

## AUDIT COMMITTEE

**FINAL SIGNED Minutes of the Meeting held on Monday 6 March 2017**

**at 5.30pm in Room M315, All Saints' Building, Worcester**

### Present

#### Governors:

Kevin Gaffney	Chair
Steve Bolton	
Louise Gresty	Vice Chair
Lucy Hodgson	
Denis Miles	
Gary Woodman	

#### In Attendance:

Stuart Laverick	Principal
Kelvin Nash	Vice Principal Curriculum & Quality
Nicki Williams	Vice Principal Corporate & Resources
Cherie Clements	Director of Finance
Vicky Bamber	Human Resource Manager
Tony Green	Director Employer and External Relationships
Anne Daniel	Head of Marketing
Bill Devitt	Partner, Grant Thornton UK LLP (External Auditors)
Simon Turner	Manager, Grant Thornton UK LLP (External Auditors)
Louise Tweedie	Director, RSM Risk Assurance Services LLP (Internal Auditors)
Sue Frost	Clerk to the Corporation

### Action

#### 10.1 Apologies

- i) Apologies for absence were received from Debbie Morris. All present introduced themselves.

*The attendees, with the exception of the Clerk to the Corporation, left the meeting at this point.*

#### 10.2 Declarations of Interest

- i) Members were asked to declare any Interests, financial or otherwise, which they may have in any Agenda Item and confirmed that they had none.

#### 10.3 Audit Committee Concerns

- i) Members were invited to raise any issues which they wished to discuss in the absence of College Management and Auditors. Members agreed with the Chair's view that Stratford Upon Avon College's situation should be discussed at Corporation level. Members agreed to raise the question of partner security, in the light of the reported failure of First4Skills, under the relevant Agenda Item.

*The auditors joined the meeting at this point*

#### 10.4 Auditor Concerns

- i) The auditors were invited to raise any issues which they wished to discuss in the absence of College Management and agreed that they had none.

*The College attendees joined the meeting at this point*

#### 10.5 Minutes of the Previous Meeting

- i) The Audit Committee **APPROVED** the Minutes of the meeting held on 7 November 2016 as an accurate record for signature by the Chair.

#### 10.6 Matters Arising

- i) The Clerk to the Corporation reported that all actions would be completed by the end of the meeting with the exception of 9.11 ii) Audit Committee Performance Review, where Members noted that the Auditors had kindly agreed to provide training for Gary Woodman before the next meeting, at 4pm 12 June 2017 and that all were welcome to attend.

**Members**

- ii) The Audit Committee **MONITORED** action taken, and remaining to be taken, in respect of Matters Arising from the Minutes of previous meetings.

#### 10.7 Determination of Any Other Urgent Business

- i) There were no other items of urgent business.

#### Risk Register and Assurance Framework

#### 10.8 Risk Presentation – The Apprenticeship Levy

- i) The Audit Committee received a risk presentation on the “Apprenticeship Levy – The Risks to Delivery” from four members of staff, which covered:

##### Risks

- Current entries on the Risk Register and means of mitigating those risks (Not hitting funding targets; insufficient time to react to Policy change; financial health impact. Offset by levy monitoring, guidance webinars, internal and external communication, one to one employer consultation, maximum use of College levy in house).
- CBI information about employers’ expected use of the levy (66% expect to utilise in full or part, 26% unsure, 10% don’t expect to use)
- The make up of the current starts by employer size (predominantly small companies)
- The significance of securing contracts with a big employer (Discussions with NHS – largest local levy payer)
- Risks created by the complete reform of the system (Fall in numbers in training; large employers wait and assess; limited to Apprenticeships; )
- New risks ahead (Quality assurance; anyone can become a provider; many external agencies involved; independent end point assessment)

##### Marketing

- Marketing to mitigate risks (consistent timely internal and external information, proactive bespoke approach to key employers, on line forms)
- Refreshed branding
- Significant leads being followed up

##### Employment impacts on the College

- Levy contribution (government target 3m apprenticeships by 2020, 2.3% public sector, £71k)
- Current apprentices (29 posts - 3.22% of workforce - 26 filled)
- Financial impact on current profile (current costs c £60k, £10k to use to upskill existing staff)
- Apprenticeship levels under the new standards

- Benefits of apprenticeships (popular and successful programme, upskilling to Higher Apprenticeships with retention and reduced recruitment, formal succession planning)
- Employment risks and mitigation

#### Finance

- Current apprenticeship income (£1.9m direct, £4.5 subcontracted) expected costs (£71k) and impact on small budgeted surplus

Current situation (improved income and numbers reporting and monitoring needed, curriculum planning and budget setting underway, budget levy in full, maximise use)

#### ii) Governors challenged management, asking:

- What was the situation with the NHS? The NHS was considering becoming a provider, was registering with Register of Apprenticeship Training Providers and discussing this with the Board. If this happened there could still be opportunities for the College to provide service functions such as Individualised Learner Records, audit and quality assurance.
- Given the reported situation of First4Skills, how did the College ensure that partner organisations did not fail? College partners were long established, initial due diligence was carried out and the College had a number of in year quality assurance processes in place. There was an annual check in June/July, telephone support was provided and there was a partner portal. There were regular audit and quality assurance visits and student surveys, monthly monitoring reports and quarterly meetings.
- Did the College see partner management accounts? No – under the Skills Funding Agency contract the College could only ask for records related to funding. Credit checks were done, although these were about partner history. The College had a long history of successful partnership and had a good reputation for maintaining controls.
- How had the College identified large employers to target? The College had bought a data set for Worcestershire and cross referenced that with in house intelligence.
- When would the College start to get numbers and early warnings? Planned starts for May were already on the system. Small companies not subject to the levy now had to make a financial contribution for training.
- What use did the College make of Apprentices? The Principal stated that this had been a seven year commitment with genuine roles in a variety of places with excellent progression.
- What was the value of the NHS contract? 25 Apprentices being trained at the College who would continue on the old frameworks.
- How could the College persuade employers to sign up sooner rather than later? CBI information showed some employers slow to understand and react. Some would not realise the impact of the levy until late 2017.
- How has the levy affected the market in 2016/17? There were more 19+ Apprenticeships and fewer 16 -18 year olds. This could continue if employers moved to training existing employees at higher levels.
- Did the College just move apprentices out after a year? There was an element of renewal but around half of apprentices moved into mainstream roles and others moved to employment elsewhere.

#### iii) The Audit Committee **RECEIVED** a risk presentation including sources of assurance on the Apprenticeship Levy both as Levy payer and a provider of training from the Director of Finance, Human Resource Manager, Director Employer and External Relationships and Head of Marketing.

*The Chair thanked the presenting staff for their input. The Human Resource Manager and Head of Marketing left the meeting at this point.*

*Members agreed to move to Item 10.10 – Agenda numbering retained.*

## **10.10 Subcontracting**

### **i) Partner Audit & Assurance Visits**

The Director Employer and External Relationships reported on the range of external and internal assurances received by the College to mitigate the risks associated with subcontracting. The Skills Funding Agency substantive audit in August 2016 and subcontracting controls audit visit in December 2016 and two Skills Funding Agency ESF match-funding audit visits had all been very positive with no issues of significance reported. Internal audit and compliance visits had been carried out at twelve partners, with seven identified as satisfactory and five in various stages of work. None have provided cause for concern so far. Quality assurance visits **had been carried out on eight partners** with few substantive issues discovered and none of major concern that resulted in further substantive work.

#### **Additional compliance and quality monitoring activity**

In addition, partners also had quarterly reviews - either site visits or college-based. Bi-annual learner and employer surveys were conducted with responses evaluated with a summary report and any concerns followed up. Five partners had been subject to “learning walks” by staff. Spot check exercises on data were also carried out, resulting in in-learning summary reports which provide partners with actions, which are then followed up.

The Audit Committee **CONSIDERED** the overview of audit and assurance activity conducted with external partners contracted through the College’s Three Counties Consortium.

### **ii) External Assurance of Sub-Contracting Controls 2016/17**

The Director Employer and External Relationships reminded members that this was the second year of this audit, required by the Skills Funding Agency (SFA) in its Funding Agreements. ICCA had been appointed by the Corporation to carry out the audit and had found the College to be fully compliant with the specific requirements laid out by the SFA with regard to sub-contracting in the 2016/17 Funding Rules and Funding Agreement, based on the evidence provided, with no recommendations raised. Louise Tweedie said that RSM had found Colleges better prepared for the audit in this second year and fewer issues had been found.

The Audit Committee **RECEIVED** the External Assurance of Sub-Contracting Controls report from ICCA and **AGREED TO ADVISE** the Corporation that the audit had been positive with no recommendations raised.

**CC**

*The Director Employer and External Relationships left the meeting at this point. The meeting returned to the Agenda order.*

## **10.9 Strategic Risk Register – Spring Term Update**

**i)** The Vice Principal Corporate & Resources presented the Spring term Strategic Risk Register and summary showing the scoring and classification of all risks and the full Risk Register was available in the supporting papers folder on the Governor Portal. Details were provided of changes to individual risk scores, a key driver for this being the failure to achieve planned student numbers due to factors including demographic decline, more rigorous application of attendance and behaviour policies, early enrollers not turning up at College and increased Higher Education competition. The College was reconsidering its enrolment and progression policies to make number forecasting more precise.

- ii) Governors asked about some of the risks in more detail:
- 5.3. (Full Register) Shared facility arrangements with the Artrix Theatre at the end of the agreement. The Vice Principal Curriculum & Quality stated that the College had given notice that it would no longer pay to use the facility formally in the next year. Informal arrangements for use would probably continue as the Artrix used the College car park.
  - 6.6 (Full Register) Security concerns. The Vice Principal Corporate & Resources said that the score had gone up due to an increase in anti-social behaviour such as smoking.
  - 6.2 Safeguarding. The Chair requested consideration of separating Safeguarding Risks which were under direct College control from third party risks. The Vice Principal Corporate & Resources agreed to consider this. The Safeguarding Governor Champion reminded Governors that they remained responsible for safeguarding whether or not a third party was involved. Safeguarding remained a high risk as there was an increased number of cases and a lack of external agencies to assist. Members felt that the target risk seemed too low and the Vice Principal Corporate & Resources agreed to review it. VPCR
  - 4.4. IT Acceptable Use. This remained a high risk as the new Esafe software was highlighting a large number of issues, some of which were connected with staff. Staff contravention was dealt with by formal interview (as some breaches were legitimate and course related) after which action would be taken which could include dismissal and had on two occasions. The Safeguarding Governor Champion confirmed that reports were seen in Safeguarding meetings and the Audit Committee felt that this would be useful. VPCR
  - 2.8 English and maths progression. Was this the right score? Management confirmed that this was appropriate although the Ofsted position could change. The Chair reported that the Quality Group "Deep Dive" into English and maths had provided fair assurance that the tracking of progress was happening.
- iii) The Audit Committee **MONITORED** the College Risk Register and **AGREED TO RECOMMEND** it to the Corporation for approval and **REQUESTED** a report on the use of the Esafe software and consequential action taken as a Confidential Item at the next meeting. CC  
VPCR/  
CC

#### 10.11 Audit Committee Training

- i) Louise Tweedie, Director RSM Risk Assurance Services LLP (Internal Auditors) presented a Sector Update Training Briefing for Members which covered:
- FE Commissioner Report Comments
  - Autumn Statement
  - Technical and Further Education Bill
  - Industrial Strategy Green Paper
  - Course Directory Provider Portal
  - Apprenticeship Funding and compliance
  - Business as usual
  - Looking to 2020
- ii) The Audit Committee **CONSIDERED** the Sector Update presentation from RSM and the Chair thanked Louise Tweedie for her input.

#### 10.12 Internal Audit Reports

- i) **Progress Report**
- Louise Tweedie presented the internal audit reports, with the first summarising progress to date, reflected in the following reports. Two Client Briefings were included, on High Priority Management Actions and Gender Pay Gap reporting. The College had very few high priority actions. 27% of the 109 high priority actions identified across RSM's client base related to funding eligibility and learner data.

ii) **Follow Up - Cyber Security and Penetration Test**

Louise Tweedie reported that of the eight recommendations made in November 2015, three medium priority recommendations were implemented and three medium and two low priority recommendations had implementation ongoing. Reasonable progress had therefore been made. The Information Asset Register was a priority. Governors asked whether there was a resource constraint issue and the Vice Principal Corporate & Resources said that resources were not a constraint. A template had been created but would need to be amended to reflect the impact of Data Protection legislation changes which would come into effect in 2018. John Littler, who acts as the College Data Protection Officer would be attending an Association of Colleges' network meeting which would give an update on these changes and following that training, the template would be reviewed and the Senior Leadership Team would then populate the register.

iii) **Key Financial Controls**

The Key Financial Controls Review had concentrated on sales ledger and debtors. There were three low and two medium priority recommendations and the Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College. The report included the aged debt profile of the College, identified by calendar year. Governors asked why there was a significant sum (c£2.5M) in 2016 and the Director of Finance said that this was due to tuition fees invoiced in the autumn term of 2016/17. Governors did not remember seeing bad debt write offs and the Director of Finance said these would only require authorising over £2.5K with most being small sums. There was a £500K bad debt provision at the end of the year. Governors checked that all debts had been fully provided and suggested that old debts be pursued as any sums recovered would improve the bottom line. The Director of Finance agreed and confirmed that old debts were pursued, that the College was tough on commercial debt and in particular that where there were significantly old student debts they were being repaid at a trickle. The Audit Committee **REQUESTED** an aged debt profile be circulated, with a breakdown between commercial and student debt, in order to better understand the picture.

DF/CC

iv) **Follow Up**

Of the 26 recommendations made in the prior year, 22 had been implemented, two had implementation ongoing and two had been superseded. Good progress had therefore been made.

v) **Further Education - Benchmarking of Internal Audit Findings 2015/16**

The benchmarking report compared the College against the prior year and against other clients in 2015/16. The College was less "green" than the previous year but broadly aligned to the sector. The prior year had also had two red reports and there were none in 2015/16. There was a higher level of recommendations than the prior year with two high priority ones and it was good to see that these had been addressed in the Follow Up Report. It was not necessarily good to have a "better" profile as Internal Audit activity should target high risk areas. The Principal was pleased with the progress made over the merger and harmonisation period.

vi) The Audit Committee **NOTED** the Internal Audit Progress Report and Benchmarking report and **AGREED TO ADVISE** the Corporation that:

CC

- Reasonable progress had been made to address recommendations in the Follow Up - Cyber Security and Penetration Test report
- Substantial progress had been made to address recommendations in the Follow Up report
- The Key Financial Controls report (Debtors) provided Substantial Assurance (green) with two medium and three low priority recommendations

10.13 **European Social Fund**

- i) The Vice Principal Corporate & Resources explained that “acceptable” was the highest judgement possible in this audit, which the College had achieved.
- ii) The Audit Committee **RECEIVED** the European Social Fund (ESF) Audit Report and **AGREED TO ADVISE** the Corporation that no issues were identified. **CC**

#### **10.14 Whistleblowing, Fraud and Bribery Review**

- i) The Vice Principal Corporate & Resources and Clerk to the Corporation had confirmed that no issues had been raised under the Fraud Policy and Response Plan, Anti Bribery Policy and Procedure or Whistleblowing Policy in the previous academic year or in the year to date. The Whistleblowing Policy had been revised with the only substantive change being to incorporate reference to the NSPCC helpline as an alternative direct route for concerns about child safety as recommended in the Department for Education’s Statutory Guidance, “Keeping Children Safe in Education”. Members asked whether the Policies were robust enough if they were not being used. The Vice Principal Corporate & Resources stated that Fraud and Anti- Bribery Policies had been reviewed by the Internal Auditors and that the three Polices were mentioned at staff induction.
- ii) The Audit Committee **OVERSAW** the college’s policies on fraud and irregularity and whistleblowing, **NOTED** that there had been no allegations or instances of fraud and irregularity and **AGREED TO RECOMMEND** the revised Whistleblowing Procedure to the Corporation for approval on 21 March 2017. **CC**

#### **10.15 Value for Money Policy**

- i) The Director of Finance reported the addition of a paragraph emphasising the Corporation’s responsibility for achieving Value for Money.
- ii) The Audit Committee **REVIEWED** and **AGREED TO RECOMMEND** changes to the Value for Money Policy to the Corporation for approval on 21 March 2017. **CC**

#### **10.16 Financial Regulations**

- i) The papers included details of changes to the Financial regulations, with original and revised wording provided for clarity. Members discussed the reporting line change for Fraud and asked the Director of Finance to check the wording of one paragraph for consistency with the Fraud Response Plan.
- ii) The Audit Committee **REVIEWED** and **AGREED TO RECOMMEND** changes to the Financial Regulations to the Corporation for approval on 21 March 2017. **CC**

#### **CONFIDENTIAL ITEMS**

*Items 10.17 – 10.21 are recorded as Confidential Minutes 1 of 1*

#### **10.22 Any Other Urgent Business**

#### **10.23 Date and Time of Next Meeting**

- i) Monday 12 June 2017, 5pm, M316, All Saints Building, Worcester

The meeting closed at 8.02pm.

**Signed:**

**Date:**

Sue Frost  
Clerk to the Corporation  
7 March 2017