

**Meeting of the Audit & Risk Committee
Tuesday 22nd November 2016 at 4.00 pm
Conference Room 3
MINUTES**

Present: Ian Clark, Ian Clinton, Carl Mantell, Zaeed Mohammed (from 5 pm), John Tiscornia, Gordon Watson (Chair)

In attendance: Patrick Clark (ICCA), Nicola Harrison (RSM)
Carole Drury (Clerk), Craig Owen, Louise Shrapnel, Graham Wilkinson

554 **Apologies for Absence**

There were no apologies for absence

555 **Declaration of Interests**

There were no declarations of interest

556 **Minutes of last Meeting held on 10th May 2016**

I Clark requested a change to minute 546 to reflect the accuracy of what was said. The minutes of the last meeting were then approved and signed by the Chair as an accurate record.

557 **Matters Arising and Rolling Action Plan**

There were no matters arising not covered by the agenda.

The action plan was considered and updates noted:

521 – L Shrapnel advised that ICCA would be carrying out an internal audit early in 2017 to test the robustness of the IT systems. A completion date of March 2017 was agreed.

536 - no update had been provided on College policies due to other priorities this term. The agenda item would be included at the next meeting and senior managers would prioritise updating policies out of time or near their review date.

558 **Internal Audit:**

- 01:16/17 Student Journey Part 1
- 02:16/17 Safeguarding, Well-being & Health & Safety
- Annual Report

P Clark of ICCA presented two internal audit reports that summarised the outcomes of the two internal audits that had taken place so far this year.

In respect of **Student Journey**, it was noted that substantial assurance had been given based on the findings of part 1 of the audit visit during the main enrolment period for the College. The second part would be completed in February 2017 looking at controls post enrolment including target setting and progress review. Two medium and two low level recommendations were made and management responses accepted although some were linked to higher levels of spend to ensure IT systems “talk to each other”.

J Tiscornia commented that he had attended the recent student conference where feedback from students had been gathered, questioning how the feedback fed into processes. C Drury advised the Committee of changes that had already been

implemented into the admissions system to simplify the application process, including the introduction of sign up workshops delivered in tandem with school liaison activity and that had already resulted in new applications. I Clinton expressed concern that dates for admissions interviews had been identified as a recommendation, stating that poor recruitment practices would jeopardise College finances.

Management responses had been provided against each of the recommendations and implemented where appropriate. Recommendations relating to upgrades to IT systems to ensure they linked to the website would be further investigated and reviewed against cost.

In respect of the **Safeguarding, Well-being & Health & Safety** audit, a limited assurance had been given based on findings in respect of the central single register and missing DBS checks for new staff. It was noted that training, Prevent, work placement and other safeguarding requirements were operating as expected with well-designed control frameworks.

In respect of the 5 recommendations made, most had been implemented immediately through additional resources being put in place to follow up missing DBS checks and gaps in training. I Clinton pointed out the serious link between the failings identified in the audit and the impact on an Ofsted inspection visit with an immediate grade 4 if the central single record was not appropriately maintained. Prevent training had been provided through the NW Prevent Co-ordinator and it was suggested that additional training be provided for staff who have still not attended to ensure the records demonstrate full compliance with the requirement although it was stated that induction training for new staff included specific reference to Prevent and counter terrorism.

The issue of governor DBS checks was raised following an action from the audit, with reference to another college whose Ofsted inspection grade had been impacted by poor safeguarding practices. The management response had referred to "Keeping Children Safe in Education" that required suitable checks on governors under regulated activity. However, committee members expressed their concern of reputational risk as DBS checks were not currently carried out on board members and requested that the decision be further debated at the next Board meeting. Identification for governors was also raised for when they attend events in the College.

Further discussion took place over investment into software systems to support areas such as the maintenance and update of personnel records. However, the Principal responded that the College continued to be lean-and-mean in terms of resources to ensure that an annual surplus was maintained as well needing to prioritise the upgrading of a significant proportion of older student IT and would therefore not be investing in new systems.

G Watson felt that the Committee had gained assurance that the work that needed to be done was being prioritised, recognising the importance of the issues raised. C Mantell commended the management team of their swift response to the recommendations and findings from the audit.

The **Annual Internal Audit Report** for 2015/16 was presented providing an overall assurance opinion that College governance, risk management and systems of internal control were operating adequately and effectively to manage the achievement of the College's objectives and securing economy, efficiency and effectiveness. It was reported that each of the audits had given substantial assurance with 14 recommendations overall and that the plan had been completed within the allocated timeframe.

559 **Internal Audit Outstanding Actions Reports**

The Committee reviewed outstanding actions from 2015/16 internal audits with updates provided. Most actions were now completed.

A new action plan has been generated from the 2016/17 audits, with management comments on progress to date and included the actions reported in 558 above.

The Committee noted the progress against recommendations made.

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

The Committee Chair reported that the financial statements had been reviewed by the Finance Working Group prior to this meeting to provide a separate level of assurance. N Harrison from RSM presented the findings of the audit. J Tiscornia stated that this Committee could take assurance that the requirements of the letter were being met by the Finance Working Group of which he was Chair. He also informed the group that E Harris had agreed to take over that role on his retirement from the Board but that he would be willing to continue on that group if requested by the Board.

Financial Statements – version 8 of the statements was tabled following last minute changes and a further version would be developed following changes agreed at the Finance Working Group, specifically identified by I Clark. J Tiscornia sought confirmation that the recommendation to merge the annual report with the financial statements sufficiently met with compliance under the AoC Code of Good Governance. It was reported that the new SORP FRS102 had been adopted and that last year's accounts had been re-stated in line with the new requirements.

The Principal was requested to reword the foreword to the report to add more positive aspects about the College rather than dwell on the difficulties over capital project and floods. I Clinton felt that the recent data reported in FE Week on the College's position in the sector should be added. It was felt that reference to the insurance claim for the Castle Dairy should be shown as an exceptional item as it was distorting income in 2016.

The amendments were agreed and would be included in the final version to be submitted to the Board at its December meeting.

Self-Assessment ~Questionnaire – the self-assessment questionnaire was considered and responses accepted.

Draft Audit findings report and letter of recommendation – the report was presented by N Harrison, identifying the key aspects under audit, accounting and regularity issues that included the adoption of SORP 2016 and the Castle Dairy insurance claim. The legal claim against the bond in respect of Wildman Street was considered with an update given by the Principal on the case following the Board's previous approval to pursue the claim.

It was noted that there had been no significant deficiencies in internal control and no significant difficulties encountered by RSM during the course of their audit. The letter of recommendation would be drawn up for signing by the Corporation Chair and Accounting Officer at the December Board meeting. The Committee gained assurance from RSM that there were no issues to be raised in the absence of the senior managers in attendance at the meeting.

The Committee Chair thanked J Tiscornia for his contribution to Audit & Risk Committee.

561 **Strategic Risk Register**

The Principal presented the updated risk register with amendments shown in red. Minor corrections were made and it was agreed to present the register at the next Board meeting. (Action: Clerk)

562 **Review of Covenant Risk Position**

Louise Shrapnel provided an update on the current covenant position in respect of Lloyds Bank. The paper provided details of the covenants themselves and the position in respect of FRS102 and its effect on covenants.

The Committee was asked to take assurance from the figures that the covenant position was being monitored and not at risk.

563 **Skills Funding Agency Audit**

The Principal provided an overview of the outcome of the significant audit conducted by Price Waterhouse Cooper in September, at one of the busiest times of the academic year and including a sample of around 600 learner files. The outcome of the audit in respect of the SFA/EFA individual learner record (ILR) was that no major issues were identified although there were some low level recommendations. The report had been issued on the day of the meeting so copies were tabled.

The team were congratulated on the success of this difficult audit which resulted in no financial penalty.

564 **Annual Audit Report**

The Clerk presented the draft Committee report for consideration, with updates shown in red included from the previous year's report. The Committee agreed to accept the report which was signed by the Chair of the Committee and which would be presented to the Board prior to signing of the financial statements.

565 **Financial Health**

Late papers, the SFA letter and dashboard, had been circulated prior to the meeting showing the overall 2015/16 position. The SFA had agreed with the College's financial health self-assessment but had requested that they continue to request a copy of the monthly management accounts and further evidence to support the growth in Advanced Learner Loans and adult fees.

566 **Date of Next Meeting**

14th March 2017