

**Meeting of the Audit & Risk Committee
Tuesday 6th February 2018 at 4.00 pm
Conference Room 3
MINUTES**

Present: Ian Clark, Carl Mantell, Zaeed Mohammed, Gordon Watson (Chair)

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

604 **Apologies for Absence**
Amanda O'Brien

605 **Declaration of Interests**
There were no declarations of interest

606 **Minutes of last Meeting held on 21st November 2017**
The minutes of the meeting were approved and signed by the Chair as an accurate record with one word amendment noted under minute 597

607 **Matters Arising and Rolling Action Plan**
There were no matters arising and an update on actions was received

608 **Internal Audit**
Patrick Clark of ICCA Internal Audit service presented the findings of the following audits as noted in the reports:

03.17/18 – Review of the College's Financial Strategy & Growth Plan

This audit had provided reasonable assurance and 3 medium and 1 low recommendations. Financial assumptions, current year financial planning and reporting and sensitivity analysis had been reviewed along with the controls in place that supported the financial strategy and forecasting and the College's growth plan. Based on expected outturn positions in respect of pay to turnover ratio and end of year finance, the audit had also looked at the effectiveness of the operational budgetary control mechanisms, robustness of the management accounts and reporting to the Board.

The report's findings were considered by the Committee and the recommendations noted, along with the management responses to ensure the recommendations were implemented.

A low level recommendation in respect of increased reporting of the contribution of both curriculum and commercial activity was discussed. Gordon Watson questioned the College's approach to sensitivity analysis and it was agreed that it was a useful tool to measure potential impact on key performance indicators such as financial health score where a model of tolerance could be identified. Zaeed Mohammed asked if further modelling would be possible before the next ESFA intervention meeting, noting how it linked with actions identified at the recent strategic planning meeting.

The pay-to-turnover ratio was discussed noting the difference between the College's ratio and the new sector median of 60%. Patrick Clark reported that the ratio had

reduced from 63% following structural changes and streamlining from Area Based Review. Louise Shrapnel cited the difficulties of maintaining two campuses such as requiring additional estates and catering facilities but that the College was looking at smarter ways of working that would be presented in the next budget and which would result in an improved ratio. Carl Mantell questioned the impact of reducing staff on standards and the Principal confirmed there would be no reduction in teaching hours.

Zaeed Mohammed questioned the approach to and reporting of curriculum contribution analysis (3.2) carried out in other colleges and Patrick Clark explained the process of seeing whether courses were viable and generated income. Zaeed Mohammed sought assurance that courses would not be compromised simply to balance the books and the Principal responded that some courses produced more income than others but that it was important to retain some low income provision to meet local and LEP priorities eg Hospitality and Health & Social Care.

The findings of the audit and recommendations were accepted and agreed.

04.17/18 Apprenticeships – Post Levy systems and Processes

This audit provided substantial assurance, with one recommendation, that the College was maximising the opportunities from the introduction of the Apprenticeship levy in 2017. The focus was on the strategic approach and plans to switch from frameworks to standards along with the financial impact and monitoring and reporting activity.

The audit had found that the College had established an appropriate structure to respond to apprenticeship reforms and levy requirements and that the strategic plan included relevant priorities. Appropriate processes were in place for both apprentices and employers. An apprenticeship delivery plan had been set up through to 2021. Monthly reporting to senior leadership was taking place and apprenticeship data was reported to governors via the data dashboard at each meeting. Testing was undertaken on a sample of 20 apprentices to ensure the College met with ESFA compliance requirements.

No concerns had been raised through the audit and the Committee accepted the report as giving appropriate assurance.

Internal Audit Progress Report

Patrick Clark provided an update on progress against the internal audit plan to date showing that 3 final reports had been issued and one draft report (now final). He explained that this was not a routine report but the Committee felt it was useful to have an update on progress against the internal audit plan.

Zaeed Mohammed asked if there was any link between findings of internal audits and the grade 2 at inspection and whether recommendations that could have impacted on the outcome had been missed. However, the internal audit action plan provided close monitoring of all recommendations. The Chair reminded the Committee that the annual programme was linked to identified risks and the plan was approved each spring. Zaeed Mohammed asked if there were other drivers to setting the audit plan and Patrick Clark responded that the assessment was based on criteria such as Ofsted, financial health ratings etc. The Principal reminded the Committee that other external scrutiny took place and that internal audit was prioritised for areas of high risk eg KPMG had carried out a full audit of data in 2016/17.

Following the Board's strategic planning event, it had been recommended that the Board obtain an independent review of the viability of the College's curriculum plan and growth projections. The Principal proposed, via the Chair, that an amendment to the plan going forward be agreed and to request that ICCA conduct the independent review in place of planned audits 06 and 07 which would be moved to the following year. A paper was tabled showing the audit coverage and control objectives with a

plan to put 7-8 days into this important piece of work, however noting that an appropriate time allocation will be given to it by ICCA to complete the work.

The Principal provided further background on the Board action in respect of testing contribution models that in turn would help improve the financial position. The audit would look at the following areas:

- Curriculum planning and strategy – to ensure methodology is robust and aligns with the strategic plan and changes in Government funding including A level reform, T level qualifications and apprenticeship levy
- Underpinning information to include labour market information, demographic trends, stakeholder requirements, area provision and capacity
- Recruitment plan – underpinning assumptions
- Internal progression – qualification structure and progression routes
- Efficiency measures to include class sizes, qualification hours, staff utilisation and course/faculty contribution analysis
- Responding to recruitment – addressing over and under recruitment, reconciliation of actions to address

The Principal also advised the Committee of additional lagged funding that would be paid to the College next year with all the costs being absorbed this year meaning all of the additional income could be added to cash. The proposed one-year “capital holiday” was also reported with less capital investment scheduled for 2018/19 which in turn would improve the cash reserve position.

It was agreed that the proposal be accepted and would provide a level of assurance as requested by the Board.

609 **Internal Audit Outstanding Actions Report**

The outstanding actions report was reviewed showing progress against 2016/17 and 2017/17 internal audits to date. No concerns were raised over the rate of progress.

The Principal highlighted 06.16/17 (1), reporting that a new data dashboard had been developed in-house to provide managers with live data on learner performance and 01.17/18 (3) on the continuing improvements being sought in relation to maths and English performance. Zaeed Mohammed confirmed the difficult journey the College was having and that performance management and compliance of staff was a key issue in how to encourage better student attendance. He said he was very hopeful of improvements in outcomes this year and reported that the College team was working with another FE provider to look at strategies for improvement.

Ian Clark referenced the forthcoming audit on GDPR and asked for assurance that the College was ready for the implementation of the new regulation in May 2018. The Principal confirmed that a timetable of actions was in place and training had been undertaken by key members of staff.

610 **Risk Register**

The Principal presented the updated risk register showing the College’s response and actions to mitigate identified areas of risk.

It was recommended that the current position in respect of the appointment of a new Principal be noted as a risk under (3) with Carl Mantell reminding the Committee of the importance of leadership and getting the right person to lead the College on the Principal’s retirement. The Clerk advised the Committee on the process now being undertaken to re-advertise the post. Zaeed Mohammed asked what would happen if an appointment was not made and the Principal confirmed that he had offered to stay on if required.

Under Risk 9, Zaeed Mohammed advised the Committee of changes that had taken place since the last inspection, including mini-inspections by department that had resulted in cohesive and shared actions for improvement. He stated that he would still prefer individual observation grading which was endorsed by the Principal, whereas the College Quality Team had adopted a “supporting improvement” strategy in line with Ofsted guidelines.

Carl Mantell stated that he was impressed with the improvements made to the register and that it was proving to be an effective vehicle used by the College to manage its risk.

The updated risk register was agreed and would be presented to the Board at its February meeting.

611 **Review of Covenant Risk Position**

The Director of Finance & Resources confirmed the position of the covenants the College holds with Lloyds Bank, noting that external borrowings as a percentage of debt stood at 26.7% and therefore not at risk of breach.

The failure of Lloyds Bank to respond to date in respect of the year-end covenant position that included an FRS102 calculation was discussed and an assumption that all was in order would be made. Ian Clark confirmed that, in his experience, the bank would be unlikely to challenge the assumption or give a confirmation based on the calculation being performed by the College and not audited by the bank.

612 **Policy approval**

The Committee approved the Freedom of Information policy that had been checked against legislation with no changes recommended.

The updated policy list, now showing review periods, was presented.

Zaeed Mohammed questioned why there was no specific exams policy that would take account of changes under T level qualifications and put forward processes for invigilation, maximum numbers per exam room etc. It was agreed that this would be rectified.

613 **Any other business**

The Chair reported that Carl Mantell had indicated he would not continue in this role following the next meeting (end of term of office). Carl said how much he had enjoyed the role to learn about a well-run College and had gained a high level of confidence in how things were managed in an open and challenging forum.

614 **Date of Next Meeting**

Tuesday 8th May 2018