business had been sent by Wilkins Kennedy to include the changes in UK law under GDPR. Members reviewed the document noting that no other changes have been made to the terms of engagement and approved them for signature by the Chair.</p> <p>APPROVED – Governors approved the revised terms of engagement for Wilkins Kennedy and the signature of the client response page by the Committee Chair</p>	
9	Risk, Audit and Compliance Committee report and Outstanding Actions from	<p>CL reminded members that the minutes of the internal Risk, Audit and Compliance meeting are presented in full to offer assurance that matters raised at Audit Committee are discussed by management. The three main items of the meeting are audit related matters, health and safety and risk and these are rotated within the agenda to allow a greater focus at specific meetings.</p> <p>Questions were invited. A Governor asked if attendance was consistently good at the meetings,</p>	



	Internal Audit 2017/2018	<p>CL advised there has been improvement in this area and is assured by the greater confidence in attendees demonstrated by their engagement.</p> <p>CL noted there is one outstanding action point on the audit log of recommendations that relates to bank reconciliations. Although this is a potentially serious risk this has been rectified due to a change in personnel and will be included as part of the follow up work with Wilkins Kennedy this coming year.</p>	
10	GDPR Update	<p>PS advised that the internal audit review of GDPR would be against the implementation plan and would include cyber security as part of its review. PS noted the Group now has a data security breach log that currently has two items, neither of which have been reportable to the Information Commissioner's Office (ICO). The Chair asked if the Group was confident that two instances is representative of the true state of affairs, PS is confident that appropriate assurances and controls are in place however noted this would be considered as part of the internal audit review in the spring.</p> <p>The Audit Committee agreed that a report on GDPR would come to each meeting and asked that it include cyber security citing the recent virus outbreak as an example.</p>	
11	Internal Audit Plan Update 2018/2019	<p>PS advised that the internal Risk, Audit and Compliance Committee and the executive team have both reviewed the internal audit plan for 2018-2019 and recommend the following updates to:</p> <p><i>GDPR</i> will now include cyber security in its review</p> <p><i>Forecasting models</i> has been postponed to 19-20 as the new adult education forecast model is still under development</p> <p><i>Health and safety compliance</i> has been added to seek external assurance of the processes and procedures post-merger.</p> <p>Members discussed whether there were any additional points to be included and agreed that the available funds should remain in the budget to have flexibility for any in year concerns. It was noted that the review of Lead Governors and the non-delegable functions of the corporation</p>	

		<p>would be reviewed following a year of Local College Boards and this will be considered again when reviewing the internal audit plan for 2019-2020.</p> <p>AGREED – Governors agreed the updated Internal Audit Plan for 2018-2019</p>	
12	Risk Management Report	<p>PS noted that the risk management report remains unchanged since it was presented at the November Full Governing Body. The Local College Boards are in their second round of meetings where they will be looking at how the Group risks are managed at a local level. It was noted that the capacity for considering risk at a local level needs monitoring.</p> <p>Members discussed the process for determining risk and the feedback mechanisms both to and from the corporation.</p>	
13	Annual Audit Report	<p>The Audit Committee has responsibility to advise the Full Governing Body of the Committees activities for the academic year and this report has been drafted in accordance with this. The Clerk drafted the report on behalf of the Chair and members were happy to recommend the report to the Full Governing Body subject to the assurances from Buzzacott as discussed in item 7.</p> <p>Members discussed the continuation of both internal and external audit services for a further year and this will be considered at the next meeting. CL will provide some quotes from audit firms for discussion.</p> <p>The regularity self-assessment questionnaire is provided by the external auditor Buzzacott and is completed by management and submitted annually by way of the Year End and Regularity Audit process. Members were in agreement that this be signed by the Group Principal and Chair of the Governing Body.</p> <p>APPROVED – Governors approved the regularity self-assessment questionnaire for signature by the Group Principal and Corporation Chair</p>	



14	Draft Agenda for next meeting	Members considered the draft agenda for the next meeting noting that items 6 and 7 would not be ready for review until the June meeting. CL asked that the time allowed for Wilkins Kennedy be extended and members agreed to include the review on re-tendering for both internal and external auditors.	
15	Any other business	There was no other business to report at the meeting.	
16	Date and Time of Next Meeting	Tuesday 5 th March 2019. Members agreed that, given the departure from Discovery Park the preferred location for subsequent meetings would be Canterbury College. The Clerk to action and update accordingly.	Clerk

There being no further business the meeting closed at 11.07am

Signed:

Print:

Date: