**The Corporation of Newham Sixth Form College**

**Audit & Scrutiny Committee**

**Minutes of the Meeting held on 13 November 2019**

**Members**

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| --- | --- | --- |
| Jay Nair (Chair) | Independent Member | Present |
| Sohidul Hoque | Independent Member | Apologies – Family commitments |
| Daniela Jung | Co-opted Member | Absent |
| Julianne Marriott | Independent Member | Present |
| Martin Oakeshott | Independent Member | Present |
| Miklos Sarosi | Independent Member | Present |

**Non-Members invited to attend**

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| --- | --- | --- |
| Jerry Barton | Mazars | Present |
| Mandeep Gill | Principal & Chief Executive | Present |
| Sohidul Hoque | Potential Corporation Member | Present |
| Robin Jones | Clerk to the Corporation | Present |
| Florah Mugwanya | Head of Finance | Present |
| Hugh Swainson | Buzzacott | Present |

**1 APOLOGIES FOR ABSENCE**

The Committee noted and accepted the apologies of absence submitted by Sohidul Hoque.

**2 DECLARATION OF INTERESTS**

The Members and others present confirmed that there were no declarations of interest to be recorded on this occasion.

**3 MEMBERSHIP OF THE AUDIT & SCRUTINY COMMITTEE**

The Committee NOTED the following relating to the membership of the Audit & Scrutiny Committee:

1. The appointment of Sohidul Hoque to serve on the Committee
2. The resignation from membership of the Corporation and, therefore, the Committee of Shawab Iqbal due to his appointment to a position in Yorkshire
3. The resignation from membership of the Committee as from 31 December 2019 of Miklos Sarosi given his time commitment in carrying out the other NewVIc related roles.

**4 MINUTES OF THE MEETING OF THE AUDIT & SCRUTINY COMMITTEE HELD ON 11 SEPTEMBER 2019**

The Minutes of the meeting of the Audit & Scrutiny Committee held on 11 September 2019 were agreed to be a correct record and were signed by the Chair.

**5 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT & SCRUTINY COMMITTEE HELD ON 11 SEPTEMBER 2019**

The Committee reviewed the actions agreed at the last meeting and in doing so considered if there were any matters arising which needed attention at this time.

The Clerk reported that the Corporation had agreed on 9 October 2019 to approve the recommendations of the Committee:

* that the Internal Auditors be asked to carry out a review of College controls on procurement including the arrangements for including budget commitments in the Management Accounts and the determination of capital expenditure
* that to enable the review of procurement to be carried out within the number of days provided for under the current Internal Audit Plan the review of Corporate Governance be deferred until 2020/21
* that the three recommendations relating to the suggested preparation of a Commercial Strategy be removed from the schedule of Internal Audit recommendations on the basis that they were no longer relevant given the changed circumstances since they were put forward by the previous (not current) Internal Auditors

*Note: At this point the Principal & Chief Executive and the Head of Finance withdrew from the meeting*

**6 CONFIDENTIAL SESSION WITH THE AUDITORS**

The Committee took the opportunity to ask the representatives of the Financial Statements Auditors and the Internal Auditors if there were any issues to be made known to Members which were not covered in the reports before the Committee.

There were no matters to be shared with Members on this occasion although on the positive side the Auditors stressed that the College Managers had been open with them throughout enabling the reviews to be completed. Clearly the projected deficit for 2019/20 was a significant issue for the College although, as Members knew, clear plans were in hand to address so as to bring about an improvement in the financial health of the College.

*Note: At this point the Principal & Chief Executive and the Head of Finance returned to the meeting*

**7 IMPLEMENTATION OF INTERNAL AUDIT VISIT RECOMMENDATIONS**

The Committee received the report of the Director of Finance & Resources providing an update on the recommendations arising from reports prepared by the Internal Auditors which have not yet been addressed fully although progress was being made where possible.

Members took the opportunity to question the Principal & Chief Executive on the various items and to comment. In doing so it was noted:

* Curriculum Planning – Pro Resources software system now being implemented
* Curriculum Planning – minimum group size for Level 2 and 3 courses now 16 although below this for Level 1 and Entry Level provision given the need to support the students to make progress
* High Needs Students – Area inspection for London Borough of Newham to be carried out although the dates of the review not yet confirmed

The Committee AGREED following discussion:

1. to note the up-to-date position regarding the progress made by the College in addressing the recommendations made by the Internal Auditors
2. to note that the planned action relating to the update of the Financial Regulations to address salaries and wages had been progressed with the approval of the Corporation on 9 October 2019
3. to look forward to receiving an updated report at the next meeting when consideration can be given to the removal of any of the remaining items on the basis that the planned actions had been completed

**8 INTERNAL AUDIT ANNUAL REPORT – 2018/19**

The Committee received the Internal Audit Annual Report for 2018/19.

The outcomes from the reviews carried out in 2018/19, including the level of the assurance given by the Internal Auditors, were NOTED to be:

- Student Numbers Forecasting – Adequate

- Curriculum Panning – Adequate

- High Cost Students – Adequate

- Payroll – Substantial

In addition, a Follow Up review had been undertaken by the Internal Auditors and, in line with standard working practice, no assurance level had been given.

The representative of the Internal Auditors reminded the Committee that Mazars had been engaged to provide a full scoping Internal Audit Service and, therefore, to provide an opinion on the risk, control and governance arrangements. The Annual Opinion for 2018/19 was reported to be as follows:

*On the basis of our audit work, we consider that the College’s governance, risk management and internal control arrangements are generally adequate and effective to manage its achievement of the College’s objectives. Certain weaknesses and exceptions were highlighted by our audit work, but none were considered fundamental. This and all other matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed as detailed in our individual reports*

The Committee AGREED following discussion and taking the opportunity to seek clarification of the approach from the representative of Mazars:

1. to NOTE the comprehensive Internal Audit Annual Report for 2018/19 which would be presented to the Corporation on 11 December 2019 for information
2. to NOTE in particular the Annual Opinion on governance, risk management and internal control arrangements which had been found to be generally adequate and effective to manage the achievement of the College’s objectives
3. to NOTE the benchmarking data set out comparing the NewVIc performance against the Mazars further education client base which indicated a much lower number of substantial outcomes for NewVIc in 2018/19 although this needed to be seen in the context of the small number of reviews completed

**9 RISK REGISTER**

The Committee received the updated Risk Register for 2019/20 and NOTED the progress being made to mitigate or even remove the range of issues identified.

A Member requested that, in the future, the shade of green be reviewed to assist in reading and commenting on the Risk Register.

**10 POST AUDIT MANAGEMENT REPORT FROM THE FINANCIAL STATEMENTS AUDITORS**

The Committee received the Post Audit Management Report from the Financial Statements Auditors prepared by Buzzacott supported by:

* the draft Financial Statements for 2018/19
* the draft Letter of Representation

The Engagement Partner from Buzzacott introduced the Post Audit Management Report and highlighted a number of issues including:

* the audit from the perspective of Buzzacott went well and the timetable for the overall completion of the audit was met
* there were at this stage two outstanding items to be addressed but these were to be expected at this stage – the receipt of the Letter of Representation following the approval of the Corporation on 11 December 2019 and confirmation that immediately prior to the Financial Statements being signed there were no significant events since the time of the audit which would impact on the Financial Statements
* the inclusion on the Balance Sheet of the pension deficit in order to comply with FRS 102 and is consistent with the treatment adopted in the previous year
* the service cost adjustment of £160k in relation to the estimated impact of the McCloud judgement (this was addressed at the meeting of the Committee on 11 September 2019)
* the operating surplus of £291k in 2018/19 (£233k in 20178/18)
* the projected substantial deficit to be reported at the end of the current year, 2019/20
* the importance of the Corporation reviewing on a regular basis the timely Management Accounts, current cash flow position and future cash projections and the budget and updated forecasts
* the impact of the introduction of the insolvency regime from 31 January 2019
* the most significant change from previous years relates to reporting on staff cost disclosures for key management and higher paid staff – this includes a calculation of the Accounting Officer’s pay as a multiple of the median remuneration of all other staff employed by the College

The Engagement Partner also highlighted the investigation of Bourneville College which Members recalled had been the subject of a report to the Corporation on 9 October 2019 and the implications for the College were being addressed.

Following on from the initial feedback from the representatives of the FE Commissioner, who had spent two days at NewVIc at the invitation of the Corporation, the Engagement Partner from Buzzacott and also the Manager from Mazers were asked to comment on the approach to determining surplus and deficits and, specifically, if any movements in the defined pension liability should be included.

The immediate feedback was in accord with advice received from, amongst others, the AoC and SFCA – ie that the amount of pension liability should be disregarded for this purpose although there was a need to keep a watching brief on the amount particularly if there was a significant deterioration in the financial health of the College.

It was recognised that it was open to the Corporation to determine the accounting approach for such matters and as long as there was a clearly articulated justification for including or disregarding the pension liability from the calculation of the surplus and deficit position that should all be acceptable.

It was noted with interest that, when considering the out-turn position for the purposes of satisfying the loan covenant position, the banks disregard the pension liability amount.

The Auditors were also asked about meaning of the “limited assurance engagement” used in the context of the review of the Financial Statements. The view was that this was longstanding wording and did not mean “limited” to NewVIc in some form of negative sense.

The Committee AGREED following review and discussion:

1. to NOTE the Post Audit Management Report prepared by Buzzacott following the completion of the end of year review of the Financial Statements for 2018/19 and to forward this to the Corporation
2. to NOTE the “Gong Concern” position for the College
3. to NOTE the issues to be addressed when the Financial Statements are considered and approved by the Corporation on 11 December 2019 including the need to make the Auditors aware of any post year significant issues
4. to NOTE the contents of the draft Letter of Representation for presentation to the Corporation
5. to NOTE the draft Financial Statements for 2018/19 and that Members would have the opportunity to question and comment on the contents on 11 December 2019 as part of the review by the Corporation
6. to NOTE that the Regularity Self-Assessment would be presented to the Corporation together with the other documents mentioned above and, with the approval of Members, would be signed by the Corporation Chair and the Principal & Chief Executive for submission to the ESFA
7. to REQUEST the Auditors to review their understanding on a company wide basis of (1) the inclusion or not of the pension liability in calculating the surplus or deficit out-turn position and (2) the meaning of “limited assurance engagement” in this context and to advise the Principal & Chief Executive of their findings by, say, 22 November 2019 so that these may be taken into account when reporting to the Corporation.

*Note: at this point Hugh Swainson from Buzzacott withdrew from the meeting*

**11 REVIEW OF THE PERFORMANCE OF THE AUDIT & SCRUTINY COMMITTEE**

The Clerk explained the proposed approach to complete the review of the performance of the Audit & Scrutiny Committee and, in doing so, to identify any issues which may warrant action to bring about improvements.

Members AGREED to complete the pro-forma prepared by the Clerk who would then prepare a composite document for consideration at the next meeting of the Committee.

**12 TERMS OF REFERENCE OF THE AUDIT & SCRUTINY COMMITTEE**

The Committee received and considered the report of the Clerk to the Corporation which proposed revisions to the Terms of Reference of the Committee.

Members took the opportunity to clarify aspects of the Terms of Reference - specifically:

* the funding auditor may on behalf of the ESFA carry out a review of the College and any subsequent report would be presented to the Committee
* until recently funding audits were carried out in September on a risk based approach determined by the ESFA – however it was understood that such audits would be accrued out at any time in the year and not solely at the year end
* the responsibility of the Committee to oversee the Corporation’s policies and processes around fraud, irregularity, impropriety and whistleblowing included considering proposed policies which would be presented to the Committee for review and recommendation to the Corporation

Particular attention was given to the scrutiny role of the Committee as currently constituted. This had given the Committee the responsibility for reviewing such issues as Prevent, Matrix and reports on the conduct of examinations. Under the provisions of the recommended Terms of Reference such items would not be addressed by the Committee but by the Corporation or another Committee / Group if deemed to be governance as distinct to management.

The Committee AGREED to RECOMMEND to the Corporation:

1. that the Committee be re-designated as the Audit & Risk Committee
2. the Terms of Reference of the Committee be amended as set out in the report of the Clerk subject to National Audit Office being set out in full
3. that, to reflect the re-designation to being the Audit & Risk Committee, meaning that the current scrutiny role be removed and passed to the Corporation or another Committee or Group unless the issue was covered by the Post-16 Audit Code of Practice

**13 ANNUAL REPORT OF THE AUDIT & SCRUTINY COMMITTEE – 2018/19**

The Committee received and discussed the proposed Annual Report of the Audit & Scrutiny Committee for 2018/19 which had been prepared with due regard to the Post-16 Audit Code of Practice.

In response to a question from a Member the Clerk explained that the Annual Report was regarded as a public document and would be submitted to the ESFA.

The Committee AGREED to approve the Annual Report for 2018/19 for presentation to the Corporation at the next meeting subject to a revision to the layout of the section on membership of the Committee to aid clarity.

**14 CALENDAR OF MEETINGS – 2019/20**

The Committee noted the calendar of meetings scheduled to take place in 2019/20:

* Wednesday 26 February 2020
* Wednesday 10 June 2020

All meetings are scheduled to commence at 6.30pm

*Note: at this point Jerry Barton from Mazars withdrew from the meeting*

**15 REVIEW OF THE PERFORMANCE OF THE FINANCIAL STATEMENTS AUDITORS**

The Committee AGREED following discussion to RECOMMEND to the Corporation that Buzzacotts are re-appointed as the Financial Statements Auditors for 2019/20.

Members recalled that Buzzacotts were appointed for three years as from 2018 but with annual reviews and confirmation of reappointment.

**16 REVIEW OF THE PERFORMANCE OF THE INTERNAL AUDITORS**

The Committee AGREED following discussion to RECOMMEND to the Corporation that Mazzers are re-appointed as the Internal Auditors for 2019/20.

Members recalled that Mazzers were appointed for three years as from 1 August 2018 but with annual reviews and confirmation of reappointment.

A separate Minute is attached on this item which is classified as being confidential and is only available for reference to Members of the Corporation.

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_