 

**SK** College Group

AUDIT COMMITTEE

MEETING HELD AT 10.00 am on THURSDAY 8 FEBRUARY 2018

IN THE BOARD ROOM, KNOWSLEY CAMPUS

MINUTES

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| **Present**\* | **Name** |
| \* | Mr K Sanderson **(Chair)** |
| \* | Mr P Christian |
| \* | Mrs J Tinsley |

**In attendance:**

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| --- | --- |
| \* | Mr S Arnfield, Director of Finance |
| \* | Mr J Creed, ICCA |
| \* | Mrs K Scott, ICCA |
| \* | Mrs C Jones, Clerk  |

**A/18/02/01 WELCOME TO THE FIRST MEETING OF THE AUDIT COMMITTEE**

The Chair welcomed all those present to the first meeting of the SK College Group Audit Committee, with introductions made.

**A/18/02/02 DECLARATIONS OF INTEREST**

 There were no declarations of interest notified.

**A/18/02/03 APOLOGIES FOR ABSENCE**

Apologies for absence were received from KPMG, Dr J Burford and

 Mr R Molloy.

**A/18/02/04 NOTIFICATION OF URGENT BUSINESS**

a Internal and External auditor contracts **(Director of Finance)**

**A/18/02/05 PROPOSED ANNUAL CYCLE OF BUSINESS FOR THE AUDIT**

 **COMMITTEE**

The Clerk presented the proposed annual cycle of business for the Committee and it was noted that the presented version represented the full

 Academic year for ease of reference and not just from the point of merger.

 There may also be a need to include a September meeting in the next

 schedule of meetings.

 The Committee approved the proposed annual cycle of business for the remainder of the 2017/18 Academic year, acknowledging that this was a working document and could therefore be subject to change.

The Committee also undertook a review of the Audit Committee’s terms of reference and highlighted term 2.11 with the word ‘control’ agreed for

 recommendation to the Governing Body for inclusion within this term to read:

 *‘To provide an annual report for the Governing Body and the Accounting Officer, which should include the Committee’s opinion on the effectiveness of the College Group’s risk management, control and governance processes, and any significant* ***control*** *matters arising from the work of the internal auditors and the external auditors’.*

 **ACTION: Clerk to make the above recommended change to the Audit Committee’s terms of reference to the Governing Body**

**A/18/02/06 AUDIT LOG OF INTERNAL AUDIT RECOMMENDATIONS FROM**

 **PREVIOUS MEETINGS**

The Director of Finance presented the audit log of internal audit

 recommendations from previous meetings at the St Helens Campus and it was noted that in each recommendation the target date had not yet been met.

The audit log was accepted by the Audit Committee.

**A/18/02/07 INTERNAL AUDIT: INTERNAL AUDIT STRATEGY FOR THE REMAINDER**

 **OF 2017/18**

 Mr J Creed, from ICCA, presented the proposed Internal Audit Strategy

 for the remainder of 2017/18.

 Attention was drawn to the revised internal audit plan (Section 3) which included the completed risk based coverage pre-merger and also the proposed risk based coverage for the SK College Group post-merger. The Committee particularly discussed the College Group’s readiness for GDPR and the risk management and corporate governance board assurance arrangement processes, with a separate session with ICCA requested to consider the College Group’s position as an assurance mapping exercise.

**ACTION: ICCA to schedule a session for the Audit Committee in relation to assurance mapping**

 It was also **agreed** that the SK College Group risk management register will be presented at the next meeting to inform both the requested assurance mapping exercise and the longer-term internal audit strategy.

 **ACTION: Director of Finance to present the risk management register at the next meeting to inform the assurance mapping exercise and the longer-term internal audit strategy**

 After due consideration, the Internal Audit Strategy for the remainder of 2017/18 was approved by the Audit Committee for recommendation to the Governing Body, which included 40 days and the associated fees.

**A/18/02/08 RISK MANAGEMENT**

 **A/18/02/08.1 RISKS FOR THE SK COLLEGE GROUP**

The Director of Finance reported that, as previously mentioned, the joint SK College Group risk management register will be presented at the next meeting of the Audit Committee, and the work to combine both risk registers from both campuses is currently underway.

 A summary of the areas to be included in the revised risk register was provided, with the following risks requiring particular attention

* Losing market share – fierce competition with 70 (38%) of GFECs in early or full intervention.
* Losing support from ESFA if key targets are not delivered.
* Losing key managers (change programme and redundancy scheme).
* Failure to deliver income targets/growth targets.

 The Committee was also requested to put forward any other risks currently not identified, with cyber security issues currently deemed as a key national area of risk. ICCA added regularity compliance that is currently included on the risk register.

 All those risks involved with the merger would need to be covered by the risk register to ensure that all aspects of the

 merger plans are actioned.

 **A/18/02/08.2 CYBER SECURITY**

 The Director of Finance presented a report which had been requested by the former Transition Board, and which aimed to provide assurances to the Committee on the College Group’s overall cyber security strategy and the implementation of the GDPR regulation in May 2018. The Committee were assured that cyber risks would be embedded into the College Group’s

 overall risk management regime.

 The Audit Committee observed that the implementation dates were sometimes quite far away and these should be reviewed,

 The Committee asked that consideration be given to a separate presentation being made on this issue at a future meeting of the Governing Body.

**ACTION: Director of Finance/Clerk to arrange a presentation at a future meeting of the Governing Body about Cyber security**

**This item was taken at the end of the meeting and without the presence of the internal auditors**

**A/18/02/09 EXTERNAL AUDIT: APPONTMENT OF EXTERNAL AUDITORS FOR**

 **KCC CLOSEDOWN OF ACCOUNTS**

The Director of Finance reported that due to the merger, the College Group has to produce monthly accounts for the former KCC for 4 months, which need to be submitted to the ESFA up to 12 May 2018. The Committee discussed the process, with the ESFA directing the legal method that needs to be applied for this process

 The Audit Committee endorsed the recommendation to appoint KPMG

 for the KCC closedown of accounts, primarily based on continuity. The associated fees are currently being agreed, which will be based on a full year’s fee as the amount of work involved is the same.

**A/18/02/10 DEVELOPMENT OF SCORECARD FOR THE COMMITTEE’S ACCOUNTABLE SECTIONS OF THE RF BID**

The CEO presented the draft scorecard for the Committee’s accountable sections of the RF bid, reporting that this remained work in progress.

 The format of the scorecard was approved by the Audit Committee.

**This item was taken at the end of the meeting and without the presence of the internal auditors**

**A/18/02/11 URGENT ITEMS (AS NOTIFIED UNDER MINUTE NUMBER QO/18/02/04 ABOVE)**

a Internal and External auditor contracts **(Director of Finance)**

 The Director of Finance reported that KPMG were currently on a

 1-year extended contract for both former Colleges and ICCA have come to the end of their 3-year contract, with a 2-year extension possible. The Committee discussed the performance of both auditors and agreed to recommend to continue with KPMG as the external auditors, and ICCA as the internal auditors for the SK College Group, both subject to annual review. It was further recommended that a tender process for the external audit service should be undertaken for the external audit service before the 2018/2019 audit takes place.

**ACTION: Director of Finance to recommend to the Governing Body the extension of the contracts for both KPMG and ICCA as the SK College Group auditors, subject to annual review and to undertake a tender process for the external audit contract for the 2018/2019 audit**

**A/18/02/12 DATE AND TIME OF NEXT MEETING: 2.00 pm on Thursday 24 May 2018 at the St Helens Campus.**

**Mr J Creed and Mrs K Scott from ICCA were asked if there were any issues that they wished to raise without the presence of the College Group Staff, with no issues raised. Similarly, the Audit Committee had no issues to raise with the internal and external auditors without the presence of the College Group staff.**

**KEY OUTCOMES:**

**ANNUAL CYCLE OF BUSINESS/COMMITTEE’S TERMS OF REFERENCE:**  **The Audit Committee approved the annual cycle of business which it was acknowledged was a working document and could therefore be subject to change. One recommended change to the Audit Committee’s terms of reference was also recommended to the Governing Body**.

**INTERNAL AUDIT: INTERNAL AUDIT STRATEGY FOR THE REMAINDER OF 2017/18:**

**The Audit Committee approved the Internal Audit Strategy for the remainder of 2017/18 and recommended approval to the Governing Body.**

**RISK MANAGEMENT: CYBER SECURITY: The Audit Committee accepted a report about risk management and the work underway to develop a combined risk register and also about Cyber Security, with assurances provided that the cyber risks would be embedded into the College Group’s overall risk management regime.**

**The Committee requested a separate presentation about Cyber security at a future meeting and also a separate session with the internal auditors about risk assurance mapping.**

**EXTERNAL AUDIT: APPONTMENT OF EXTERNAL AUDITORS FOR KCC CLOSEDOWN OF ACCOUNTS: The Audit Committee appointed KPMG for the former KCC closedown of accounts.**

**DRAFT SCORECARD FOR THE COMMITTEE’S ACCOUNTABLE SECTIONS OF THE RF BID: The Audit Committee accepted the format of the Committee’s scorecard for the Committee’s accountable sections of the RF bid.**

**INTERNAL AND EXTERNAL AUDITOR CONTRACTS:** **The Audit Committee recommended to continue with KPMG as the external auditors, and ICCA as the internal auditors for the SK College Group.**