

AUDIT COMMITTEE

APPROVED DRAFT Minutes of the Meeting held on Monday 12 June 2018

at 5.30pm in The Source, All Saints' Building, Worcester

Present

Governors: Kevin Gaffney Chair
Lucy Hodgson
Denis Miles
Debbie Morris
Gary Woodman

By Teleconference: Steve Bolton

In Attendance: Stuart Laverick Principal
Nicki Williams Vice Principal Corporate & Resources
Cherie Clements Director of Finance
Tony Green Director, Funding, Data and External Contracts
Tony Felthouse Senior Manager, KPMG (External Auditors)
Colin Marshall Senior Manager, KPMG (External Auditors)
Asam Hussain Senior Manager, RSM Risk Assurance Services LLP (Internal Auditors)
Louise Tweedie Director, RSM Risk Assurance Services LLP (Internal Auditors)
Sue Frost Clerk to the Corporation

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14.1 Apologies

- i) There were no apologies for absence. The Chair welcomed Tony Felthouse and Colin Marshall to their first meeting as the new External Auditors. All present introduced themselves

The attendees left the meeting at this point.

14.2 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.

14.3 Audit Committee Concerns

- i) Members were invited to raise any issues which they wish to discuss in the absence of College Management and Auditors and all confirmed that there were none.

Tony Felthouse and Colin Marshall, Senior Managers, KPMG and Asam Hussain, Senior Manager, and Louise Tweedie, Director, RSM Risk Assurance Services LLP returned to the meeting at this point

14.4 Auditor Concerns

- i) The Auditors were invited to raise any issues which they wish to discuss in the absence of College Management and all confirmed that there were none.

The Principal, Vice Principal Corporate & Resources, Director of Finance and Director, Funding, Data and External Contracts returned to the meeting at this point

14.5 Minutes of the Previous Meeting

- i) The Audit Committee **APPROVED** the revised Minutes of the meeting held on 12 March 2018 as an accurate record for signature by the Chair.

14.6 Matters Arising

- i) The Clerk to the Corporation reported that four actions had been completed, one carried forward (assessing planned maintenance contract savings) and one would be addressed in the course of the meeting.

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

14.7 Determination of Any Other Urgent Business

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

Risk Register and Assurance Framework

14.8 Presentation on Apprenticeships

- i) Colin Marshall, Senior Manager, KPMG, gave a presentation on Apprenticeships which was available to members on the Governor Portal. This included:

- Recap on the reforms and the main changes
- Pending Clarifications (system changes assurance, Ofsted approach)
- Provider risks (market turbulence, drivers for significant scale or highly specialised providers, regulatory issues, financial forecasting and Rol for providers)
- What are we doing differently? (Opportunities, challenges for levy paying organisations, the future of work and learning.)

Members agreed that the future of learning would look very different. The Chair commented that the vocational pathway worked well in Germany but was fragmented and difficult to understand in the UK.

- ii) The Audit Committee **RECEIVED** a presentation from Colin Marshall, KPMG and thanked him for his contributions.

Colin Marshall, Senior Manager, KPMG left the meeting at this point. Members agreed to take the next two items in reverse.

14.10 Subcontracting

i) Partner Audit & Assurance Visits

The Vice Principal, Corporate and Resources reported the extensive internal and external audit and assurance activity which contributed to minimising the risks associated with subcontracting. No significant

issues of concern had been raised. The Principal stated that Ofsted had been complementary about subcontracting which was not universal.

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 2017/18

The Vice Principal, Corporate and Resources reported that, in the absence of updated guidance, the College had again contracted with ICCA Education Training & Skills to provide the subcontracting controls audit required by the Education and Skills Funding Agency (ESFA). The draft ICCA report had been omitted from the papers in error and circulated separately. It was available on the Governor portal. One minor recommendation had been made which the Director, Funding, Data and External Contracts clarified was due to the College extending the recommended text within the contract with partners. ICCA had provided the certificate for the ESFA which was in the Executive pack.

The Audit Committee **AGREED TO ADVISE** the Corporation that ICCA's "Providing external assurance on subcontracting controls Certificate" certified "satisfactory" assurance with one minor recommendation. CC

The Director, Funding, Data and External Contracts left the meeting at this point

14.9 Strategic Risk Register – Summer Term Update

i) The Vice Principal Corporate & Resources presented the Summer term Strategic Risk Register and summary showing the scoring and classification of all risks and the full Risk Register was available on the Governor Portal. Details were provided of the changes to individual risk scores, the most significant being Curriculum 1.8 – Failure to ensure the smooth introduction of T Levels Increased from 12 (high) to 16 (high) due to lack of national policy co-ordination, extended government timeframes and missed and late information causing delays and confusion.

ii) One new risk had been added: Quality 2.8 – Failure to maintain HE Provider Status, 15, (high) to reflect Office for Students registration and monitoring requirements. Two sets of risks had been combined and the Risk Management Group had discussed several issues which would potentially impact on the 2018/19 Risk Register and Risk Management Plan, and which would be considered fully in the Autumn Term review. In accordance with the Scheme of Delegation, Audit Committee would now monitor the termly risk reports without onward referral with just the annual report going to the Corporation.

iii) In answer to Governor questions:

- The Principal confirmed that local MPs and the Association of Colleges (AoC) were aware of the T level issues.
- The Vice Principal, Corporate and Resources confirmed the target score for 1.2 should be 8 on the summary sheet.
- The Vice Principal, Corporate and Resources confirmed that at

4.1, IT Infrastructure, the risk had been lowered because of better back up procedures and increased use of Cloud technology.

iv) The Audit Committee **MONITORED** the College Risk Register.

14.11 Internal Audit Reports

i) Progress Report

Louise Tweedie, Director, RSM Risk Assurance Services LLP, presented the internal audit reports, with the first summarising progress to date with four reports completed. Fieldwork had also been completed for the Follow Up and Learner Number Systems: Apprenticeships report which would be provided in the autumn with the Annual Report. The Progress Report included two RSM reports: GDPR Preparation – Benchmarking Report and Further Education Risk Management 2018. Members discussed the changes in the top five risk themes, commenting on the Transactions Unit's onerous compliance requirements and support money diverted from current students and the increased risk of insolvency given the banks stance on what they perceived as "riskier" lending.

ii) Governance: Strategic Planning

There were no recommendations arising from the review. The Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

iii) General Data Protection Regulation (GDPR) Governance Framework

This was an advisory review and therefore did not provide an assurance level. Areas for further development were noted in relation to ten of the 12 steps as published by the ICO: 'Preparing for the GDPR – 12 steps to take now'. In total, 14 management actions had been agreed by the College as part of the preparation for the GDPR deadline. The College demonstrated good awareness and good planning and implementation steps. It was categorically ahead of many other colleges and not for profit clients.

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

- The Governance: Strategic Planning report provided Substantial Assurance (green) with no recommendations
- The General Data Protection Regulation (GDPR) Governance Framework report included 14 advisory management actions to assist in preparation for the 25 May 2018 deadline.

14.12 Internal Audit Service Strategy and Annual Plan

i) Louise Tweedie, Director, RSM Risk Assurance Services LLP presented the Internal Audit Strategy which had been developed from the Risk Register, sector and legislative changes and a meeting with key staff. The Clerk to the Corporation had circulated a breakdown of the proposed 40 audit days by email on 11 June 2018. The Director explained the focus of each audit in Appendix A.

ii) In answer to Governors' questions

- The Director stated that the previous 2018/19 plan had been revised to remove Key Financial Controls to concentrate on High needs students and to focus the student support audit on mental

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health rather than finance. The Principal stated that management had asked RSM to consider how to assist the County Council to improve Educational Health and Care Plans and transition points.

- The Director confirmed that the forty day allocation provided adequate internal audit resource.

- iii) The Audit Committee **CONSIDERED** the Internal Audit Service Strategy for 2018/19 - 2020/21 and Plan for 2018/19 and **AGREED TO RECOMMEND** them to the Corporation for approval. **CC**

14.13 2017/18 Financial Statements Audit

- i) Tony Felthouse, Senior Manager, KPMG presented the Audit Planning Memorandum. Significant risk areas were common to Colleges and there was no heightened risk in any of these. Other areas of focus would include Going Concern, estates valuation and activity, partner expenditure and accruals, opening balances (as this was the first year in post) and regularity. There was no history of proposed adjustments so Members had no reason to question the proposed materiality levels. The Chair drew Members' attention to p151: "Ten items that audit committees should keep in mind as they consider and carry out their 2018 agendas".

- ii) The Audit Committee **CONSIDERED** the scope and objectives of the work of the external auditor and **AGREED TO RECOMMEND** the Audit Planning Memorandum (Audit plan and strategy for the year ending 31 July 2018) to the Corporation for approval. **CC**

14.14 Post-16 Audit Code of Practice (PACOP) 2017 to 2018

- i) The papers included a summary of the changes to the Post-16 Audit Code of Practice (PACOP) and the full document was included in the Supporting Papers. The Clerk to the Corporation explained that most of the changes were minor with the exception of changes proposed to Membership. Although the PACOP stated that it was "clarifying that staff governors should not be members of an audit committee" this had not in fact been stated before. It was understood to be normal practice not to have current staff members on Audit Committees in the private sector. Heart of Worcestershire College had always had a Staff Governor as an Audit Committee Member whose contributions had been valued. Any perceived conflict, for example an Internal Audit Report on the Staff Member's area, would have been dealt with through the normal declaration of interest procedure, but this had not happened in the Clerk to the Corporation's experience. The current Staff Governors' Terms of Office were coming to an end and the Clerk to the Corporation advised that in future Staff Governors should not be appointed as Members of the Audit Committee, which was in line with Eversheds-Sutherland's view.

- ii) The Audit Committee Vice Chair expressed strongly the view that the Staff Governor Member provided a valuable presence and internal perspective and should be retained as a Member. Two other Governors supported this stance. The Principal felt that it was an affront to the College values of Trust and Integrity not to include a Staff Governor Member. The Vice Principal, Corporate and Resources quoted the AoC's Julian Gravatt saying that as this was a "should not" and not a "must not" Colleges could choose to continue to appoint Staff Members.

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- iii) The Audit Committee **RECEIVED** the replacement for the Post-16 Audit Code of Practice 2016 to 2017 and **CONSIDERED** its implications in respect of Staff Members, concluding that it **WOULD NOT RECOMMEND** to the Corporation should no longer appoint Staff Governors as Audit Committee members. **CC**

14.15 Financial Regulations

- i) The papers included a summary of the changes to the Financial Regulations and the full document was included in the Supporting Papers. The most significant change was in respect of subcontracted provision which now reflected the ESFA's Financial Memorandum wording.
- ii) The Audit Committee **REVIEWED** the revised Financial Regulations and **AGREED TO RECOMMEND** them to the Corporation for approval. **CC**

14.16 Whistleblowing Procedure

- i) The Clerk to the Corporation reported on the Matter Arising to review the Whistleblowing Procedure in the light of its use. The Clerk to the Corporation had analysed examples from seven Colleges and the AoC model. There was no consistent underlying model and there were aspects from some examples that might enhance the College procedure. The difficulties perceived by the Clerk to the Corporation and Audit Committee Chair in the reported use of the Whistleblowing Procedure had arisen in the main from the approach to raising the concern, which had not been in line with the Procedure. The Clerk invited Members and attendees to provide other exemplars about Governors considered that there were no fundamental problems with the existing document.
- ii) The Audit Committee **CONSIDERED** possible changes to the Whistleblowing Procedure and **AGREED** that the Clerk to the Corporation and Audit Committee Chair should propose some amendments for consideration in the autumn term. **CC/AC Chair**

14.17 Audit Committee Self Assessment

- i) The papers included several options for Audit Committee self assessment. Members dismissed the CIPFA Good Practice Tool as an unwieldy model and the NAO Audit and Risk Assurance Committee Effectiveness Checklist as lacking direct relevance. The Clerk to the Corporation explained that the Terms of Reference Basis was intended to assess how effectively the Audit Committee met its principle responsibilities. Members felt that the checklist in use in the previous year from a previous Audit Code or Handbook remained relevant and provided benchmarking information.
- ii) The Audit Committee **CONSIDERED** the means of conducting the self assessment of performance in 2017/18 and **APPROVED** the continued use of the previous checklist. **CC/ Members**

14.18 CONFIDENTIAL ITEMS

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14.20

These Matters are recorded as Confidential Minutes 1 of 1.

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14.21 Any Other Urgent Business

There was no other urgent business.

14.22 Date and Time of Next Meeting

- i) Tuesday 20 November 2018, 5pm, The Source, All Saints' Building, Worcester

The meeting closed at 7.10 pm.

Signed:

Date:

Sue Frost
Clerk to the Corporation
13 June 2018

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