

Part A: Minutes of the Audit Committee meeting held on 6 March 2018 at 4pm

The Boardroom, University Centre

Present Erika Stoddart, Philip Jackson, Lucy Ottewell-Key, Robert Edwards

In Attendance Susan Bailey Clerk to the Corporation, Don Everitt Group Director Finance, Deborah Watson Grant Thornton

Prior to the meeting members of the Audit Committee met with Grant Thornton External Auditors without management present in order to consider and review current working arrangements between External Audit and the Group's Finance Team. **Key points of discussion are detailed in Part B of the minutes.**

1 Apologies

Apologies were received from John White.

2 Declarations of Interest

None declared. Members were reminded to declare their interests as and when necessary

3 Minutes of the Audit Committee Meeting held on 5 December 2017 and matters arising

RESOLVED The minutes were accepted as a true and correct record and signed by the Chair, subject to two minor typographical errors raised at the meeting. There were no matters arising from the minutes.

4 Appointment of Chair of the Audit Committee 2018-19 discussion.

4.1 The Clerk reported that the Corporation had recently elected the Chair of the Audit Committee as the Corporation's Chair Elect who would commence the role in full from 1 August 2018. In accordance with the Instrument & Articles of Government and Post-16 Audit Code of Practice the Clerk confirmed the following:

- The rules relating to membership of the Corporation did not allow the Chair of the Corporation to sit on the Audit Committee therefore the Audit Committee needed to consider recommendation of appointment of a new Audit Committee Chair.
- Co-opted and Staff members of the Audit Committee could not be considered for the role of Chair of the Audit Committee
- The Chair of the Audit Committee was automatically a member of the Corporation and expected to attend all meetings accordingly.

4.2 It was agreed that members consider whether they would like to undertake the role themselves or put forward likely business contacts/colleagues. It was agreed that the Chair of the Audit Committee also approach the Committee's co-opted member John White to discuss the possibility of becoming chair.

RESOLVED The forthcoming appointment of the Chair of the Audit Committee for 2018-19 was noted.

5 External Audit Management Letter Recommendation

- 5.1 The Group Director Finance submitted a report detailing management's action to comply with the External Audit Management Letter recommendation regarding a system 'deficiency-risk of inconsequential misstatement' to ensure that the finance system did not allow journals to be deleted.
- 5.2 It was confirmed that a Finance System consultant was to meet management on 5 April 2018 to discuss the option and management's request to remove the delete option from the Finance System. The Group Director Finance stated that the fall-back option was to have an exception report written to identify deleted journals, actioned on a regular basis, and investigated and reviewed by college staff accordingly.

RESOLVED The External Audit Management Letter Recommendation was noted.

6 Internal Audit Service Progress Report

- 6.1 The RSM progress report on the 2017-18 Audit plan and recommendations was considered. The following was noted:
- 6.2 25% of the internal audit plan for 2017-18 had been completed in respect of the review on Key Financial Controls which had received substantial assurance (green)
- 6.3 The following assignments were to be undertaken during the year:
- GDPR Preparedness review wc 12 March 2018
 - Risk Management / Board Assurance Framework wc 12 March 2018
 - Follow up wc 21 May 2018

RESOLVED The Internal Audit Service Progress Report was noted.

7 Internal Audit Service Report: Review of Key Financial Controls – cashflow

- 7.1 The final Internal Audit Service Report on Key Financial Controls – cashflow was considered and reviewed. The report outlined the key findings from the review to determine that an adequate control framework was in place in respect of cashflow controls and forecasting, and that controls were generally being applied well by the Group Director of Finance and the Finance Team.
- 7.2 One 'low' priority management action was identified in relation to overwriting of the forecast for the month and the recommendation of the addition of two columns to the cashflow spreadsheet in order to record the actual cashflow and the variance in order make variances more visible and assist in identifying trends for future forecasting.
- 7.3 The Committee discussed the requirement of the recommendation which members agreed was not usual practice and agreed that management review the necessity for this and report back to the September 2018 meeting of the Audit Committee.

RESOLVED The Internal Audit review report on Key Financial Controls – cashflow was noted.

8 Risk Management Progress Report and Strategic Risk Register update 2017-18

The Group Director Finance submitted the Group's Risk Management Progress Report 2017-18 and Strategic Risk Register 2017-18 reporting that the Risk Register had been updated in relation to risks associated with the Modal Training Ltd. The following was noted:

- 8.1 The Group's Strategic Risk Register had been reviewed this term and ratings updated by the Risk Management Committee.
- 8.2 The Risk Register had been updated in respect of risks associated to Modal Training Ltd which had been RAG rated to the highest red score possible.
- 8.3 The very detailed operational risk register for Modal was now a standing item for consideration at each meeting of the Modal Advisory Committee, the minutes of which would be submitted to the Corporation accordingly.
- 8.4 The CEO confirmed that Modal Training Ltd was an item for discussion at the forthcoming Corporation Strategic Planning event and which would show an improving picture for the venture.
- 8.5 The CEO confirmed that indicators were broadly positive and the Group was in line to meet predicted learner number targets to a degree.

RESOLVED The Risk Management Progress Report and Risk Register 2017-18 was noted.

9 Financial Regulations Annual Review

- 9.1 The Group Director Finance submitted the Group Financial Regulations for annual review and reported the key changes, mainly due to suggestions recently raised by the Chair of the Corporation in respect of the following:
 - Amendment to make clear the requirement that subsidiary and joint venture operations must adhere to the Group's Financial Regulations at all times.
 - Additional requirement for all contracts over £100k including VAT over the life of a contract to receive prior approval of the Corporation.
 - Amendment of authority expenditure level for Modal's operational lead reduced from £50k to £30k.
 - Depreciation levels for computer equipment had been increased from 3 years to 6 years
 - Depreciation levels for specialist equipment had been added.
- 9.2 Members agreed that the Financial Regulations were comprehensive and suggested abbreviations be documented in full throughout the document.

RECOMMENDED FOR CORPORATION APPROVAL That the Group Financial Regulations 2018 be approved by the Corporation, subject to the minor amendments agreed at the meeting.

10 Group Fraud Policy Update

- 10.1 The Group Director Finance submitted the latest version of the Group Fraud Policy and final version of the Fraud Response Plan, updated to incorporate guidance on circumstances requiring referral to the Police. It was noted that the Group Fraud policy had also been updated to reflect the requirement to refer all instances of fraud / theft to the Police.

10.2 Members agreed that both the fraud policy and response plan provided comprehensive guidance to the actions required in relation to any instances of fraud once evidence had been secured. Going forward it was agreed that the policy be reviewed every three years unless there was a change in legislation.

RECOMMENDED FOR CORPORATION APPROVAL That the Group Fraud Policy and Fraud Response Plan be approved by the Corporation, subject to the minor amendments agreed at the meeting and submitted for review every three years thereafter.

11 Group Internal Communications Strategy - verbal update

The CEO confirmed that in respect of a recent Internal Audit Service Review management had agreed that it was unnecessary to devise a Group Internal Communications Strategy. It was agreed that this be communicated to the Internal Audit Service and reported to the Audit Committee accordingly.

RESOLVED The Group Internal Communications policy update was noted.

12 Freedom of Information Annual Report 2017– amend agenda

The Group Freedom of Information (FOI) Annual Report 2017 detailing the number and type of FOI requests received and actioned by the Group was considered. The following was noted:

FOI request March 2017 – February 2018	25
FOI request June 2016 – February 2017	13
FOI request June 2015 – May 2016	15
FOI request June 2014 – May 2015	24
FOI request June 2013 – May 2014	23

RESOLVED The Freedom of Information Annual Report 2017 was noted.

13 Funds fraudulently obtained

The Group Director Finance confirmed that there had been no reports/instances of funds fraudulently obtained since the last meeting.

RESOLVED The report was noted.

14 Plans for re-appointment / appointment of auditors

14.1 Members were reminded that the contract with both the Internal and External Audit Services would cease on 31 August 2018 and that it had been agreed at the last meeting to go out to tender for Internal Audit Services in order to test the market.

14.2 The Chair stated that following recent discussions with Grant Thornton and the Group Director Finance regarding the issues experienced with this year’s audit work and the request from Grant Thornton for an increase in fees of 12.2% for next year which were above sector benchmark she advised that the Group invite tenders for both the Internal and External Audit Services in order to test the market and seek assurance regarding value for money.

14.3 It was agreed the Group Director Finance begin work to invite audit firms to tender accordingly.

RECOMMENDED FOR CORPORATION APPROVAL That the College go out to tender for the services of Internal and External Audit Services during April 2018 with the successful contracts for 2018-19 onwards approved by the Corporation on 15 May 2018.

15 Any other business

There was no other business raised at the meeting.

16 Date and time of next meeting

- a) Audit Services tender bid meeting to be confirmed (April 2018)
b) Tuesday 26 June 2018 @ 4pm The Boardroom, University Centre

The meeting closed at 5 pm

Chair of the Audit Committee

Signed _____

Date _____

Action Schedule

No	Minute Title	Action by	Action required
4	Appointment of Chair of the Audit Committee 2018-19	Chair / Clerk	Begin search for new Audit Committee Chair Contact John White
7	IAS report – review of key financial controls	GD Finance	Report back to Sept meeting re decision re recommendation.
9	Financial Regulations Annual Review	GD Finance Clerk	Amend regulations re abbreviations Submit for Corporation approval
10	Group Fraud Policy update	GD Finance Clerk	Amend regulations re minor typographicals Submit for Corporation approval
11	Group Internal Communication Strategy	GD Finance	Communicate to IAS and report back to Audit Committee
14	Plans for re/appointment of auditors	GD Finance	Begin work to go out to tender in April 2018