



## AUDIT COMMITTEE

### FINAL SIGNED Minutes of the Meeting held on Monday 12 March 2018 at 5.30pm in The Source, All Saints' Building, Worcester

**Present**

**Governors:** Kevin Gaffney                      Chair  
 Steve Bolton  
 Denis Miles  
 Debbie Morris

**By telephone:** Gary Woodman

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

**Action**

**13.1 Apologies**

i) Apologies for absence were received from Lucy Hodgson and Kelvin Nash, Vice Principal Curriculum & Quality. Steve Bolton and Debbie Morris were trapped in traffic and Gary Woodman kindly joined the meeting by phone to provide quoracy.

**13.2 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.

**13.3/ 13.4 Audit Committee/Auditor Concerns**

i) The Chair asked whether any Auditor or Member wished to discuss any issues in the absence of College Management and Auditors and all confirmed that there were none.

**13.5 Minutes of the Previous Meeting**

i) Three minor corrections were highlighted in the papers. The Audit Committee **APPROVED** the revised Minutes of the meeting held on 21 November 2017 as an accurate record for signature by the Chair.

### 13.6 Matters Arising

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

With regard to 12.12 ii) – Going Concern, a note was included in the papers. A paper showing progress against Student Number targets had been presented to the Corporation on 6 February 2018. The Vice Principal Corporate & Resources had confirmed that an update would show very little change as it would only include one additional month's actual data at a point in the year where changes were generally insignificant. It was also one of the Financial KPI's in the Management Accounts pack so the figures were available to Governors each month.

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

### 13.7 Determination of Any Other Urgent Business

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

### Risk Register and Assurance Framework

#### 13.8 Apprenticeships

- i) Tony Green, Director, Funding, Data and External Contracts used the previous Minutes as the context for his risk based presentation. The College had four funding streams active in Apprenticeships. Only one of these was actually paid on a profiled basis and even in that case payments to partners were only ever made on the basis of actual delivery. There was no possibility of the College supporting a partner through advanced payments, although some years ago a payment had been made on the basis of College records when the Skills Funding Agency suffered computer problems.

*Debbie Morris joined the meeting at this point*

- ii) The Director of Finance felt that the increased bureaucracy could cause delays for some partners, but that was unfortunately due to changes to the model outside the College's control.

- iii) In terms of other risks:

- All funding streams would become payments on an actual basis, but this would have no impact as extra profiled payments had to be returned anyway
- The previous profiled model gave a degree of financial certainty, the new systems were demand driven and in theory unlimited, although this was not likely in practice

*Steve Bolton joined the meeting at this point*

- Employers were in control of the contract and could potentially stop payments, leaving a College out of pocket. Strong relationships should prevent this. Louise Tweedie confirmed that she knew of issues with genuine disputes but not where this was used as a means of credit control.

*Gary Woodman left the meeting at this point*

- Partner income had reduced as some were receiving direct funding and could use anyone to deliver training who was on the Register of Approved Training Providers. The College had budgeted for this and was seeking to offer smaller specialist provision, commercial services (Eg Audit) and use of the College shielded a partner from direct audit and Inspection.
- The College charges were based on the maximum funding band. The Government was encouraging employers to negotiate this downwards.

iv) In answer to questions:

- The Director of Finance stated that £2,042k had been budgeted by the College for direct delivery and this was performing at 97%. The Director, Funding, Data and External Contracts said that this was largely delivering the new standards.
- Only 60 – 70% of the required end point assessors were in place and the College was still considering becoming an end point assessor for hospitality.
- There were six partners, down from 14 -15 and Apprenticeships remained high profile in the Risk Register.
- The 20% off the job training requirement was one of the issues contributing to lack of take up nationally. The Principal confirmed that the Association of Colleges and Association of School and College Leaders were communicating the concerns of the sector to the Government.

v) The Audit Committee **RECEIVED** a presentation from Tony Green, Director, Funding, Data and External Contracts on Apprenticeship Risks.

*The Chair thanked the Director, Funding, Data and External Contracts for his input and he left the meeting at this point.*

### 13.9 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 the three reductions to individual risk scores:

- 16 – 18 Funding. Positive confirmation had been received from the Education and Skills Funding Agency that 16 -18 year old increases would be recognised in 2018/19 (150 more students, £750k additional income)
- Bank Covenants. Only NatWest remained. This was still being negotiated but was a low value and could be repaid if necessary
- Quality Risks – now reduced after Ofsted confirmation of improvements.

ii) The Audit Committee **MONITORED** the College Risk Register and **AGREED TO RECOMMEND** it to the Corporation for approval.

**CC  
VPCR**

### 13.10 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, reflected in the following reports.

#### ii) Key Financial Controls: Financial Planning and Budgetary Control Systems

The Key Financial Controls Review had concentrated on Financial Planning and Budgetary Control Systems. There were two low and one medium priority recommendations. The Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

iii) **Commercial Activities**

The Commercial Activities review focused on the Blended Learning Consortium and the College's Full Cost Recovery Provision for the Construction and Engineering Departments. There were five low and two medium priority recommendations and the Internal Audit Opinion was that the area provided Reasonable Assurance (amber-green) to the College.

iv) **Further Education - Benchmarking of Internal Audit Findings 2016/17**

The benchmarking report compared the College against the prior year and against other clients in 2016/17. Louise Tweedie confirmed that its basis was not scientific as it depended what was looked at in different Colleges. The College had all green opinions in 2016/17 but this would not be the case in 2017/18 as new areas such as the General Data Protection Regulations and areas of increased risk such as Apprenticeship would lead to more recommendations across the sector.

v) Members considered whether any use should be made of the reserved additional Internal Audit days. Management confirmed that there were no areas of concern that were not being addressed and Louise Tweedie agreed that the key risk areas were in the plan for the year. Members agreed not to ask for further reviews or use of additional days in 2018/19.

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

- The Key Financial Controls report (Financial Planning and Budgetary Control Systems) provided Substantial Assurance (green) with one medium and two low priority recommendations
- The Commercial Activities review provided Reasonable Assurance (amber-green) with two medium and five low priority recommendations

CC

13.11 **Whistleblowing, Fraud and Bribery Review**

i) The Clerk to the Corporation reported that she had been contacted in February 2018 under the Whistleblowing Procedure and had met with the employee and a colleague for an initial meeting under section 5.1. The Clerk's advice following this meeting was that the matters raised should be addressed through the College Complaints Procedure and this process was ongoing. The employee had been advised of their right to appeal against the Clerk's judgement at the conclusion of all stages of the Complaints Procedure. There had been no other uses of the Whistleblowing Procedure in the previous academic year or in the year to date. The Clerk to the Corporation would revise the Whistleblowing Procedure in the light of its use.

CC

ii) **Fraud Policy and Response Plan**

There had been no use of the Fraud Policy in the previous academic year or in the year to date. The Director of Finance reported that it had been updated to reflect the requirements contained within the funding agreement between the College and the Education and Skills Funding Agency (ESFA) in relation to any suspected fraud or financial irregularity. The College was obliged to notify the ESFA and also investigate significant cases. The full document was available in the Supporting Papers folder on the Governor Portal where amendments were highlighted.

iii) **Anti Bribery Policy and Procedure**

There had been no use of the Anti-Bribery Policy in the previous academic year or in the year to date. The Director of Finance reported that a paragraph had been added to address any situations where a concern involved the Director of Finance, explaining the action to be taken. The full document was available in the Supporting Papers folder on the Governor Portal where amendments were highlighted.

- iv) The Audit Committee:
- **OVERSAW** the college's policies on fraud and irregularity and whistleblowing
  - **NOTED** that there had been no allegations or instances under the Anti-Bribery Policy and Fraud Policy
  - **NOTED** that an employee had raised concerns under the Whistleblowing Procedure and that the Clerk to the Corporation had advised that these concerns be referred under the Complaints Procedure with a further possible Whistleblowing appeal at its conclusion
  - **AGREED TO RECOMMEND** the revised Anti-Bribery Policy and Fraud Policy to the Corporation for approval on 27 March 2018 **CC**

*The auditors left the meeting at this point.*

### **CONFIDENTIAL ITEMS**

*Items 13.12 – 13.14 are recorded as Confidential Minutes 1 of 1.*

### **13.15 Any Other Urgent Business**

There was no other urgent business.

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

- i) Tuesday 12 June 2018, 5.30pm, M316, All Saints Building, Worcester

The meeting closed at 6.35pm.

**Signed:**

**Date:**

Sue Frost  
Clerk to the Corporation  
13 March 2018