

Minutes of the Meeting of the Audit Committee

Held 5 March 2018

Present:

Julian Young (Chair)	Governor
Andrew Furse	Governor
Paul May	Governor

In Attendance:

Heather Cross	Clerk to the Corporation
Richard Bott	Mazars
Adam George	RSM
Laurel Penrose	Principal
Rachel Hepworth	Director of Finance and Corporate Services

Action

1 Apologies for Absence and welcome to new member

The Chair welcomed Paul May to the meeting as a new governor.

2 Declarations of Interest

The Chair reminded members to declare interests as and when necessary on the agenda. Cllr May declared his interests concerning SEN provision.

4 Confidentiality of Items

There were no confidential items [but the reports under 6, 7 and 10 were confidential].

5 Minutes of the Audit Committee held 18 December 2017 and any matters arising

The minutes for the previous meeting had been circulated and were agreed as a true record, subject to an amendment concerning the reference made to 'going concern' by the financial statements auditor. It was agreed that the last sentence of the first paragraph of minute 9, financial statements audit report, be amended to read, "He was able to concur with the management's and Board's view that the college was a going concern."

6 Risk Register

The latest risk register had been circulated. The Committee discussed the red risks and the actions being taken as far as possible to mitigate them. The red risks were - the adult education budget shortfall; revaluation of pension scheme and Ofsted inspection. It was proposed that the Ofsted item now be removed following the recent Ofsted visit and the successful inspection result. Cyber security and GDPR had been added to the register as discussed at the previous meeting.

It was noted that the adult education budget and financial position risks were shown as 'misses' by year end, although the college was doing everything it could to improve the position with both of these inter-related risks. The meeting discussed the actions being taken. Actions included promoting custom-based courses being offered. Committee members asked about the financial position of the college. It was noted that there were no safeguards as from 2019 and the first step would be the intervention of the FE Commissioner. The College was not close to that position but review was ongoing with the ESFA. The College's recovery plan would address matters but it was not straightforward to achieve. The key aspect was meeting bank covenants which would be tested at year end, by which time the college expected to meet them. It was positive that governors had a clear understanding of the college's financial position.

Apprenticeship funding had been rated red because of the operation of the levy. In the region, apprenticeships were 39% in deficit. The college's numbers were slightly higher than last year and this endorsed the prudent strategy which had been taken of only including in the budget the college's allocation, with nothing assumed for the levy income. The college was bidding for all suitable opportunities for work.

The new risks added into the risk register were shown in grey - Cyber security and student mental health. The latter could impact on the college's achievement and could be volatile.

Overall the committee continued to agree that the risk register represented the major risks for the college.

7 Internal Audit Reports

a. Follow Up report

A report from RSM concerning follow up of audit recommendations had been circulated previously.

Adam George commented that it had been agreed the internal auditors would provide a number of reports through the year to show that actions recommended were being taken. He could report that to date 64% of recommendations had been fully implemented and reasonable assurance could be given.

The Principal commented that she was pleased with the system now being used in the college to follow up on audit actions. The Auditor commented that this was a helpful system, however to be cautious with some recommendations having been split down as this might lead to duplication of the recording of some items.

It was agreed that the comment concerning purchase orders and goods received should be stronger than as quoted and should be adjusted. The Director of Finance and Corporate Services commented that some exception reports were to be run in order to see how all areas were working.

The report was **received**.

Management Information

The RSM report had been circulated previously.

It was noted that the review had been completed in two visits, with the finance dashboard reviewed latterly, having been drafted. Substantial assurance on management information was offered. However it was commented that the dashboards are produced strongly manually at present and others should be trained up to complete them. All recommendations, all of which were low, had been accepted.

In answer to a question about whether the college had a post with specific responsibility for information governance, it was commented that this title wasn't used but many of the strands for such a post were covered by other colleagues. Careful monitoring of information requirements was suggested.

The report was **received**.

Progress report

The RSM report had been circulated previously and was noted and **received**.

Revised Internal Audit Plan 2017/18

The revised plan proposed had been circulated and was discussed. In discussion it was agreed that the assurance stock-take should be pulled in. The Internal Auditor commented that previously his firm had conducted a separate audit relating to subcontracting. This had been a requirement of all colleges in the past two years if they subcontracted over £100K per annum whereby a report on the controls in place was required to be issued. The Agency had as yet to issue the requirements for this year. It was **agreed** that a double-check be made of the basis for this audit as to whether it was intended to be included in the overall total of days for the current year. Subject to this check being carried out, the revised plan was **agreed**. [Clerk's note - Subsequent to the meeting the allocation of days and the work to be undertaken was reviewed further by the Chair and it was decided that the GDPR audit suggested for the current year be postponed until 2018/19 as it would be more helpfully conducted subsequently in order to check compliance and that the subcontracting audit be included in the agreed current year total of 42 days.]

The Chair requested that for the next year there should be some consideration given to the analysis in appendix B and that some audit work not undertaken for a while, such as value for money, be conducted.

9. Update from External Audit

There were no matters to report from external audit. The college was encouraged to maintain good control of its debtors and monitoring performance against bank covenant.

10. Outstanding Audit Actions – Action Tracker

An outstanding audit actions action tracker had been devised and was attached. The Director of Finance and Corporate Services said that it would be updated monthly. The Committee would be sent an interim report at the end of April so that actions taken could be seen in good time before the next meeting. Items would be removed from the document once completed. Timelines had been adjusted as appropriate. There were 50 actions currently being progressed.

The Committee heartily welcomed this detailed document which represented an excellent piece of work. Page numbers were

requested for future versions. Two high level actions were discussed and noted to be in progress.

The Internal Auditor commented that in good time prior to meetings he would provide a list of the items he considered to be closed. The Chair requested that this next be completed within the next fortnight.

It was suggested that RAG rating of the actions would be helpful and also to place those deemed to be high importance at the start of the document.

Following a conversation about the extent of review carried out annually by the internal auditor, it was noted that assurance was not given on all items annually. The 3 year plan should pick up those items to be included on a risk and value for money basis. It was suggested that the internal audit report might be conducted on more of a deep dive basis as appropriate and that some of the assurance might be provided by external audit. The Chair requested that the Clerk listed with the minutes those policies which were for Board level approval and therefore should be considered to be suitably covered in some way. *(These policies are – health and safety, data protection and in future the General Data Protection Regulations compliance, admissions policies – as they relate to the educational character of the college -, equality and diversity and Safeguarding and Prevent, anti-fraud and bribery. Although not policies the Board is also responsible for the financial solvency and the safeguarding of assets of the college and the appointment and performance management of senior post holders)*

11. Any Other Business

None.

12. Date of Next Meeting

This was noted as having been agreed for 25 June 2018.