

**Meeting of the Audit & Risk Committee
Tuesday 21st November 2017 at 4.00 pm
Conference Room 3
MINUTES**

Present: Ian Clark, Emily Harris (items 597 and 600 only), Carl Mantell, Amanda O'Brien, Gordon Watson (Chair)

In attendance: Patrick Clark (ICCA), Carole Drury (Clerk), Louise Shrapnel, Dale Thorpe (RSM), Graham Wilkinson
Richard Evans as observer only

591 **Apologies for Absence**

There were no apologies for absence. Late notification of absence from Zaeed Mohammed

592 **Declaration of Interests**

There were no declarations of interest

593 **Minutes of last Meeting held on 9th May 2017**

The minutes of the meeting were accepted and signed by the Chair as an accurate record.

594 **Matters Arising and Rolling Action Plan**

There were no matters arising not included in the action plan which was considered with updated notes.

595 **Internal Audit**

Patrick Clark presented the findings of the following internal audit reviews:

07:16/17 Student Journey Part 2

Part 2 of this audit had focussed on a review of the systems, controls and processes established post enrolment in respect of at risk students, progression pathways and student destinations. The review provided a substantial assurance opinion with good design, application and appliance and made one low level recommendation in respect of setting realistic review dates for student target monitoring where 7 out of 10 high risk student review dates had not been met. Concern was raised over the non-achievement of this important aspect of student review and it was confirmed that the action would be monitored for compliance through the internal action plan.

01:17/18 Maths and English Strategy

This review focussed on compliance with ESFA condition of funding and ensuring that the strategy and delivery met Ofsted requirements. The College's strategy was reviewed to ensure compliance, cross college consistency, effectiveness, impact and monitoring/reporting, linked to key risk number 8. An overall substantial assurance opinion was provided along with 3 recommendations, all of which were accepted by management and would be implemented.

Governors challenged the fact that 11 out of 14 areas were shown to be below the College target of 85% for maths and English attendance. Richard Evans, as Head of School for this curriculum area, was asked to respond and provided assurance

that individual curriculum areas were now responsible for and were being held accountable for their own attendance rates rather than it being managed at cross-college level. Carl Mantell asked what was actually being done to make a difference and was advised that student behaviour and disciplinary procedures were being used to tackle non-compliance with targets and an improvement had already been seen this year. Actions for improvement had already been noted in the Quality Improvement Plan from the 2016/2017 self-assessment report.

Gordon Watson confirmed that maths and English were regularly reviewed by the Board and that this position would continue to be monitored.

02:17/18 Follow-Up of Safeguarding

Following key issues raised at the previous audit of College safeguarding that had led to limited assurance, and in line with risk number 10, an overall opinion of substantial assurance was provided with four out of five priority actions from the last audit now being fully implemented and one partially implemented, in respect of staff training which was now reported as being more closely monitored.

Management were thanked for their rapid response to the audit to ensure that all processes now met requirements for substantial assurance.

Annual Internal Audit Report

The annual report provided an opinion from the Head of Audit giving reasonable assurance that the College's governance, risk management and systems of internal control were operating adequately and effectively with no instances where a breakdown of control had resulted in a material discrepancy. A total of 7 internal audit reviews had been carried out during the year, 5 of which provided substantial assurance, 1 reasonable and 1 limited. It was reported that all recommendations had been accepted by management and 100% had been implemented.

It was also reported that Mark Ashton-Blanksby was leaving ICCA and that Patrick Clark had been confirmed as the new relationship manager for the College.

596 **Internal Audit Outstanding Actions Report**

The report, generated from internal audit recommendations, was presented by the Principal with most actions now completed or awaiting the next cycle of business. He reported that the action plan was routinely monitored at management meetings.

It was noted that actions in respect of IT security remained incomplete but that a lot of work was currently underway through the new network manager. Cyber accreditation was being considered by senior management on 22nd November with processes now ready to be implemented. Carl Mantell questioned why recovery time objectives were still under review and Louise Shrapnel advised that performance targets to achieve these had now been set, linked to the business recovery plan.

597 **Financial Statements, Regulatory Audit & Audit Findings Report**

The financial statements to the year ended 31st July 2017 were presented for consideration, having also been reviewed by members of the Finance Working Group. The report included an overview of the year from the Principal and an opinion from the independent auditors who confirmed that the financial statements gave a true and fair view of the college's affairs.

The draft audit findings report was presented by Dale Thorpe of RSM who explained that its purpose was to report back against the audit plan and included specific reference to the College as a viable going concern for at least 12 months following approval of the financial statements. A final reconciliation statement from the Education & Skills Funding Agency was expected at the end of November to

confirm ESFA income for 2016/17. No adjustments were anticipated as all income was accrued or prepaid as appropriate.

Two main issues had been considered as part of the audit :

Pension scheme disclosures – the actuarial assumptions linked to accounting procedure FRS102 on the liability for the Local Government Pension Scheme had been challenged by the College as the original calculation had been based on high salary increase assumptions. Dale Thorpe advised that benchmarking with Lancashire colleges had taken place and there had been nothing to suggest the revised figure used in the recalculation was out of line. It was recognised that the pension liability calculation was out of the College's hands with that position being understood by the funding agencies.

The presentation of the accounts was considered, referring to the reporting templates that were required. Emily Harris requested that additional disclosure be made in the accounts in respect of the Statement of Comprehensive Income to demonstrate and highlight the impact of the pension liability. It was agreed that the presentation would be amended for clarity, linked to note 7. (Action: L Shrapnel)

Going Concern Position – Again Dale Thorpe provided some background against assessment of the going concern position, advising of government responsibility to assess if a college was a going concern for the foreseeable future, as informed by its cashflow and underlying performance positions. Full year forecasts were reviewed alongside historic performance, savings made and an estimate of income. Material uncertainties such as non-renewal of bank facilities and covenant breaches would all be used to review the position.

Dale thanked the finance team at the College for the smooth conduct of the audit and provided an unqualified opinion that the financial statements provided a full and transparent disclosure of College finances. Additional amendments had also been advised to the finance team by Ian Clark and Emily Harris and would be incorporated into the final statements.

Committee members discussed the reports and Ian Clark sought clarity on income recognition in respect of 16-18 lagged funded students. It was agreed that additional narrative, in the form of a key numbers table, would be included at the start of the financial statements in the Principal's forward. The Committee also considered the self-assessment of Kendal College regularity report.

It was AGREED that the Audit & Risk Committee would recommend the signing of the amended financial statements and letters of representation as well as the Regularity Report to the Board at its December meeting.

598 **Audit Committee Annual Report**

Updates to the annual report were provided including reference to the post 16 audit code of practice, and to reflect the activities of the Audit & Risk Committee during the previous year with the aim of providing assurance to the Board that the Committee and hence the Board were meeting statutory responsibilities as outlined in the code of practice.

The amendments were approved and the report would be recommended to the full board to be signed by the Committee Chair.

599 **Risk Register**

The risk register had been updated to better recognise financial risk. The Committee were asked to confirm that the risks, scoring and actions to mitigate risk were accurate.

Carl Mantell asked why outstanding teaching and learning was no longer included as a risk and the Principal responded that, based on teaching observations, student outcomes and satisfaction levels, teaching and learning was not considered a current risk to the College.

It was agreed to accept the risk register and its scoring.

600 **Review of Covenant Risk Position**

The Director of Finance & Resources provided an updated position in respect of the three major covenants held with Lloyds Bank, reporting that there had been no breach of covenant at the end of the financial year.

The Committee also considered a letter from Lloyds Bank in respect of the loan and revised covenants taking account of the introduction of FRS102. However, it had been apparent from the ambiguity of the letter that the changes to financial standards and the impact on the covenant had not been fully understood by the bank and further confirmation on the calculation was requested prior to reporting to the December board meeting.

Carl Mantell asked for the current covenant position and was advised that it was well within limits.

The Committee AGREED to authorise the signing of the letter subject to receiving confirmation from Lloyds.

601 **Policy approval**

Two reviewed policies were presented for consideration, requiring Board approval:

- Hospitality, Gifts and Anti-bribery – minor amendments to job titles referred to in the policy
- Anti-Money Laundering – no amendments

The updated policy list was also considered to provide assurance that policies were kept up to date. The Committee discussed the length of time before renewal of each policy and whether or not the list included fully relevant policies. Patrick Clark was asked to check the list against expected norms for college policies. The Clerk confirmed that all statutory policies had been checked against Evershed's legal listing.

Louise Shrapnel was asked to re-circulate the policy list to include the review period. (Action: L Shrapnel)

602 **Any other business**

There was no other business

603 **Date of Next Meeting**

Tuesday 6th February 2018