



## MINUTES OF AUDIT COMMITTEE MEETING HELD ON 22<sup>ND</sup> JUNE 2017

<b>Present:</b>	Fiona Armer	External Governor (Chair)
	Mark Donaldson	External Governor
	Jenny Grainger	External Governor
	Sarah Jones	Co-opted Non-Governor
	Pete Sanderson	External Governor
	Janet Tyas	Staff Governor
<b>In Attendance:</b>	Denise Cheng-Carter	Deputy Principal (Finance & Resources)
	Jonathan Creed	ICCA (Internal Auditor) – minutes 145 to 192
	Gill Hobbs	Grant Thornton (Financial Statements Auditor) – minutes 145 to 192
	Lesley Venables	Clerk to the Corporation

### APOLOGIES FOR ABSENCE

145 Apologies for absence were received from Mike Redfern (Grant Thornton).

### DECLARATIONS OF INTEREST

146 A declaration of interest was received from Janet Tyas in relation to any External Funding Unit issues.

### MINUTES OF PREVIOUS MEETING

147 **Resolved -** That the minutes of the meeting held on 16<sup>th</sup> March 2017 be approved as a correct record and signed by the Chair

### MATTERS ARISING

148 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.

149 Under minute 119, the Clerk advised that the Learner Committee had received for information the internal audit report on the Learner Journey and that this had led to a discussion on the responsibilities of each of the Board's committees. A revised schedule of items had been prepared by the Clerk and, following recommendation by the Search & Governance Committee, this would be submitted for approval to the July Board meeting.

150 The Deputy Principal reported that the training session on the role of the Committee would now take place in September 2017, to take account of changes in the membership.

151 In relation to minute 143, governors were informed that the reappointment of the Internal Auditor for 2017/2018 had been approved at the April Board meeting, which was earlier than the anticipated timescale reported in the minutes of the last Audit Committee.

## **INTERNAL AUDIT REPORTS**

152 The Internal Auditor presented reports on the work carried out on four areas of the College: Student Destinations/Progression, Corporate Governance, Curriculum Planning and a Follow-up of Previous Recommendations.

### **Student Destinations & Progression**

153 The Committee noted that this key area for the overall performance of the College had been graded as providing a 'reasonable assurance' level. Two recommendations had been made, one of which was assessed as 'medium' priority and one as 'low' priority'. The former related to ensuring that actual destinations were reported for all categories of learner. The latter recommendation was for information on intended destinations to be collected.

154 Governors asked whether the number of instances of non-compliance within the data sample was too high (4 out of 20 learners). The Deputy Principal responded that not all areas of the College were currently using the ProMonitor system for this purpose, as the focus had been on tracking 16-18 year olds. For 2017/2018 each curriculum departments would be recording the relevant information for all learners on ProMonitor.

### **Curriculum Planning**

155 The Committee was informed that the Internal Auditor had graded this area as providing 'reasonable assurance'. One high priority recommendation had been made which highlighted the need for the College to review its target-setting processes, as there had been an under-recruitment of learners aged 16-18 for the last 3 years.

156 Although this would not have any financial impact in 2016/2017, due to the Education Skills Funding Agency's lagged funding model, there would be a reduction in the College's core income in 2017/2018. The Committee asked whether the College's forecasting process was sufficiently accurate and was advised that in previous years, a focused approach had not been used to target groups of learners, but that this had now been corrected.

157 Governors noted the management response to the points raised by the audit, particularly that the focus should be on adding robustness to the curriculum plan which should deliver the requisite learner numbers. A detailed report on the actions taken to improve 16-18 recruitment would be provided to the Financial Performance & Efficiency Committee.

158 The Deputy Principal reported that the College operated in a highly competitive market and against a national reduction in the number of 16-18 year olds until 2020/2021. The Unlocking Potential capital project may have adversely impacted on recruitment in 2016/2017, which should be reversed now that the facilities were operational and improved the quality of the learner experience.

## **Corporate Governance**

159 The Internal Auditor had concluded that the internal controls in Corporate Governance were well-designed and effective in the majority of cases, leading to a grading of 'substantial assurance'. A total of 4 recommendations had been made, 3 of which were 'low priority' and one of which was 'medium priority'.

160 Levels of governor attendance at Board and committee meetings was highlighted as an area for improvement. This was a key issue for the FE sector and had been covered in the latest letter from the FE Commissioner. It was acknowledged that some governors whose attendance had not met the target of 80% had now left the Board and that this issue would continue to be a high priority.

161 The Internal Auditor had also suggested recruiting an additional qualified accountant to increase the strength of financial monitoring across both the Financial Performance & Efficiency and the Audit Committees. This had been discussed at the recent Search & Governance Committee meeting and work was underway to seek an individual with these skills.

162 A recommendation had been made on raising the amount of training and development for governors. The Clerk advised that a training plan had been prepared and would be presented for approval to the Board's July meeting.

163 An additional meeting of the Financial Performance & Efficiency Committee had been built into the schedule for 2017/2018, which would enable performance to be monitored between June and November.

164 Governors noted that a number of governance-related policies had expired. These had now been reviewed by the Clerk and amended versions would be submitted for approval at the Board's July meeting.

## **Follow-Up of Recommendations from 2015/2016**

165 The Internal Auditor presented a report on progress against the recommendations made by KPMG during 2015/2016. Of the total of 17 recommendations, 14 had already been implemented by management, 2 had been partially completed and the remaining point was felt to be no longer relevant. Due to recent staffing changes, the recommendations relating to Student Data would be reviewed during next academic year.

## **FINANCIAL STATEMENTS AUDIT PLAN FOR YEAR ENDED 31<sup>ST</sup> JULY 2017**

166 The Financial Statements Auditor presented the draft plan for the annual audit of the Financial Statements. An analysis of the main risks faced by the College had been undertaken and these would form the basis of the audit work. Two compulsory elements were included in the risk profile, namely the College's revenue outturn and any potential override of internal controls by management.

167 The audit would also provide an opinion as to whether the College was felt to be a 'going concern'. This was a significant issue for many colleges within the sector and the Committee was advised that it was commonplace for them to under-perform against their funding targets.

168 The Financial Statements Auditor reported that work would commence over the summer period, with a final visit undertaken in October. The draft Statements would then be presented to both the Audit and Financial Performance & Efficiency Committees during November and December 2017, prior to their submission to the Board for approval.

169 Governors were advised that the level of fees would be £18,850.

170 The Committee members present confirmed that they were not aware of any fraud or irregularity relating to the College.

171 **Resolved -** That the Board **be RECOMMENDED** to approve the draft plan for the Financial Statements Audit for the year ending 31<sup>st</sup> July 2017

### **INTERNAL AUDIT ANNUAL PLAN FOR 2017/2018**

172 The Internal Auditor presented a draft plan of work to be undertaken in 2017/2018. This had been prepared in consultation with management and had been based on an organisational assessment, the risk register and the firm's knowledge of the College and the FE sector.

173 Areas to be covered in 2017/2018 included:

- sub-contracting partnerships (both in terms of funding body compliance requirements and quality assurance arrangements)
- learner records and funding (a mock audit to prepare for an audit by the ESFA)
- human resources and the performance management framework
- apprenticeships
- capital strategy
- key financial controls (following the implementation of a new finance system)
- follow-up of recommendations made in 2016/2017

174 Governors questioned why a number of risks were not included in the plan, such as Risk 6 on HR Performance Management. The Internal Auditor was asked to cross-reference the plan to reflect the risks on the risk register.

175 It was noted that the Plan could be amended during the year, if required.

176 **Resolved -** That the Board **be RECOMMENDED** to approve the Internal Audit Annual Plan for 2017/2018, subject to the amendments discussed above being made

### **RISK MANAGEMENT – UPDATED RISK REGISTER**

177 The Deputy Principal presented for information the revised risk register. This had been updated in accordance with the issues identified in the strategic reports to the Board.

178 The Committee noted the changes to the scores of 3 risks. The score of the risk on the Skills Contract had been increased, due to uncertainty around receipt of income and delays to the start of the contract. Two further risks (success rates and the year-end outturn) had seen their scores reduced, due to increased monitoring and projections that the year-end target would be achieved, respectively.

179 Governors asked for Risk 6 to be amended to reflect the fact that this should be slanted towards practices such as flexible working, rather than conditions of employment. The Deputy Principal responded that the College had established a Well-being Group, with a series of activities throughout the academic year, and that these would be included in the risk register.

180 Staff turnover was relatively low and the recruitment of staff in key areas of shortage such as English and maths had been successful.

181 The Committee queried whether the actions taken to reduce the likelihood of a cyber-attack should be documented in the risk register. The Deputy Principal felt that such threats would be high profile for the foreseeable future. The IT Department's risk register included detailed actions taken to mitigate this risk and this should be referred to in the management response column of the risk register, to provide assurance to the Committee that appropriate measures were being taken to safeguard the College's key systems.

## **AUDIT RECOMMENDATIONS AND ACTIONS**

182 The Deputy Principal presented a report on progress against each of the recommendations identified by audit work in 2016/2017.

183 A total of 15 recommendations had been made, 4 of which were graded as 'high' priority, 8 as 'medium' priority and 4 as 'low' priority. Governors noted that satisfactory progress had been made against the majority of recommendations.

184 The Committee queried whether the enquiry report was used pro-actively to provide information on which to base recruitment and marketing activities. The Deputy Principal responded that this was the case, particularly in dealing with the 16-18 recruitment shortfall. Every effort was being made to follow up on success and improve levels of internal progression.

185 Comments were made that it was unlikely for the qualification checks on entry to have been completed, as the information had only recently been transferred to Data Services. Governors were advised that this was addressed by the 16-18 Recruitment Group and that an update of the actions taken by Data Services would be added to future iterations of the report.

## **COMMITTEE SELF-EVALUATION FOR 2016/2017**

186 The Clerk presented a draft of the Committee's self-evaluation for 2016/2017.

187 Governors noted that, at 71%, the current level of attendance was under the identified target of 80%. The Clerk reported that this was due to the majority of governors being absent for one meeting during the year and the long-term absence of one member. Attendance would continue to be closely monitored in 2017/2018 and any remedial actions taken.

189 A discussion took place on the timetable for the production of meeting papers. It was agreed that the Clerk and the Deputy Principal would review whether it was possible to circulate papers earlier than 7 days in advance of meetings.

190 Governors felt that there was an adequate degree of challenge and support of management, but there was a need to raise this further. The Committee asked that evidence of challenge to both the Auditors and to management should be reflected in the evaluation document.

191 As discussed earlier, the Internal Auditor would deliver a training session on the role of the Audit Committee prior to the next meeting. A session would be arranged as part of the next governor development day that covered the audit cycle, the relationship between audit and the College's processes and an understanding of the risk register.

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

**Jonathan Creed and Gill Hobbs left the meeting at this point.**

#### **WHISTLEBLOWING POLICY**

193 The Clerk presented a revised Whistleblowing Policy, which took account of changes to the legislative environment in this area.

194 **Resolved -** That the Board **be RECOMMENDED** to approve a revised policy on Whistleblowing, subject to the resolution of a number of queries with the Head of Human Resources

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

195 The following items would be reported to the Board's July meeting:

- Financial Statements Audit Plan for 2016/2017 and Internal Audit Strategy for 2017/2018 were recommended for approval
- 4 internal audit reports were received and discussed in detail
- Reports for information on risk management, follow-up of audit recommendations
- Revised whistleblowing policy recommended for approval

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

21<sup>st</sup> September 2017, 5.00 p.m.

## **MEMBERSHIP CHANGES**

Governors were advised that this would be Fiona Armer's last meeting as a member of the Audit Committee and that she would be transferring to the Financial Performance & Efficiency Committee from 2017/2018.

Fiona was thanked by members for her contribution and for chairing the Committee for the past 12 months.