

Audit Committee

Minutes of the meeting held on 13 June 2018

Present: Stewart Edwards, Chris Gurevitch, Paul Simpson (Chair), Stephen Brown, Steve Cook, Stephen Hawkins.

In attendance: (Observer), David Cooper (Principal), Richard Lewis (RSM UK Audit LLP), Catherine Sykes (Clerk), Andrew McGinnes (Interim College Accountant), Colin Peaks (Deputy Principal), Karen Ashman (Assistant Principal), Ben Wallis (Assistant Principal).

31. Apologies for absence (agenda item 1)

Resolved: There were no apologies for absence.

32. Declarations of interest (agenda item 2)

Resolved: Richard Lewis declared his interest for agenda items 9 (Appointment of external auditors for 2018/19).

33. Minutes of the last meeting held on 28 February 2018 (agenda item 3)

Resolved: The minutes of the meeting held on 28 February 2018 were accepted as a correct record and signed by the Chair.

34. Matters arising from the minutes/action schedule (agenda item 4)

David Cooper confirmed that the action of minute number 28 had been completed. He also noted that minute 27, appointment process of the external auditors. Recommendation that Agenda item 9 is just confirmed, as the process was recommended in minute 27 of the meeting of the audit committee on 28 February 2018.

Resolved: The matters arising from the minutes / action schedule were confirmed as completed.

35. Audit Committee commissioned business – Testing the assurances provided by the Board Assurance Framework by a 'walk through' sampling (agenda item 5)

It was agreed that minute 35 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year.

36. Rolling implementation plan of audit recommendations (agenda item 6)

The committee discussed the rolling implementations of the audit recommendations. There were no questions raised.

Recommended: The rolling implementation plan of audit recommendations was received.

37. Audit Plan for the year ended 31 July 2018 (agenda item 7)

Richard Lewis submitted the Audit Plan for the year ended 31 July 2018. He noted its contents:

- Section 1 – Introduction
- Section 2 – Audit and Regularity Approach, Scope and Timetable.
- Section 3 – Risks and other Areas of Focus.
 - Including knowledge of the sector and discussion with the SMT.
 - Key issues, pension liability, correctly accounted for in the financial docs.
 - Richard noted the FE commissioner’s concern regarding colleges going into inadequate financial health.
 - Audit focus – creates the need for an audit plan.
- Section 4 – Fee increase from RSM UK Audit LLP.
- Appendix A – Audit Engagement Team
- Appendix B – Glossary of terms
- Appendix C – Pro-Forma Audit and Regularity Reports – remain unmodified.
- Appendix D - How RSM UK Audit LLP remains independent to the college.
- Appendix E – Emerging issues. Including the Ofsted review, including how many colleges are graded 1, and how many SFC are now graded 1 ‘Outstanding’.

Richard continued to highlight key pages of the Audit Code of practice:

- Page 9 – membership committee (staff governor should not be in attendance). Concern of conflict of interest.
- Paragraph 34 – Statement of regularity, propriety and compliance.
- Page 13 - Fraud, and what is significant - Over 10K in year - New question on fraud, responded by management.
- Page 29 - Agency concerned about in the term of regularity.
- Code of governance. Richard noted that a number of colleges are considering the charity code.

No questions were raised on the Audit Plan for the year ended 31 July 2018.

Recommended: The Audit Plan for the year ended 31 July 2018 was received.

38. Update / emerging issues (agenda item 8)

Richard Lewis explained the national issues from audit findings, including that the key themes have remained the same in 2018, to that of 2016. He also noted that:

- Commercial / Operations is a key issue in the sector which fellow governors and principals are interested in. He noted that over 25% of the top three risks in registers are related to commercial / operations; including: Strategy, Finance & Infrastructure.
- Cash flow remains a going concern.
- Recruitment & Human Resources, in particularly in areas of competition.
- Government Policy

Resolved: The update on emerging issues was received.

39. Appointment of external auditors for 2018/19 (agenda item 9)

It was agreed that minute 39 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year.

40. Board Assurance Framework and Risk Register (agenda item 10)

David Cooper submitted the college's Risk Register, which ensures the college is compliant with appropriate legislation and fulfils the current funding requirements of the ESFA. He drew attention to the following updates:

- Change of leadership – temporary risk which he recommended stays on the register for a period of 1 year (2018-19).
- GDPR – data breach risk and new guidance.
- Ofsted has been downgraded– assurance has been amended in response to the inspection report from February 2018. This report also adds an additional line of assurance.

He gave further details on the above to the committee:

- Page 1 – reduced Ofsted risk, from possible to unlikely after the inspection as completed in February 2018.
- Page 2 – student record mismanagement. Governor visit completed by this committee gives additional assurance.
- Page 3 – management of curriculum area grading. David highlighted that by doing a grade, there is a risk of releasing the information to Ofsted. He noted that the college does not issue data to anyone other than SMT or departments. Governors questioned why Ofsted doesn't want to grade departments, David noted that they grade study programmes, taking an overview of the provision. He highlighted that this was an internal document only and that the college has set assessment criteria which reviews areas as a whole s part of the SAR (e.g. T&L, or 16-19 Study Programmes).
- Page 6 – adverse publicity resulting from inappropriate staff/student behaviour. A lot of work done on this, by an external HMI, which was supported by the most recent Ofsted report. He noted that further staff training had taken place including a code of conduct for students and staff, and consistency of our actions, including the introduction of HR Manager – all of which reduced the risk.
- Page 7 – building contractor fails to make the deadline. There is an increased risk on this to last year as there were no plans for last year, but works are scheduled for this coming year.
- Page 9 – payroll mismanagement has been downgraded as result of the scrutiny visit by governors.
- Page 10 – H&S is reduced as the H&S manager has been in post for a year
- Page 10 – litigation against the college, downgraded.
- Page 14 – significant addition to controls through GDPR.

New Risk – new college management team in place from September. David noted that there are controls already in place, primarily through governor processes including audit.

Recommended: That the Board Assurance Framework and Risk Register be approved. The report will remain confidential.

41. Proposed annual cycle of business of the Audit Committee 2017/18 (agenda item 11)

Minor date changes and title changes accepted.

Resolved: The annual cycle was reviewed and agreed.

42. Annual review of the role and effectiveness of the Audit Committee 2016/17 (agenda item 12)

David noted that as a committee, the governors are effectively involved in scrutiny of the college. He noted that this was a very effective committee, which draws scrutiny on all elements of the college.

Governors completed the Committee's self-assessment questionnaire. Governors reviewed the performance of the Committee for 2017/18 and agreed that the Committee operated effectively and efficient overall.

Resolved: The results of the annual self-assessment of the Audit Committee's role and effectiveness were noted.

43. Federation Update (agenda Item 13)

David Cooper gave the federation update. He noted that the federation had moved forward quite quickly in the last few months. There is an emphasis on getting the middle managers within the colleges to work more closely, which will be a focus at the conference on 6th July, to help build middle management cohesion. GDPR, Teaching & Learning & Curriculum & Quality groups have worked well together which have proven to be very useful and very open meetings, including sharing good practice (e.g. inviting other colleges within the Venn to the TeachMeet). GDPR has been a prime example of savings and better outcomes secured through Venn collaborative working.

Scarborough SFC has now formally joined the federation. Four of the five colleges will see a new Principal in post from September 2018, or earlier. Plans are in place to appoint the new Principals as company directors, and also remove the current directors, who will no longer be in post, from the company from 1st September 2018.

New name will be changed to 'Venn Partnership', not 'Venn 4' after the joining of Scarborough.

Resolved: The Federation Update was received.

44. Any other business (agenda item 14)

Paul Simpson gave thanks to David Cooper for his help and support to the Audit committee during his time as Principal at Wilberforce College.

Resolved: There was no other business.

45. Date of next meeting (agenda item 15)

Resolved: The next meeting will take place on Wednesday 21st November 2018 at 12 noon (subject to Corporation approval).

46. Confidential items/reports

It was agreed that the following minutes /reports be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government and associated reports are therefore not available for circulation to the public, college staff or students (excluding senior post holders).

Minutes:	Reports:
<ul style="list-style-type: none"> Minute 35. Audit Committee commissioned business Minute 39. Appointment of external auditors for 2018/19 	<ul style="list-style-type: none"> Minute 35: Contracts and Policies Review – Recommendations to Audit Committee Minute 40: Risk Register

Action schedule

Minute no	Title	Action by	Action
36	Rolling implementation plan of audit recommendations	Clerk	Emerging Issues to be forwarded to all governors.
41	Proposed annual cycle of business of the Audit Committee 2017/18	Clerk	To amend date changes and title changes accepted by the committee.

