



## MINUTES OF AUDIT COMMITTEE MEETING HELD ON 16<sup>TH</sup> MARCH 2017

<b>Present:</b>	Fiona Armer	External Governor (Chair)
	Mark Donaldson	External Governor
	Sarah Jones	Co-opted Non-Governor
	Pete Sanderson	External Governor (minute 116 to 143)
	Janet Tyas	Staff Governor
<b>In Attendance:</b>	Denise Cheng-Carter	Deputy Principal (Finance & Resources)
	Jonathan Creed	ICCA (Internal Auditor)
	Jenny Grainger	External Governor Elect (Observer)
	Lesley Venables	Clerk to the Corporation

### PART ONE

#### APOLOGIES FOR ABSENCE

103 Apologies for absence were received from Mike Redfern and Chelsea Hale (Grant Thornton).

104 The Committee was advised that Charlotte Grace had recently resigned from the Board and that the schedule of committee memberships was currently under review to accommodate this change.

105 Jenny Grainger was welcomed to the meeting, which she was attending as an observer, pending approval of her appointment as an external governor by the Board on 6<sup>th</sup> April.

#### DECLARATIONS OF INTEREST

106 A declaration of interest was received from Janet Tyas in respect of the report on sub-contracting provision.

#### MINUTES OF PREVIOUS MEETING

107 The Committee discussed the content of some parts of the minutes and the level of detail that was available publicly and the information that was available to competitor organisations. However, it was agreed that the record of the meeting should remain as transparent as possible.

108 **Resolved -** That the minutes of the meeting held on 24<sup>th</sup> November 2016 be approved as a correct record and signed by the Chair

## **MATTERS ARISING**

109 Governors received a list of actions resulting from the previous meeting and noted that all of these were either in progress or had been completed.

## **INTERNAL AUDIT REPORT – LEARNER RECORDS AND FUNDING**

110 The Internal Auditor presented a draft report on work that had recently been undertaken on Learner Records and Funding. The report had concluded that the College's systems were designed adequately and consistently applied.

111 The methodology used to undertake the audit was very similar to that used by the Skills Funding Agency when it audited further education colleges. However, the sample size of the records selected for further scrutiny was smaller and was chosen at random by the SFA software.

112 Governors were advised that the College's systems in this area provided it with a reasonable level of assurance.

113 A total of 3 recommendations had been made, two of which were graded as medium priority and one as low priority. One of the medium priority recommendations was due to a learner not being able to provide proof of UK residency, which had now been resolved as the student had relocated to another area.

114 The second medium priority recommendation related to certificates to support the achievement of a particular programme not being obtained within 3 months of passing. The low recommendation had suggested that the College should ensure that start and end dates for each qualification were easily identifiable through having separate electronic registers.

115 In response to questions, the Internal Auditor confirmed that if the College's ILR was updated throughout the academic year, there should be no clawback of funding by the SFA in subsequent years (due to the lagged funding model).

116 The Committee was informed that the number and level of the recommendations made in this area was much lower than other similar organisations.

**Pete Sanderson joined the meeting at this point.**

## **INTERNAL AUDIT REPORT – FINANCIAL PLANNING**

117 The Internal Auditor presented a report on the College's Financial Planning procedures. This had been graded as providing substantial assurance and no recommendations had been made.

118 However, the Auditor had commented in the report that the College should consider strengthening its curriculum planning assumptions, as it had not met its recruitment target for 16-18 year olds in each year since 2014/2015. The findings were linked to the outcomes of the previous Internal Audit report on the Learner Journey.

119 The Deputy Principal reported that the work on the Learner Journey would be presented for discussion of its implications to the next Learner Committee meeting and that a report would be submitted to the Financial Performance & Efficiency Committee on the recruitment of 16-18 year olds.

120 It was noted that within the Borough there were 14 schools with sixth forms and one free school, all of which were competing for the same group of learners. Some of the consequences of the under-performance in recruitment had been mitigated by increasing learners into higher funding bands.

## **EXTERNAL ASSURANCE REPORT – SUB-CONTRACTING CONTROLS**

121 The Internal Auditor explained that this work was an annual requirement of the College receiving SFA funding and that every lead provider whose sub-contracting provision exceeded £100k was required to be audited. A certificate of compliance had been issued to the College, which had been forwarded to the SFA. The audit had no impact on the quality of the College's provision.

122 One of recommendations arising from the report was the need for the Board to approve the list of sub-contractors with which the College wished to work, prior to the start of the academic year.

123 In a total of 6 cases, work had already commenced prior to a contract between the sub-contractor and the College being signed. The Deputy Principal reported that the majority of sub-contractors related to ESF provision, where the requirements of the SFA regulations had to be balanced against a fast turnaround. A letter of intent had been issued to each of the 6 sub-contractors after the due diligence process was completed and this was followed by a formal contract.

124 The Internal Auditor had identified some clauses within the SFA's model contract that had not been included in that used by the College and it was recommended that the contracts should be revised to reflect this.

125 The Committee noted that each of the points raised in the audit could be rectified easily and the Deputy Principal gave an assurance that regular audits by ESF staff took place to provide a further level of scrutiny of the College's processes in this area.

126 A process for approving sub-contracts would be prepared for the Board's consideration, with appropriate delegated authority levels to ensure that matters could be expedited in a timely manner between meetings.

## **RISK MANAGEMENT**

127 The Deputy Principal (Finance & Resources) presented a report on risk management activities that had taken place since the November 2016 meeting. The Risk Register reflected the strands of the Strategic Plan approved by the Corporation.

128 Governors were advised that the Government had recently published a Green Paper on industrial strategy and the College was awaiting further details to incorporate some of the elements in the revised Strategic Plan.

129 In terms of success rates, it was noted that this area of highest risk was in maths and English, mainly due to the volumes of learners studying these qualifications. The Deputy Principal reported that this picture was reflected nationally.

130 As discussed under an earlier agenda item, the College had under-performed against its recruitment target for the 16-18 cohort. A report on 16-18 recruitment would be presented to the next meeting of the Financial Performance & Efficiency Committee.

131 The College's Skills contract was delivering below the profiled level. A report on the reasons for this and any remedial actions taken by management would be presented to the Financial Performance & Efficiency Committee's April meeting.

132 All remaining risks had been classified as 'amber'.

### **AUDIT RECOMMENDATIONS & ACTIONS**

133 Governors received for information a report on progress against Internal Audit recommendations that had been made since 2015/2016.

134 The Deputy Principal (Finance & Resources) reported that a total of 13 recommendations had been outstanding at the November 2016 meeting. Of these, 7 had been fully completed, with the remaining 6 items partially implemented. The Internal Auditor would follow up the implementation of these recommendations as part of their work in 2016/2017 and subsequent years.

### **COMMITTEE SELF-EVALUATION FOR 2015/2016**

135 The Clerk presented a draft of the Committee's self-evaluation.

136 The Committee concluded that the changes to the Committee's membership would impact positively on its work, however, the small core of longer-serving governors was useful in terms of maintaining continuity and skill levels.

137 Governors felt that there was an adequate degree of challenge and support of management, but there was a need to raise this further. It was agreed that the Internal Auditor would deliver a training session on the role of the Audit Committee prior to the next meeting.

138 The Committee graded itself as a '2' or 'good'.

### **ITEMS TO BE REPORTED TO THE BOARD**

139 The Committee agreed that the following points would form the basis of the Chair's report to the Board at its December meeting:

- Good level of performance on 2 Internal Audit and 1 Advisory reports – Learner Records & Funding, Financial Planning and External Assurance of Sub-Contracting Provision

- Monitoring reports were received on Risk Management and the Implementation of Audit Recommendations
- Governors had discussed the Committee's draft self-evaluation and graded themselves as a '2' or 'Good'

**DATE OF NEXT MEETING**

22<sup>nd</sup> June 2017, 5.00 p.m.