

**NON-CONFIDENTIAL
MINUTES OF AUDIT & RISK COMMITTEE
21 JUNE 2018**

Present:

Don Logan	Chair Audit Committee
Jonathan Lake	External Governor
Julie Barton	External Governor
Jan Fielding	External Governor
In attendance:	Andrew Wren Principal
John Smith	DP F&R
June Fielding	Financial Controller
Zee Walker	Director of PPQ
Patrick Clark	ICCA
Amanda Latham	KPMG
Karen Johnson	Acting Clerk

PROCEDURAL ITEMS

AR/18/29 The Chair drew Governors' attention to the two paragraphs at the top of the agenda, formerly agenda items, reminding Governors of their responsibilities and to declare any interests relevant to agenda items, and that this also included responsibilities around Equality, Diversity and Inclusion, and Health & Safety.

NON CONFIDENTIAL ITEMS

APOLOGIES FOR ABSENCE

AR/18/30 Apologies for absence were received from Mark Crowther (External Governor)

MINUTES OF PREVIOUS MEETING

AR/18/32 The minutes of the previous meeting, held on 8th March 2018 were agreed as a true and accurate record and duly signed by the Chair.

INTERNAL AUDIT REPORTS

AR/18/33 The Internal Auditor presented the reports of the internal audits which had taken place over the period since the previous Audit & Risk Committee. The contents of the reports included the overall assurance rating and any recommendations arising from the audit.

PAYROLL & FINANCIAL CONTROLS

AR/18/34 Key points:

Substantial assurance overall.

- One recommendation (low risk).
- Clear documented procedures in place, only minor issues were found as a result of the audit.
- The low risk was around the evidencing of checks – nothing of concern and this is a low risk recommendation.

AR/18/35 The Committee asked for an overview of the structure of the reports, the Internal Auditor provided a summary of the framework of the report and the structure of an internal audit. The auditor then outlined that the format will vary when there has been an advisory audit completed rather than a formal internal audit.

GDPR READINESS

AR/18/36 Key points:

- Reasonable overall assurance.
- 5 recommendations – 5 x medium, 1 x low risk
- These were outlined:
- GDPR action plan – although this was in place it was suggested that this could have been better utilised as a live working document to advise on any actions remaining to be carried out.
- Training of staff – at the timing of the audit, which was pre GDPR implementation date, this had not been carried out, but has now taken place.

- Data mapping – around the collection, permissions and control of data – the college had completed this but had not included some aspects around consent
- GDPR impact assessment – risks around collation of data – recommendation to include this when appropriate
- Downloading of data onto other devices and USB sticks – the college has taken action to strengthen this.
- GDPR is very much a hot topic at the present time and this report is in line with that carried out at other colleges.

AR/18/37 The Director of PPQ raised parental consent and asked the internal auditor if there was any guidance around this at the present time given the age restrictions within the GDRP regulations. The Internal Auditor advised that he would pass on what information he had available.

APPRENTICESHIPS – POST LEVY

AR/18/38 Key points:

- Review of controls in relation to the apprenticeships post levy within the College and how the college has prepared for those.
- Substantial assurance overall.
- Good design with two recommendations made - one medium, one low.
- The college did not have an apprenticeship strategy in place (medium)
- Sample testing of learner files and compliance – some gaps around issuing employer invoices (low risk. The DP F&R advised that timely invoicing was now in place, however, there is some work to do around employers accessing the dashboard within DAS to trigger the payment. The internal auditor advised that this is a national issue and is dependent on how familiar the employer is with the system.

The internal auditor advised that this is a good report in comparison to the sector

AR/18/39 The Committee questioned how well the team in College were coping with the changes in apprenticeship delivery overall. The Principal advised that the role of relevant staff had been reviewed and a new structure was now in place, with the team now well established and led. The Principal added that to strengthen controls the College has implemented a new, more effective CRM system which provides detailed performance data at any given point in time.

FOLLOW UP INTERNAL AUDIT

AR/18/40 Key points:

The internal auditor presented the report of the follow up audit which had been taken to review outstanding recommendations.

25 recommendations the previous year, 22 had been completed, with the remained being in process. No issues were found and the opinion was substantial opinion.

Three recommendations were carried forward – 2 x H&S and 1 x disaster recovery related to IT.

AR/18/41 The Committee questioned the reasons around the recommendation around disaster recovery related to IT and were informed that this was around a strengthening of the encryption system being required.

AR/18/42 Resolved: The Committee noted the internal audit reports

INTERNAL AUDIT PLAN FOR 2018/19 AND UPDATED STRATEGY

AR/18/43 the Internal Auditor presented the draft report which provided the background to the areas identified for internal audit during 2018/19, a detailed planning approach is used to identify areas for the internal audit programme, along with an opinion on what the Internal Auditors believe to be the key risk and challenges which the College faces and a review of the College's risk management progress and the Annual Organisational Assessment of the College which provided an analysis of performance around financial management and performance, funding performance, quality of provision, external and compliance.

The areas in scope for internal audit were also provided within the report, and an overview of the scope that each audit would comprise.

AR/18/44 The DP F&R referred the Committee to the timing of the internal audit plan for Estates and advised that this should be rescheduled to the Spring Term rather than Autumn Term.

AR/18/45 The Committee questioned if the change in DP F&R was a risk to the College in itself, the External Auditor advised that the key risk to financial management is around management judgement and perhaps there would be some work which could be carried out in year as a checking exercise. The Committee suggested that a mid year analytical “desktop” review could be carried out which would provide some assurance in year. It was suggested that the Internal Auditors include this into the scope of the scheduled review around Key Financial Controls.

AR/18/46 The Internal Auditor would amend the Internal Audit Plan in line with the suggestions and finalise the document.

AR/18/47 **The Committee approved the Internal Audit Plan for 2018/19 subject to the agreed amendments**

AUDIT RECOMMENDATIONS MONITORING REPORT

AR/18/48 The DP FD&R referred the Committee to the above report
The report tracks all the recommendations made via internal and external audits and the associated progress made against each of these recommendations. At the present time there are 45 recommendations within the report, of which 18 are current/ongoing, with the College working towards closing these recommendations.

AR/18/49 **Resolved: The Committee noted the audit recommendations monitoring report**
The internal auditor left the meeting.

FINANCIAL STATEMENTS AUDIT & REGULATORY REVIEW PLAN

Amanda Latham, KPMG presented on the Financial Statements Audit and Regulatory Review plan and made the following points:

AR/18/50 External Audit Plan and Strategy for the financial year 2017/18. The level of risk associated with the College is medium risk – this is as expected in the current climate, with no colleges at the present time being assessed as Low Risk.
The areas of significant risk and other areas of audit focus are outlined within the report – this is due their size, complexity, subject to external scrutiny, susceptibility to fraud and error.

These are:

Pensions – which is the key risk area for organisations, this is not around the pension scheme but around pension actuaries

Revenue recognition – the external auditor advised that there is some assurance around this due to the scrutiny within this area from external funding bodies which is also carried out. Tuition fees and educational contracts.

Management Override of Controls – the key focus of this is testing of financial journals which varies year on year

Regularity – to form an audit opinion of regularity

Further detail of the scope of these areas was included within the plan.

The work is in line with FRS102 Regulations.

Overview of the team, the fees, schedule of engagement.

AR/18/51 **Resolved: The Committee approved the Financial Statements Audit Plan and Strategy for the year ended 31 July 2018**

RISK MANAGEMENT REPORTS

AR/18/52 The DP PPQ referred the Committee to a number of reports which outlined the risk process and monitoring which had taken place since the last Committee meeting:
These reports were: Risk Register, Risk Register Commentary, Risk Management Action Plan, 10 key risks, with sub risks sitting underneath each risk and the associated controls

Key points were:

Following a recent review:

No risks have changed rating

There has been some amendment to the wording and date of risks to take account of comments which Governors raised during the recent Governance Development Session which included risk management as an agenda item.

The External Auditor commented on the format of the risk register and raised that the number of risks was manageable in comparison to some organisations.

The DP F&R added that the key risk for the College is around Solvency, however, because of good financial management in the current funding climate the college is reporting a positive financial position.

AR/18/53 Resolved: The Committee noted the risk register reports presented.

TIMETABLE OF BUSINESS AND SCHEDULE OF MEETINGS FOR 2018/19

AR/18/54 The Acting Clerk presented the timetable of business for the upcoming year, along with the schedule of meetings. Both were largely in line with the business activities which had taken place over the previous year, with some additions to ensure that the Timetable of Business reflected the standing orders and also any additions which had been incorporated during the previous year.

The External Auditor suggested that the Letter of Representation (external audit) be added to the November business of the Committee. The Acting Clerk advised that this does come to the Committee as a matter of course but will ensure that this is reflected in the CoB.

The DP F&R added that for the 2018/19 the Committee will need to decide to retender for Internal Auditor since we are in the final year of the contract, for the previous contract the colleges in Cumbria had tendered together

AR/18/55 Resolved: The Committee accepted the timetable of business and schedule of meetings for 2018/19 subject to the addition of the Letter of Representation being added to formalise this within the CoB.

FRAUD & BRIBERY POLICY. GIFTS & HOSPITALITY POLICY

AR/18/56 The Policies were presented for approval, with a recommendation for full Board approval at their next meeting.

It is a regulatory requirement to have these in place for the College and this is reflected in the Standing Orders of the Corporation. The Committee considered the policies and approved to recommend to Board approval.

AR/18/57 Resolved: The Committee approved the Fraud & Bribery Policy and the Gifts & Hospitality Policy and recommended these for Board approval.

ITEMS FOR NEXT AGENDA

AR/18/58 No items were raised.

CONFIDENTIALITY

AR/18/59 The Committee considered the items and concluded that none required confidential classification.

Since this was the last meeting with John Smith in attendance prior to his retirement, the Board thanked John for his services to the College and Committee.

DATE OF NEXT MEETING

AR/18/60 The next scheduled meeting was agreed at 22nd November 2018.

MINUTES APPROVED

Signed _____ Chair of Audit & Risk Assurance Committee

Date _____ Subject to Amendments / No Amendments
