



## MINUTES OF AUDIT COMMITTEE MEETING HELD ON 21<sup>ST</sup> SEPTEMBER 2017

<b>Present:</b>	Rachel Court	External
	Mark Donaldson	External
	Jenny Grainger	External
	Sarah Jones	Co-opted Non-Governor
	Pete Sanderson	External (minutes 1 to 25)
	Janet Tyas	Staff
<b>In Attendance:</b>	Denise Cheng-Carter	Deputy-Principal (Finance & Resources)
	Jonathan Creed	ICCA (Internal Auditor - incoming) – minutes 1 to 35 and 41
	Lesley Venables	Clerk to the Corporation

The meeting was preceded by a training session delivered by ICCA on the role of the Audit Committee and the associated regulatory framework.

### APOLOGIES FOR ABSENCE

1 Apologies for absence were received from Gill Hobbs (Grant Thornton) and Mike Redfern (Grant Thornton).

### DECLARATIONS OF INTEREST

2 Declarations of interest was received from Jonathan Creed in respect of minutes 36 to 40 and from Janet Tyas in relation to any External Funding issues.

### APPOINTMENT OF CHAIR

3 **Resolved -** That Rachel Court be appointed as Chair until the first meeting of the 2018/2019 academic year.

### MINUTES OF PREVIOUS MEETING

4 **Resolved -** That the minutes of the meeting held on 22<sup>nd</sup> June 2017 be approved as a correct record and signed by the Chair

### MATTERS ARISING

5 Governors received an action list containing all items resulting from the previous meeting and noted that these had either been completed or were featured on the agenda.

6 The Clerk reported that a search was underway for candidates to join the Board (and the Committee) with qualifications in finance, risk management or audit (minute 161) and asked that governors use their networks to identify any suitably skilled individuals.

7 In response to the Committee's request for an item on the audit cycle of business and the College's risk management arrangements to be included on the agenda of the next governor development day (November 2017), the Clerk advised that the agenda for this event was currently being prepared and would incorporate these items.

8 The previous version of the draft Whistleblowing Policy had now been reviewed by the Clerk in conjunction with the Head of Human Resources to ensure that the content was consistent with other policies such as those on discipline and grievance.

9 **Resolved -** That the Board **be RECOMMENDED** to approve a revised Whistleblowing Policy

### **INTERNAL AUDIT ANNUAL REPORT FOR 2016/2017**

10 The Internal Auditor (ICCA) presented the Internal Audit Annual Report for 2016/2017 which had concluded that work undertaken provided the College with a "reasonable" level of assurance on its governance, risk management and internal control systems.

11 In response to questions, governors were advised that, if the College's systems had been graded as providing 'limited assurance', this would need to be reported as part of the annual opinion. The Committee or the Board would then need to take appropriate action to correct any weaknesses and ask the Internal Auditor to review the impact of these remedial measures.

12 A total of 16 recommendations had been made in 2016/2017. It was noted that 3 of the recommendations had been graded as 'high' priority, with 7 graded as 'medium' and 6 graded as 'low' priority. All of these had been accepted by management.

13 In all of the areas examined, the College's control procedures were judged to be suitably designed to achieve the objectives required by management and were operating effectively in the majority of these. The exception related to the work undertaken on the Student Journey from Enrolment to Qualifying Period, where the Internal Auditor had graded the design of the systems as 'weak' and had identified a number of areas for improvement, all of which had been implemented during the year.

14 The Internal Auditor had judged that a good level of progress had been made for the follow-up of work carried out in 2015/2016, with 14 out of 17 recommendations implemented, 2 partially implemented and 1 that had been superseded.

15 The Annual Report would contribute towards the Committee's Annual Report to the Board, a draft of which would be presented to the December meeting.

## **RISK MANAGEMENT**

### **Annual Risk Management Report 2015/2016**

16 Governors received for information the annual report for 2016/2017 on risk management, together with the Risk Management Policy and latest Risk Register.

17 The College's risk management processes focused on the 3 high priority risks that had been identified by management (reductions in public funding, achievement of the College's success rate targets and maintaining and increasing current levels of income) and had been mitigated internally to minimise their impact on the College's operations.

18 Governors noted that the judgements made in the report matched those in the Internal Audit Annual Report and that there was a 'reasonable' level of assurance that systems operated efficiently and effectively.

### **Risk Management Policy**

19 The Deputy Principal presented a revised policy on Risk Management. Governors noted that it was no longer mandatory to have a separate Internal Audit Service, but that the College had maintained this option.

20 It was agreed that, as a further development of the Policy, a 'risk appetite' would be added and that this may vary depending on the area under review, with more innovative projects having a higher risk appetite than mainstream College operations.

### **Risk Register**

21 Governors received for information the latest version of the College's Risk Register. The Deputy Principal reported that the Register now included respective scores for 'gross' and 'net' risks to enable the Committee to monitor the impact and effectiveness of any mitigating actions.

22 The scores of a number of risks had been updated to reflect the systems in place to address risks that were graded as high. It was noted that some risks would continue to be scored highly despite the levels of mitigation in place, due to the nature and uncertainty of the external environment.

23 The Committee enquired about compliance with ESF funding regulations and the accompanying internal controls. The Deputy Principal advised that this would be reported to the Committee by the Internal Audit Services as part of the annual plan.

24 Previously discussion had taken place on target-setting in relation to 16-18 year olds following an internal audit report on the Learner Journey. This fell within the remit of the Financial Performance & Efficiency Committee, which had received regular updates on the performance of this area. The Internal Auditor had reviewed the processes for converting applications to enrolments and it was the Audit Committee's responsibility to monitor progress against the implementation of the recommendations made by the Internal Auditor. Governors noted that some of the actions resulting from the report were within the scope of other committees of the Board.

- 25 **Resolved -** 1 That, subject to the addition of a ‘risk appetite’, the Board **be RECOMMENDED** to approve the Risk Management Policy for 2017/2018
- 2 That the Chair be given delegated authority to sign off the amendments to the Policy prior to its submission to the full Board

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

### **AUDIT RECOMMENDATIONS AND ACTIONS**

26 The Deputy Principal (Finance & Resources) presented a summary of audit recommendations made in 2016/2017.

27 A total of 9 recommendations had been made by the Internal Auditor, 4 of which were graded as ‘low’ priority, 3 as ‘medium’ priority and 2 as ‘high’ priority. Governors noted that 8 out of 9 recommendations had either been fully or partially implemented, with the remaining recommendation due for implemented in September 2017.

28 The Committee requested that an additional column should be added to capture information on timely completion dates (including the number of recommendations not completed by the due deadline and the amount of overrun). The data on partially implemented recommendations would be split into those where more work was necessary and those for which no further action was required.

29 **Resolved -** That the amendments detailed above be undertaken and included in the next iteration of the report

### **SCHEDULE OF BUSINESS 2017/2018**

30 The Clerk presented a draft Timetable of Business for 2017/2018, which would provide a useful checklist and ensure that all items of business were scheduled at the appropriate points in the year. This document would be included at the front of each pack of Committee papers in future.

31 It was agreed that a statement on the effective and efficient use of resources would be included in the Committee’s Annual Report to the Board.

32 A meeting with the Auditors without the presence of management would be included at the Committee’s November meeting.

33 **Resolved -** That, with the above amendment, the timetable of business for 2017/2018 be approved

### **AUDIT CODE OF PRACTICE**

34 The Deputy Principal presented the draft of the College’s response to the Self-Assessment Regularity Questionnaire that formed part of the Audit Code of Practice.

- 35 **Resolved -** That the Board **be RECOMMENDED** to approve the Self-Assessment Regularity Questionnaire

**Jonathan Creed left the meeting at this point.**

#### **PERFORMANCE INDICATORS FOR INTERNAL AUDIT SERVICE 2016/2017**

36 The Deputy Principal (Finance & Resources) presented an assessment of the Internal Auditor's (ICCA) performance against the agreed indicators for 2016/2017.

37 Governors noted that ICCA had reviewed its own performance and had concluded that the targets had been met.

#### **PERFORMANCE INDICATORS FOR INTERNAL AUDIT SERVICE 2017/2018**

38 The Committee received a list of suggested performance indicators to be set for 2017/2018.

39 The Committee requested that further quantitative information be provided for future reports, for example, as to whether the performance indicators had been achieved and any relevant dates. Clear expectations would be set for 2017/2018 and would provide the basis for future reports to the Audit Committee. A column for management comments would also be added.

- 40 **Resolved -** That a revised format for reporting against each performance indicator for 2017/2018 be incorporated.

**Jonathan Creed re-joined the meeting.**

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

41 The following items would be reported to the Board at its meeting on 19<sup>th</sup> October 2017:

- New Chair appointed – Rachel Court
- Internal Auditor's Annual Report was received, with a rating of 'reasonable assurance'
- Risk Management Annual Report for 2016/2017 and Risk Register received for information, revised Risk Management Policy for 2017/2018 recommended for approval by the Board
- Monitoring report on the implementation of audit recommendations
- Self-Assessment Regularity Questionnaire recommended for approval
- Performance indicators for Internal Auditor reviewed for 2016/2017 and amendments made for 2017/2018

#### **DATE OF NEXT MEETING**

23<sup>rd</sup> November 2017, 5.00 p.m.

