



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
WEDNESDAY 27 SEPTEMBER 2017 AT 10.00 AM IN
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Jonathan McCluskey

In attendance: Jon Fearon (*CFO*)
Heather Simcox (*Deputy CEO*)
Richard Eaton (*MIS Director*)
Jonathan Creed (*ICCA – Internal Auditors*)
Kyla Bellingall (*BDO – External Auditors*)
Rose Matthews (*Clerk*)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO

		Action	Date
01/17-18	Apologies for absence		
	Apologies for absence were received from Simon Smith and Peter Lewis.		
	Richard Brewell submitted apologies for the rest of the year and indicated the times were unsuitable for him. This would be referred back to Search and Governance Committee.	Clerk	05/10/17
	The Chair also discussed timings of the meetings with the rest of the Committee and the Internal and External Auditors. All confirmed the current meeting schedule was convenient and it was agreed not to change the meeting times during this academic year.		
02/17-18	Declaration of Interests and Eligibility and Quorum		
	No new declarations had been received, all members were eligible and the meeting was confirmed to be quorate.		
03/17-18	Minutes of the last meeting		
	The minutes of the meeting held on 27 June 2017 were approved and signed as a true record.		
04/17-18	Matters arising		
39/15-16	A report had not been received from the Match Funding visit in 2015-16, an ESF Match Funding Audit had since taken place this week. RE said he awaited a detailed list of issues, which related mainly to housekeeping issues. A further update would be provided at the next meeting.	RE	15/11/17
38/16-17	The External Auditors confirmed they had amended the comments regarding sub-contracting.		
	The External Auditors noted the questioning regarding deferred capital grants and Rosslyn Green's consideration this would be a significant estimate and accruals for income appearing twice. The		

External Auditors responded this was purely one of many audit procedures they were performing over a significant area - revenue. This would be picked up as part of main audit procedures and would be dealt with.

The External Auditors explained they continued to obtain more detailed information from the Finance team on VAT and Lennartz as they approached the onsite visit.

The Clerk had circulated the meeting schedule for 2017-18 to the External Auditors.

39/16-17 The Cash Handling procedure would address the points raised.

40/16-17 The Draft Annual Audit Report would be circulated at November's meeting as all 2016-17 audit reports had only been finalised prior to this meeting. Jonathan Creed, of ICCA, indicated there was nothing to report other than a clean opinion.

41/16-17 Heather Simcox and Michael Ford had met with Mark Ashton-Blanksby, of ICCA, to discuss the 2017-18 Assurance Plan, which would be presented later in the meeting.

42/16-17 This would be addressed through the revised Cash Handling Procedure.

43/16-17 The CFO had made the changes relating to titles and training had been carried out on Modern Slavery which would then inform changes to the Procurement Regulations and Tendering Procedure.

05/17-18 Internal Audit Report 2016-17 – Apprenticeship Strategy Part 2

Jonathan Creed of Internal Auditors, ICCA, presented the Apprenticeships Reforms and Growth Strategy (Part 2).

The scope of the Audit was to provide management and the Audit Committee with an independent assurance that the College had developed appropriate strategies, plans, systems, controls and processes in order to effectively respond to the Apprenticeship Reforms, mitigated the risks associated with the reforms, and maximised the opportunities that are available to the College.

Jonathan covered the control objectives and provided a substantial assurance conclusion. No recommendations were made, it was noted the Apprenticeship reform was very new. As the reforms take effect, the robustness of the College's mechanisms will be evident.

06/17-18 Internal Audit Report 2016-17 – Corporate Governance

Jonathan Creed presented the Corporate Governance Internal Audit Report.

The scope of the Audit was to review the suitability and effectiveness of the existing model of governance and membership composition in ensuring effective decision making is undertaken by the Board in pursuit of achieving the College's strategic direction.

The overall assurance conclusion was substantial with one medium and one low recommendation.

The low recommendation related to succession planning for three Members of the Board whose terms of office were due to expire in 2018. The report recommended a paper, detailing succession plans was presented to the Board. The Corporation's response was that this was documented through Search and Governance and Corporation meeting minutes already.

The second recommendation related to Safeguarding training which had been planned for May but postponed until the recruitment of new Members early in the new academic year.

07/17-18 Internal Audit Report 2016-17 – Follow-up

The scope of the Follow-up Report was to provide an independent assurance opinion that progress with implementing previously agreed recommendations was satisfactory in the context of ensuring there was no significant risk to the College.

The report provided substantial assurance that progress with implementing previously agreed internal audit recommendations was timely and effective. The Internal Auditors found 100% (10 out of 10) of the previously agreed recommendations had been fully implemented.

08/17-18 Internal Audit Report – Learner Records and Funding 19+ (including 16-18 Apprenticeships)

The Audit Objective was to provide independent assurance that the control framework in operation in respect of the ESFA funding supported compliance with the relevant agencies requirements as defined within the ESFA funding regulations for 2016-17 for 19+ provision, including 16-18 Apprenticeships.

The overall assurance opinion was limited with three recommendations identified, they related to;

- the source data for the ESOL students;
- learning support funding;
- Apprenticeship attendance.

The Chair questioned the findings relating to the source data for ESOL students and asked if it was down to a lack of knowledge or poor administration. It was noted that the same controls for 16-18 students needed to be put in place and immediate action had been taken to address.

A detailed action plan had been implemented for all areas with clear deadlines set.

The Chair expressed disappointment with the outcome but the assurance given provided confidence for moving forward.

This would form part of the follow-up report.

09/17-18 Learner Records & Funding - 16-19 Study Programmes

The Audit Objective was to provide independent assurance that the control framework in operation in respect of the ESFA funding supports compliance with the relevant agencies requirements.

A reasonable assurance opinion was provided with two recommendations made relating to planned hours and study programme work experience.

An action plan had been identified for both points with an implementation date of December 2017 for both.

The Chair said these were a good set of reports identifying where the College's risks lay and what needed to be done about them.

10/17-18 Assurance Plan 2016-17

The Deputy CEO presented the Assurance Plan update for 2016-17.

A review of Corporate Governance had been added to the assurance plan following a recommendation from the Internal Auditors.

11/17-18 2017-18 Internal Audit Plan and Strategy

Jonathan Creed, of Internal Auditors, ICCA presented the 2017-18 Audit Plan and Strategy.

The Plan was based on the Annual Organisational Assessment which highlighted the key risks and challenges facing the College.

Jonathan explained an external assurance of sub-contracting was required and the internal auditors have to provide a signed certificate to the ESFA.

The Chair asked what the level of sub-contracting provision was and it was noted this was significantly lower than previously and the risk low in terms of exposure. He went on to ask if Financial Planning and Budgetary Control would include cash flow management and was assured it would.

In respect of compliance with GDPR the Chair asked if the College exchanged data with other organisations and was informed it did. This featured on the risk register, this area currently sat with the IT Director, but recruitment was pending for an independent post.

The 2017-18 Internal Audit Plan and Strategy were recommended for approval by Corporation on 30 October 2017.

Chair 30/10/17

12/17-18 External Audit – 2016-17 Progress Report

Kyla Bellingall, of External Auditors, BDO presented the External Audit Planning Report.

The External Audit team had been on site and completed the planning work, documentation of the system and walk through, along with selecting some samples ready for the final audit.

The External Audit was due to commence on 9 October, with any findings presented at the next meeting on 15 November 2017.

The Chair asked about new members within the Derby College team and the CFO explained an existing member had been seconded into the Financial Accountant role, which appeared to be working well.

Kyla said further information would be required on pensions and Lennartz.

The Chair noted some dates were missing from the report on page 22 and the Clerk would resend these to the Auditors.

Rosslyn Green asked if the engagement letter with BDO had now been signed. It had, but had been delayed due to receipt of the professional release from KPMG.

Clerk 28/09/17

13/17-18 Review of Internal and External Audit Recommendations

The Deputy CEO presented the Internal and External Recommendations Monitoring Report.

53 of the 62 actions had been completed, although it was noted the report needed further updating with regard to some of the December actions.

Rosslyn Green questioned point 53, relating to the English and Maths Strategy conditions of funding. Richard Eaton explained students below a grade D must take functional skills as a condition of funding – if that student did not have good attendance on English and maths then they will not meet the condition of funding and half of the funding for that student would be removed. To meet the conditions of funding, the student had to attend 42 days.

14/17-18 Risk Management Report
• Risk Register

The Risk Management Report was shared with Committee Members and 'high' priority risks identified as detailed in the report.

There was no new litigation or health and safety cases to report.

The annual Safeguarding Report would be presented at Corporation on 30 October. An increase in disclosures had been reported for 2016-17, with mental health featuring prominently.

Rosslyn Green queried the preventative controls for 47 and 22. The Deputy CEO said this did not reflect the latest response and would revisit.

HLS 15/11/17

15/17-18 CFO Report

The CFO shared his report with Committee Members, which included a public disclosure from a former member of staff, details of which were contained within the report. All issues raised had been addressed.

Treasury and Cash Flow Management Policy

The Treasury and Cash Flow Management Policy received minor changes in 2016. The policy had been reviewed with no further changes recommended this year. The CFO requested the Policy be changed to a three-year cycle of review.

The Clerk pointed out that following discussions with Eversheds they recommended an annual review of all policies.

The Committee therefore, agreed to maintain an annual review of policies.

	<p><i>The Committee recommended the Treasury and Cash Flow Management Policy for Corporation approval on 30 October 2017.</i></p> <p><u>Prevention, Detection and Reporting of Fraud</u> The Prevention, Detection and Reporting of Fraud Policy had been reviewed with no changes made.</p>	Clerk	30/10/17
	<p><i>The Committee recommended the Prevention, Detection and Reporting of Fraud Policy for Corporation approval on 30 October 2017.</i></p> <p><u>Travel and Subsistence Policy</u> The Travel and Subsistence Policy was presented with no amendments for 2017-18.</p>	Clerk	30/10/17
	<p><i>The Committee recommended the Travel and Subsistence Policy for Corporation approval on 30 October 2017.</i></p> <p><u>Cash Handling Policy</u> The Cash Handling Policy is still under review with a number of changes proposed and will be presented at the next meeting for approval.</p>	Clerk	30/10/17
		CFO	15/11/17
16/17-18	<p>Pensions Summary</p> <p>The Derbyshire County Council Pensions Discretions Statement was presented as an aide memoire for the Committee and no further changes had been made.</p> <p>The CFO presented the actuarial valuation for Derbyshire County Council's pension fund and the FRS102 results schedule as of 31 July 2017.</p> <p>There had been positive significant movement in the value of the College's assets and some element in the discounting rates, resulting in a substantial reduction in this year against all the previous years.</p> <p>There was a substantial improvement in the review of the College's liability and stock asset position.</p> <p>The Derbyshire pension funding had high exposure to shares which had come through positively.</p>		
17/17-18	<p>Public Interest Disclosure Policy and Procedure (Whistleblowing)</p> <p>The HR Director had carried out an annual review of the Public Interest and Disclosure Policy. Legal advice has been sought and the main change related to the reduction of people who would receive a disclosure.</p> <p><i>The Committee recommended the Public Interest Disclosure Policy and Procedure (Whistleblowing) for Corporation approval on 30 October 2017.</i></p>	Clerk	30/10/17
18/17-18	<p>Audit Committee Self-Assessment for 2016-17</p> <p>The Clerk shared the Audit Committee Self-Assessment Report and highlighted the relevant points.</p>		

The induction process had been revised and the Clerk would be presenting a training programme to the Search and Governance Committee on 5 October 2017.

19/17-18 Terms of Reference Review for 2017-18

The Clerk shared the revised Terms of Reference, which had been reviewed in line with Post-16 Audit Code of Practice.

This consisted of minor changes in the main, with an addition that Committee members should have a mix of skills and experience and collectively should have experience in risk management, finance, assurance and control.

The Committee recommended the Terms of Reference for approval at the Corporation meeting on 30 October 2017.

Clerk 30/10/17

The Internal and External Auditors left the meeting.

Signed: _____ Date: _____