



Minutes of an Audit Committee held on

29th July 2019 at 8.30am

Held at City Campus Board Room

Present:

Peter Matthews - Independent Governor
John Barrett - Co-Opted Governor

In Attendance:

Faye Grundy - Head of Governance
Mark Payne - Vice-Principal Finance and Resources

A42/19 Apologies for Absence

Apologies for absence were received from David Busst, Gill Banks and Tony Minhas.

It was acknowledged that the Committee was not quorate in accordance with the terms of reference and that therefore any decisions made would need electronic resolution separately or a further Audit Committee Meeting.

A43/19 Declarations of Interest

None

A44/19 Minutes of the last meeting held on 4th June 2019

The minutes of the last meeting held on 4th June 2019 were noted as approved by the Chair but acknowledged that these would be further circulated to the quorate Committee.

A45/19 Matters arising

It was noted that further to the meeting of 27th November 2018, the following items were approved at the meeting of the Corporation:

- i. Audit Committee Self Assessment
- ii. Risk Register and process
- iii. Internal Audit

It was reported that those items were all approved by the Corporation Board.

The Committee received an update as to the results of the Block 2 internal audit. The Committee queried the timeframe for the audit and questioned the reason for the audit taking place late in the academic year, given the agreed governance meeting schedules. It was agreed that the Chair would meet with the Vice-Principal Finance and Resources to obtain clarity.

ACTION: PM and MP

The Vice Principal Finance and Resources advised members that the mock funding undertaken by KPMG would be taking place imminently and confirmed that the ESFA will audit the College, it was suggested that this would take place in September. It was clarified that the mock audit will not feed into the ESFA audit. Members asked whether the Executive had any concerns as to funding compliance. Members were advised that there would likely need to be some adjustments which would result in a reduction and that apprenticeship funding represented a concern. A Governor raised concerns as to the controls in place at the College. It was advised that the Executive will scrutinise the commissioned report and report any areas of significance for scrutiny with an explanatory note. Members asked whether the position with PetXi will form an issue for the Audit. The Committee were advised that the CEO was in discussion with the ESFA which would mitigate that risk.

In relation to A47/19 it was agreed that the Vice-Principal Finance and Resources would develop a protocol which would outline the process for updating management responses to audits and the reporting of progress against those audits to ensure actions are completed and reported upon.

In relation to A48/19 it was noted that a letter had since been received by the College from Gateway Assure which superseded this action and which would be discussed later in the agenda.

In relation to A49/19 it was noted that a refreshed Risk Register would be launched at the Strategic Away Day.

In relation to A50/19 it was reported that the bank had confirmed that the College would be put in the business support process and that the loan would be refinanced. The bank would issue a letter of comfort which would allow accounts to be signed off. It was reported that some comfort could be taken by the opportunity to reprice the loan if the renegotiation had not concluded by 31st December 2019. Governors challenged the process by which the covenants were set and the need to ensure that the bank is not directing the terms of the covenant. The advice was noted by the Executive. It was agreed that the loan and refinancing position be a standing item on this agenda for update.

In relation to A51/19 it was reported that due to the position with Gateway Assure, the SLT would consider the internal audit plan over the summer. The Committee gave consideration to the improvement of challenge and scrutiny by the non executive. The Vice-Principal advised that he feels sufficiently challenged and that this is not demonstrated by the minutes. It was clarified that the FE Commissioner recommendation was that challenge be improved so that in turn this could be documented in the minutes.

A46/19 Gateway Assure Update

1. Governors were presented with an update in relation to the position with Gateway Assure. Governors questioned whether this was the first occasion that the College had been notified of Gateway

Assure's intentions given that it had not been mentioned at the previous Audit Committee. It was confirmed that the letter providing notification of the Company's sale was the first indication the College had received.

2. It was confirmed that TIAA, as the new owner had agreed to honour Gateway Assure's existing contracts.
3. It was reported that the College would not confirm its commitment to continue the contract with TIAA and that a meeting was to be convened with the Chair of Audit, the CEO, the Vice-Principal Finance and Resources and TIAA. It was agreed that the Committee be kept updated as to progress and that a decision be made by September.
4. Governors asked what options were available to the College, noting the late stage at which it had been advised as to the change in status of its internal auditors. It was advised that it could continue with TIAA, tender the contract to the open market or offer the tender to a selected market.
5. Governors discussed the performance of the staff at Gateway Assure given that the College's link partner would no longer be available to the College and the likely levels of assurance as to performance it could expect. The advantages of continuing with TIAA were agreed as to continuity and time saved, the advantages of a new provider were agreed as an opportunity for change and enhanced levels of transparency of that process.
6. Governors questioned why the College does not employ its own internal audit function. It was confirmed that this would not provide value for money due to the size of the organisation and the required infrastructure that would be needed to provide the required level of assurance robustness.

5. ***Governors resolved:-***

- i) to receive, note and accept the Gateway Assure Update;
- ii) to be kept updated as to the meetings with TIAA and the Executive's proposal for how internal audit will be delivered.

Action: VP Finance and Resources

- iii) that an action plan be developed containing all internal audit recommendations for 17/18 and 18/19 and circulated to members.

Action: VP Finance and Resources

A47/19

Subcontracting

1. The Committee received an update as to the subcontracting issue which had come to the attention of the Executive on 3rd June 2019.
2. The CEO was made aware of a potential sub-contract arrangement from the West Midlands

Combined Authority (WMCA) during a tele-kit on the 3rd June. Following the tele-kit the CEO made contact with the organisation Pet-Xi, which is a Coventry based provider with an excellent reputation and over 23 years of experience in delivering education and training.

3. Pet-Xi outlined to the CEO the arrangements which had allegedly been made between the previous Principal/CEO and the company. The SLT agreed a detailed set of Subcontracting protocols on 6th March 2019 along with exemplar contracts. This documentation has been reviewed by the legal firm used by the College and provides the framework for all subcontracting and partnership arrangements in the college. It was noted by the Committee that there were no protocols in place at the time this 'alleged agreement' was made.
4. Governors asked whether the auditors will review the protocols and contracts. It was confirmed that they would not as this work had already been undertaken by the College's contracted lawyers. Governors asked why a contract was not in place, particularly given that the College's terms and conditions are available on the College website as confirmed in the Financial Regulations. It was confirmed that the Executive had not been briefed as to the arrangement and that this was a verbal agreement between the former Principal and Pet Xi. Governors were advised that it would be counter productive to go back and reinforce those terms and conditions with Pet-Xi. RSM will audit the College's subcontracting provision again and that audit report will be provided to the September Audit Committee. Governors asked whether there were any more verbal agreements and were advised that there were not, insofar as they were aware.
5. ***Governors resolved:***
 - i.) to receive, note and accept the Subcontracting Report.

A52/19 Date of the next meeting

The date of the next meeting was agreed as 17th September 2019.

A53/19 Publication of Documents

The publication of papers was approved with the exception of item 5.

Meeting opened 8.30am

Meeting closed 11.20am

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