



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

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

In attendance: Jon Fearon (*CFO*)
Heather Simcox (*Deputy CEO*)
Michael Ford (*Director of Business Improvement*)
Mark Ashton Blanksby (*ICCA – Internal Auditors*)
Sam Lifford (*BDO – External Auditors*)
Rose Matthews (*Clerk*)

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

	Action	Date
34/16-17 Apologies for absence Apologies for absence were received from Simon Smith.		
35/16-17 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.		
36/16-17 Minutes of the last meeting The minutes of the meeting held on 21 March 2017 were approved and signed as a true record.		
37/16-17 Matters arising		
39/15-16 The report following the Match Funding Audit had not yet been received.	HLS	27/09/17
22/16-17 The Business Improvement Director confirmed Pro-Monitor was one of the recommendations of the English and Maths Audit built into the management response. It was noted the new Head of English and Maths had recently joined and would be addressing the recommendations.		
23/16-17 The CFO had received the revisions to the presentation of the accounts.		
24/16-17 The revisions had been made to the monitoring report.		
26/16-17 The Financial Regulations were approved and adopted by Corporation at its meeting on 22 May 2017.		

38/16-17 External Assurance

- **External Audit Plan and Strategy for 2016-17 Financial Statements**

The Chair welcomed Sam Lifford, of External Auditors BDO to her first meeting.

Sam presented the Planning Report for the year ending 31 July 2017.

At the planning stage, the following areas were given an initial audit assessment of significant risk:

- Revenue recognition
- Management override
- Defined Benefit Pension liability
- Going concern
- Lennartz VAT liability

The Committee Chair made reference to page 6 under Sub-contractor income and pointed out the College's strategy was to reduce the use of sub-contractors, not increase it. Sam would revisit this.

SL 27/09/17

Rosslyn Green questioned the release of deferred capital grants as a significant estimate, and pointed out it was only £9K released in the current year and therefore this would not be considered a significant estimate as all capital grants were written off last year. Sam noted, but said she wasn't sure that any of that was sitting in deferred income. Rosslyn also queried accruals for income appeared twice.

SL 27/09/17

The Chair discussed the VAT liability and noted the report indicated circa £3.5m, he said he thought it was less. Sam said this needed to be reviewed to see if some of that should come out of last year's balance sheet.

The Chair asked if that would affect the cash flow. The CFO it would not impact cash flow, it was the longer term liabilities that were understated.

Rosslyn Green asked if provision was being built up and how it looked moving forward. The CFO said approximately £1.7m was due. BDO were arranging for a VAT specialist to review this.

SL 27/09/17

Sam referred to page 13 and said there were no management letters to follow up on and documentation relating to system and controls had not found any underlying concerns.

The Business Improvement Director made reference to the point that ITrent had a single sign-on access and this could be accessed via in the intranet link with no password. He asked if this was a recommendation. Sam said it could be tightened up on.

Rosslyn asked what the percentage of the revenue figure was for materiality performance as the report only contained overall materiality, Sam advised it was 65%. She asked if anything had been set in terms of specific areas and suggested they considered looking at cash 100%.

The Clerk to send the meeting schedule for 2017-18 in order to complete the timetable.

The Board approved the plan subject to the revision referred to above.

Clerk 27/09/17

**39/16-17 Internal Assurance
2016-17 Assurance Plan Progress, including new reports;**

The Business Improvement Director provided an assurance plan update.

1. Internal Audit Reports:

Mark Ashton-Blanksby, of Internal Auditors, ICCA, gave verbal updates following recent internal audit visits.

The Audit of Corporate Governance had an overall rating of green, with three recommendations, which included training for Board Members on Safeguarding, Prevent and Equality and Diversity.

Part 1 of the English and Maths Strategy Audit had been completed with Part 2 deferred. The Director of English and Maths was new in post and had asked for more time to embed the recommendations.

The Mock Funding Audit had been deferred to July at which point the new MIS Director would be established in post.

The above reports will come to the September meeting and Mark gave assurance there were no concerns.

He advised the College would hear from the ESFA shortly as to whether it had been selected for a Funding Audit in September.

Jonathan McCluskey asked if there were any issues with MIS. Mark said the mock audit on 22 July would identify any issues.

Rosslyn asked how the College would know if it was a high risk following the Funding Audit. Mark said the ILR returns would be monitored and the College informed.

**2. Apprenticeship Reforms and Growth Strategy
(Part 1)**

A verbal update was provided at the last meeting on the Apprenticeship Reforms and Growth Strategy Audit. This took into account the College's strategy and growth plans with the Levy from May 2017.

Part 1 focussed on the strategy, future plans, financial forecasting and planning and also looked at training. To understand the impact of the reforms the Auditors looked from an operational perspective. The Auditors focussed on the organisational structure and the investment made by the College in preparation for the Levy, the training and organisational awareness.

One recommendation was identified – which related to the operational objectives targets and KPIs which were still in development. The targets would be in place for Part 2 of the Audit.

There were no subsequent recommendations expected from this piece of work. The Auditors advised the College has been very responsive to the commercial opportunities and this had been reflected in the findings from Part 1. The structure and governance arrangements were good.

Jack Atwal asked where the Auditors got their benchmarking from, given it was a new policy. Mark said they were looking from a control perspective, they were not benchmarking. The Funding Agency issued a self-assessment questionnaire and their assessment was based on that. The Business Improvement Director said the questionnaire was turned into a project plan with allocated tasks and assurance was provided for each task.

Jack said he had viewed an AOC webcast recently which was extremely beneficial and highlighted a number of questions governors should be asking.

3. Fundamental Financial Accounting Controls

The Fundamental Financial Accounting Controls Audit related to general ledger, looking at the reconciliation process, purchaser and creditor payments, other income and debtors. A breakdown of the key controls was listed on pages 1 and 2.

The Audit provided substantial assurance that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses.

Four recommendations were identified:

- a. General Ledger – The College’s Financial Regulations had not been updated since 2015. In addition, the procedures underpinning the regulations were dated 2013. The Financial Regulations had since been updated. It was suggested the procedures have a refresh to reflect the Apprenticeship Reforms.
- b. Cash and Banking – Petty Cash transactions should be supported by receipts/signatures, the reconciliation form should be fully completed and staff expenses should be reimbursed through payroll. Some errors were identified

	<p>as detailed in the report. The CFO said the points raised in the report were being addressed.</p> <p>c. Purchasing and Creditor Payments – The budget holder should obtain and retain at least three written quotes for purchases from £5k to £150k in line with Financial Regulations. The Chair asked if this had been fed back to the Procurement Manager. The CFO said it had.</p> <p>d. Purchasing and Creditor Payments – Credit card transactions should be supported by receipts.</p>	CFO	27/09/17
40/16-17	<p>Draft Annual Audit Report</p> <p>The draft Annual Audit Report could not be finalised as not all Audits had taken place. An update would be provided at the September meeting.</p>	MAB	27/09/17
41/16-17	<p>2017-18 Assurance Plan</p> <p>It was agreed the Business Improvement Director would liaise with the Internal Auditors to produce an agreeable plan. The Deputy CEO suggested looking at legislative items such as readiness for GDPR and Health and Safety. Suggestions also included the effectiveness of Pro-monitor and financial robustness of Management Accounts.</p>	MF	27/09/17
	<p>Monitoring Activity</p>		
42/16-17	<p>1. Review of Internal and External Audit Recommendations</p> <p>The Director of Business Improvement shared the Internal and External Recommendations Monitoring report.</p> <p>47 of the 58 actions had been completed.</p> <p>A recommendation from the Internal Auditors, ICCA was that risk appetite be added to each statement. The Risk Appetite statement process would be reviewed at the next Audit Committee.</p> <p>Jack Atwal asked if there was anything Members needed to be aware of in terms of completion dates, otherwise they would not know until the next meeting in September. The Business Improvement Director said there was nothing to cause any concerns on the report.</p> <p>2. Risk Management and Risk Register Review</p> <p>The Director of Business Improvement gave a summary of the high priority risks identified on the Corporate Risk Register and a summary of current litigation being taken against the College.</p> <p>Since producing the report another Litigation case had been identified involving a fall in the block paved area of Plumbing and Gas, the case has been referred to the College insurance company Zurich. Liability had been admitted as the area was covered in moss at the Roundhouse.</p>		

The Risk Register had been revised to add the source of assurance for the risk, which provided assurance of where the risk has come from and the evidence for the assurance provided.

Members' attention was highlighted to Risk Reference 9, relating to Health and Safety across the College. The profile of Health and Safety had been raised across the College. Health and Safety was a standing agenda item at the Risk Management Committee and on all Campus Operations meeting agendas. Any near misses would be highlighted.

The Committee Chair noted Health and Safety in workshops had been highlighted some time ago and asked what had happened with that. The Deputy CEO advised that the Health and Safety Manager had visited Toyota, who have rigorous Health and Safety Training and was looking to implement best practice within the College.

She went onto say a complete review of Health and Safety management processes and structure was being carried out, with a view to introducing a revised structure from 1 August 2017.

Jonathan McCluskey asked, in light of recent events, if the College had crisis management procedures in place. The Deputy CEO informed the College had Business Continuity and Disaster Planning Procedures in place and worked closely with local partners, such as the train station, neighbouring businesses and the Police.

Jonathan asked if students received a Health and Safety induction. It was noted health and safety is incorporated into the student induction and the guidance would be updated ready for September.

The Committee Chair asked what happened when the Roundhouse was hired out for events. It was clarified the College's Conference and Events team were responsible for all events and had received the correct training.

3. Cash Loss Report

The Committee were informed at the last meeting of a cash loss within the Finance Department and subsequent investigation.

HR had carried out a full investigation, it was recommended the matter did not proceed to a formal disciplinary hearing as no specific individual could be identified responsible for the cash loss.

The recommendations highlighted in the report had been implemented, with the amount of cash held immediately reduced, weekly reconciliations were back in place and the

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27/09/17

Cash Handling Procedure was being revised and would be presented at the next meeting.

The CFO said the team were aware of the significant disciplinary issues if this incident was repeated.

4. EU General Data Protection Regulation

The Director of IT, currently the Data Protection Officer for the College, joined the meeting.

He highlighted the key principles of the EU General Data Protection Regulation:

- EU data protection law for all companies processing data of EU citizens
- Strict data protection compliance regime
- Severe penalties of up to 4% worldwide revenue
- Effective immediately, with a compliance deadline of 25 May 2018.

He summarised the compliance measures the College had in place and the future strategy, which was detailed in the presentation.

Mark Ashton Blanksby, of ICCA asked if learning agreements would be reviewed. The Director of IT confirmed he had a meeting tomorrow to seek legal advice.

Data would be held centrally and those internally would have access to that, so there would be no need to hold the College's data outside of the organisation.

Jack Atwal asked, with so much personal data being held, has the College looked at how the extra work would be governed. The Director of IT explained there was enough money in the staffing budget to recruit someone, however, his suggestion was a person be procured as part of a wider regional group and he was looking into this.

43/16-17 Procurement Regulations and Tendering Procedures

The CFO presented the updated Procurement Regulations and Tendering Procedures. This was an annual review with no substantial changes to the document.

It was noted some of the titles in the document were incorrect and needed changing.

Jack Atwal suggested this be reviewed in line with the Human Trafficking Statement and Members noted that a consultant with expertise in this area would be reviewing this and would meet with the Procurement Manager and HR Director.

The Committee were happy to recommend subject to the approvals through the Modern Slavery Act.

CFO 27/09/17

The Internal and External Auditors left the meeting.

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Signed: _____ Date: _____