**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of the Meeting of the Audit Committee (Ordinary Business)**

**held on 24 November 2020**

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| **Present** | Riddhi Bhalla (Chair), Kwame Atta, Adenike Betiku, Caroline Evans. |
| **In Attendance** | Hussa Ali (Finance Manager), David Ball (Vice Principal: Corporate Services), Sudhir Singh (MacIntyre Hudson: Financial Statements Auditor), Robert Smith (Clerk to the Corporation), David Vasse (Principal). |

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| **1** | **Welcome to New Member, Apologies for Absence and Quoracy**  Adenike Betiku was welcomed on the occasion of her first meeting of the Committee.  Apologies for absence were received from the following member of the Corporation: Talia Chirouf  The meeting was quorate. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meetings (16 June 2020 and 19 August 2020)**  It was noted that the draft minutes had been approved by the Chair of the Committee for circulation.  The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate. |
| **4** | **Matters Arising from the Minutes (16 June 2020)**  It was noted that the College Reserves Policy was approved by the Resources Committee on behalf of the Corporation at the meeting held on 23 June 2020.  There were no other matters arising except those dealt with elsewhere on the agenda. |
| **5** | **Matters Arising from the Minutes (19 August 2020)**  It was noted that the Student Disciplinary Policy was adopted by authority of the Principal.  There were no other matters arising except those dealt with elsewhere on the agenda. |
| **6** | **Reports from Other Committees on the Monitoring of Risk**  Minutes of the monitoring of board level risks by other committees were received for information. The Audit Committee was satisfied with the approach taken by each Committee.  It was noted once again that the College had been very thoughtful and diligent in establishing new operating procedures in light of the pandemic. The usual business for each committee had clearly been overshadowed by considering the impact of the public health emergency and actions relating to how the College had adapted to these circumstances. |

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| **7** | **Risk Management Report, including Risk Register: Autumn Term 2020-21**  A report prepared by the Vice-Principal: Corporate Services was received and considered.  It was recognised that due to Covid the College has become exposed to new risks in line with the broader sector and that progress on addressing previous areas of risk has suffered.  In relation to measures taken to mitigate risks arising from the pandemic, it was reported that they had been observed to be operating effectively, and are subject to update according to changes in circumstance. There had been a minimal level of transmission of infection within the College.  It was noted that the biggest challenges attending the pandemic relate to student recruitment in the 2021 (in respect of which additional reports are to be considered by the External Relations Committee), and to ensuring that curriculum delivery continues to be effective. In the latter regard, it was noted that quality data are being rigorously recorded and are monitored by the Quality and Performance Committee, who will be reviewing the College Self-Assessment Report at their imminent meeting. Normal reporting is continuing in all areas despite the public health emergency.  The plan to combat the pandemic is not merely protective, but also includes elements of addressing the “performance gap” arising from lockdown.  The board-level risks were noted as:  *Inadequate management of the impact on the financial health of the College of recruiting insufficient student numbers.*  *Failure to implement the College Improvement Plan.*  *Work experience and employer engagement is weakened as fewer companies agree to take placements due to Covid-19 and work experience moving online due to Covid-19.*  *Use of performance data is insufficient to manage curriculum risks.*  *Financial health is impaired owing to lower numbers and increased costs related to the public health emergency.*  *Owing to the public health emergency, continuing students will have missed a large period of education, making it hard for them to achieve well and take forward the full benefit of learning the whole curriculum.*  *Failure to ensure financial viability because of weak relationships with schools and prospective learners.*  *Challenges to running the College attending the public health emergency.*  It was reported that the risk of behaviour levers (viz. card blocking and the ten-minute rule becoming ineffective), advised at the last meeting, had not crystallised; the College remains academically focused so the risk is no longer rated as board level.  Members also considered the specific risks attending the public health emergency, as set out below:  *The College fails to adequately reduce the risk of staff and students contracting coronavirus (Covid-19) when it responds to DfE guidance on social distancing.*  *The college is unable to accommodate all learners for timetabled lessons and induction activities from September 2020 due to on-going social distancing rules.*  *There is inadequate preparation and provision for remote learning in the event of further closure.*  *The college fails to meet its enrolment target as a consequence of reduced liaison & marketing and/or changed enrolment and travel patterns in London.*  *The college fails to respond to the welfare needs of students.*  *Disadvantaged, vulnerable students and those with pre-existing health concerns/conditions are disproportionately affected by the social effects of Covid19.*  *Essential training and updating for safeguarding and Prevent is not completed due to closure and constraints on staff availability.*  *Students’ academic progress is below target and improvements in outcomes are not sustained as a result of reduced contact time and access to appropriate resources/facilities.*  *Failure to meet financial targets due to increased expenditure in managing Covid19 recovery and/or loss of income (including the impact of additional costs, damage to loaned IT equipment, reduced lettings, catering loss).*  *Students do not have the opportunity to develop workplace knowledge and skills, including a reduction in work experience/placements.*  *Students suffer a loss of motivation and/or aspiration and do not work hard. Behaviour worsens.*  *Staff wellbeing and ability to maintain a healthy work-life balance is adversely affected by the on-going demands of responding to the pandemic.*  *GDPR compliance failure by staff working from home.*  *The Corporation and its Committees are unable to conduct regular business due to social distancing and lack of availability of governors.*  *College leaders fail to maintain clear and productive communication with key stakeholders (students, parents/carers, prospective students) resulting in poor engagement and dissatisfaction.*  **A first draft risk appetite statement,** which had been proposed by the auditors was received and considered.  It was noted that it is intended to be integrated within the risk framework. It is not intended to drive decision-making, but to be a reflective tool, providing a useful framework for judging the inherent risks of new activities. It is recognised that a risk score that is acceptable for one area of College activity may be unacceptable in another.  It was suggested by Caroline Evans that the schedule should have the facility to show return on risk.  It was also acknowledged that whilst many risks are actively run or mitigated, there are some risks which are passive and over which the College has limited control.  The document was noted as providing the basis for further development. A second iteration is to be brought back for the Committee to consider in due course. |
| **8** | **Opportunity for Members to Meet the Auditor in the Absence of College Officers**  The Principal, the Vice-Principal: Corporate Services, the Clerk to the Corporation and the Finance Manager withdrew for this business.  The independent members of the committee alone met with the Auditor. Operating in the pandemic environment had not been straightforward, but members were given assurance that the audit team had been able to conduct its practice as intended. |
| **9** | **Post-Audit Management Letter: Financial Statements Audit and Regularity Audit for the year ended 31 July 2020 and Schedule of Implementation of Financial Statements’ Audit Recommendations**  A report prepared by the financial statements’ auditor was received and considered.  Thanks were extended to the Vice-Principal: Corporate Services, the Finance Manager and their team for assistance rendered during the audit.  The Committee advised the Resources Committee in the first instance, and the Corporation subsequently, that in its opinion there are no control issues attending the statutory financial statements.  It was further noted that:  *the audit had been conducted using a risk-based approach;*  *the disclosed accounting policies used by the College in the preparation of the financial statements continue to be appropriate;*  *the College’s statutory financial statements comply in full with Financial Reporting Standard 102 in relation to the treatment of retirement benefits in published accounts;*  *the financial statements auditor intends to issue an unqualified opinion in his report, expressing a judgement that no management control issues were identified during the course of the audit, nor any issues concerning regularity, and that the financial statements give a true and fair view of the College’s deficit of income over expenditure after pension adjustments for the year then ended, and have been properly prepared in accordance with UK Generally Accepted Accounting Practice;*  *in the course of their work, nothing came to the auditors’ attention to suggest that in all material aspects the expenditure disbursed and income received during the year ended 31 July 2020 had not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them;*  *in all instances the terms of bank loan covenants had been met;*  *no recommendations had been raised concerning the Finance Team;*  *no adjustments to the original draft financial statements had been made by the auditor, nor had any material misstatements been found during the audit;* and  *two low-level recommendations had been made, being matters that merit attention and would improve overall control or are options to promote better or more efficient practice, namely that:* |

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|  | **.** | the Helios Fund be reviewed to determine how it may be best utilised, with a focus on distributing it appropriately rather than the funds being accumulated; *and* |
|  | **.** | where deviations from approved procurement protocols are necessary (e.g. during the public health emergency), they should be formally reported to provide a clear audit trail of the decision. |

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|  | Both points were noted as having been accepted for implementation by the College management.  Two advisory points raised by the auditor were also noted, namely that: |

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|  | **.** | drawing on its continuing experience of the public health emergency, the College may wish to consider ways in which it could adopt new or different working practices or modes of governance, with a particular focus by governors on the appropriateness of business continuity plans, reserves policy and governance structures and methods to see how well these were sustained during the period, or identify any weakness or areas which require future attention were such an event to recur; *and* |
|  | **.** | whenever new Public Procurement Notices (PPNs) are issued, they should be drawn to the attention of governors on a timely basis to ensure that the College’s Financial Regulations remain fit for purpose, particularly with reference to the attendant documentation and audit trail. |

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|  | Two matters were raised following-up earlier recommendations, namely that: |

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|  | **.** | the threshold expressed in the College policy for awarding bursaries and free school meals (FSM) to students from low income households is published on the College’s website, but there is no evidence that this threshold has been benchmarked in recent years to ensure that it meets the Corporation’s objectives - it is recommended that a a benchmarking process be undertaken to establish whether the criteria being applied are representative of the low-income households from which the College’s students are drawn; *and* |
|  | **.** | students previously awarded FSMs have their Bursary applications rolled forward from the prior year without formal review of their updated financial information, which is not in accord with ESFA guidance stating that “Institutions must ensure that students are eligible for the discretionary bursary in each year they require support.” – it is recommended that all applications made in the year for Bursary and FSMs are checked against the student’s financial information to ensure that eligibility criteria continue to be met.  For the College, the Vice-Principal: Corporate Services drew attention to the provision that under the Universal Credit rollout this is not required until that rollout is complete, which point was accepted. |

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|  | No misstatements were found in the course of the audit, but an additional disclosure is required, namely that, in line with the College Accounts Direction to include: “justification for the total emoluments linked to value and performance delivered, alongside an explanation of the processes adopted for judging performance and total emoluments, including benchmarking or other means of comparison to the broader market”, Note 8 has been updated to reflect that the Principal and the Vice Principal: Curriculum received a performance-related, non-consolidated, bonus of 5% of salary in recognition of exemplary performance in the roles during the 2018-19 year.  In response to a question from Adenike Betiku, the audit partner explained how the independence of the financial statements audit team was maintained in the context of an internal audit service provided by the same firm, and that testing had been conducted in all circumstances where it would not have been appropriate to rely on evidence from the internal auditor.  He was also able to give assurance that home working consequent on the public health emergency had not adversely affected the operation of the College’s internal controls. In particular segregation of duties had been maintained throughout, and authorisation procedures had not been compromised.  It was agreed that in circumstances where deviations from required practice for procurement are unavoidable, they should in all instances be formally reported to the Resources Committee.  It was reported that free school meal benchmarking is being undertaken, but had been a low priority during the period of lockdown. |

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| **10** | **Draft Annual Report & Financial Statements for the year ended 31 July 2020**  The draft financial statements in the prescribed format were received and considered. They were noted and recommended for approval by the Corporation.  It was noted that the financial performance for the year, and its relation to relevant projections, will be considered by the Resources Committee.  The adverse impact of the pension liability interim valuation on the College’s operating result was noted. It was confirmed that this does not arise from a formal revaluation of the scheme (which is undertaken triennially), but is an effect of a change in the discount rate and poor stock market performance (factors over which the College has no control), and is an accounting estimate which is not taken into account by the ESFA in calculating the College’s financial health.  A correction was noted as being required on Page 48 of the draft annual report. The Vice-Principal undertook to effect it, and a revised document will be circulated in due course in advance of the Corporation meeting to be held on 15 December.  The Committee otherwise noted that, in the opinion of the financial statements auditor, the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College’s affairs as at 31 July 2020 and of the College’s operating result for the year then ended.  On the advice of the Vice-Principal: Corporate Services, following conclusion of the audit, the Committee recommended that the Letter of Representation be signed by the Chair of the Corporation at the meeting to be held on 15 December 2020.  It was also noted that in the opinion of the financial statements’ auditor:  *proper accounting records had been kept;* and  *the financial statements agree with the accounting records.*  The Committee also reported that, based on the work of the financial statements’ auditor, it can advise the Resources Committee and the Corporation that, in fulfilment of the Corporation’s responsibilities:  *suitable accounting policies had been selected and applied consistently;*  *judgements and estimates had been made that are reasonable and prudent;*  *applicable accounting standards had been followed;* and  *it had been appropriate to prepare the financial statements on the going concern basis.*  The Committee reported that there are no matters of concern in relation to the adequacy of controls applied in the preparation of the financial statements, or otherwise reported by the financial statements auditor, and that the Corporation is therefore recommended to approve and authorise the signature of the Statement of Corporate and Internal Control and the Statement of Responsibilities of the Members of the Corporation contained within the Annual Report and Financial Statements.  It was noted that the ‘window’ for post-balance sheet events remains open until the date on which they are signed, but that none have at present been identified. |
| **11** | **Schedule of Implementation of Outstanding Internal Audit Recommendations**  The schedule was received for information and its contents noted. |
| **12** | **Internal Audit Service Annual Report 2019-20**  A report prepared by the Internal Audit Service (MacIntyre Hudson, the term of whose appointment expired on 31 July 2020) was received and considered.  The Internal Audit Service reported that sufficient internal audit work has been undertaken in the areas reviewed to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of those processes.  Based upon the work undertaken, in the opinion if the auditor Sir George Monoux College has adequate and effective management, control and governance processes in the areas examined which should enable the College to manage the achievement of its objectives. However, the reviews carried out had identified some enhancements to the design and/or operation of the system of internal control, risk management and governance to make it more effective in the future, namely in the areas of GDPR compliance, the risk framework and risk management strategy, safeguarding, and school engagement.  It was noted that paragraph 2.4 does not express its content clearly, and should be redrafted before circulation to the Corporation.  Subject to the above amendment, members recommended the Report for the attention of the Corporation. |
| **13** | **Appointment of Internal Audit Service**  The Committee agreed that internal auditors should be appointed.  The tender panel recommended that Scrutton Bland be appointed as the College’s internal audit service for a period of three years (subject to an annual review of performance) with effect from the 2020-21 year, and the recommendation was accepted by the Committee.  The Corporation is accordingly advised by the Committee that it may appoint Scrutton Bland to provide the College’s internal audit service.  It was further noted that Scrutton Bland may be advised of the recommendation, which is indicative only at this stage.  It was agreed that an additional Audit Committee meeting will be required early in the Winter-Spring Term to approve an internal audit plan for 2020-21. |
| **14** | **UK Corporate Governance Code**  A paper prepared by the Clerk to the Corporation was received and considered.  It was noted that the College and Corporation have not adopted and therefore do not apply the UK Corporate Governance Code. However, Corporate Governance arrangements are reported by drawing upon the best practice available, including those aspects of the UK Corporate Governance Code considered to be relevant to the further education sector and best practice.  Adoption of any code means adherence to its principles and provisions, with the liability to be audited against them. The Corporation’s stance therefore affords it the greatest flexibility in determining those matters which are relevant to its integrity and effective operation.  A primary purpose of the UK Corporate Governance Code is to enable shareholders to properly evaluate company performance beyond the simple measure of a single year’s financial outturn. It focuses on actions taken by an organisation and how these link to their strategy and purpose. Shorn of the detail concerned with shareholder reporting and consultation, and to issues such as the operation of incentive schemes for executive post-holders, what remains is a useful guide to any board’s responsibility for ensuring organisational integrity. It is, therefore, in this spirit that the Corporation takes cognisance of the Code, whilst recognising that not all of its principles and provisions are appropriate to the College.  The principles and provisions only have regulatory force for the College where they are a requirement of enacted legislation (including delegated legislation) affecting the College, the Instrument and Articles of Government or the Bye Laws of the Corporation. Otherwise they may be regarded as guides to best practice, but are not obligatory.  It was noted that the report would require updating when a new edition of the Code is published, or the relevant circumstances of the College change or are subject to amended regulation. The existing document should meanwhile be re-presented to the Committee annually at its Summer Term meeting to ensure its continued relevance. |
| **15** | **Schedule of College Policies (including review dates and person or persons responsible for review and approval)**  An updated schedule prepared on behalf of the Principal was received for information. |
| **16** | **Schedule of Corporation Policies (including review dates and person or persons responsible for review and approval)**  An updated schedule prepared by the Clerk to the Corporation was received for information. |
| **17** | **Fraud, Financial Irregularity or Public Interest Disclosure**  No incidents were reported either in relation to the College or the Corporation. |
| **18** | **Audit Committee Annual Report 2019-20**  The draft report was received and approved for submission to the Corporation and the Chief Accounting Officer. |
| **19** | **Dates and Times of Remaining Meetings in the 2018-19 Year**  The following approved dates and times were noted:  ***Tuesday 9 March 2020 (5.30pm)***  ***Tuesday 15 June 2020 (5.30pm)***  It was agreed that, for the protection of members and the College, the 9 March 2021 meeting will be held online.  Whether subsequent meetings are held physically or online will be determined by the public health situation as it affects participants at the time. |
| **20** | **Business Held Over to the Next Meeting**  It was noted that, in addition to matters noted under the List of Actions below, the following business will be included on the agenda for the meeting to be held on 9 March 2021:  *Report of the Risk Committee*, at which a member of the Risk Committee will present a report on its work. |
| **21** | **Any Other Competent Business**  None. |

**List of Actions Arising from This Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| 6 | Vice-Principal: Corporate Services  Clerk to the Corporation | Correct Risk Management Report as specified at the meeting.  Circulate corrected report to the Corporation. |
| 9 | Vice-Principal: Corporate Services  Clerk to the Corporation | Progress on FSM benchmarking to be reported to the Committee.  Circulate letter to the Corporation. |
| 10 | Vice-Principal: Corporate Services  Clerk to the Corporation | Correct, as noted, Page 48 of the draft annual report.  Circulate corrected report and accounts to the Corporation. |
| 12 | Internal Audit Service (via Vice-Principal: Corporate Services)    Clerk to the Corporation | Re-draft paragraph 2.4 to express its content clearly.  Circulate re-drafted report to the Corporation. |
| 13 | Clerk to the Corporation | Provide resolution for appointment by the Corporation of Scrutton Bland as internal auditor. |
| 14 | Clerk to the Corporation | Re-present Cognisance of the UK Corporate Governance Code document at the Summer Term meeting of the Committee. |
| 18 | Clerk to the Corporation | Circulate report to the Corporation. |