## MEETING OF THE AUDIT COMMITTEE

**TIME/DATE 26th June 2019 3pm**

**VENUE ST HELENS BOARDROOM**

**PRESENT:**

Philip Han External Governor (Chair)

Paul Christian Co-opted Member

Alison Cannon External Governor

Debbie Calderbank External Governor

***John Heritage External governor***

**IN ATTENDANCE**

***Rob Molloy CFO***

***Stuart Arnfield Director of Finance***

Monica Box Principal

Jonathan Creed ICCA

Rashpal Khangura KPMG

Lorna Lloyd-Williams Governance Director

**Italics denotes absence DRAFT MINUTES**

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|  | **The meeting opened at 3pm and the meeting was quorate with at least three Governors present the majority of whom were external Governors. The Committee Chair welcomed Debbie Calderbank to her first meeting as a Governor. The Principal gave her apologies for attending and advised that she was present on behalf of the CFO and Director of Finance who had been unable to attend the meeting.** |
|  | **APOLOGIES**  Apologies were received and accepted from Mr. J Heritage, Mr. R Molloy and Mr. S Arnfield. |
|  | **DECLARATIONS OF INTEREST**  There were no declarations of interest. |
|  | **NOTIFICATION OF URGENT ISSUES**  There were no urgent issues. |
|  | **MINUTES OF THE MEETING HELD ON THE 21ST MARCH 2019**  The minutes were approved as a true and correct record for signature by the Chair of the Committee. The Governance Director confirmed that the English and maths audit had been considered by the Quality and Outcomes committee at their meeting that morning. |
|  | **MATTERS ARISING**  The Governance Director advised that item number 5 was now completed albeit ongoing, as Governors were now seeing the internal audit recommendation tracker on a monthly basis.  In relation to the other outstanding item, “once the Audit committee is comfortable with the risk register that a summary of the risks to be sent to the board.” the Governance Director advised that this had been discussed at a recent one to one and that the Chair had requested a summary document of the major risks with details of how they are progressing and direction of travel to go to each Board meeting.  **ACTION:CFO** |
|  | **FINANCIAL NOTICE TO IMPROVE(FNTI)(Confidential)**  This agenda item was considered to be confidential by the committee with the details therefore recorded within the confidential minutes of this meeting. |
|  | **EXTERNAL AUDIT PLANNING MEMORANDUM (Confidential – commercially sensitive)**  This agenda item was considered to be confidential by the committee with the details therefore recorded within the confidential minutes of this meeting. |
|  | **8 INTERNAL AUDITS** |
|  | * 1. **FUNDAMENTAL FINANCIAL CONTROLS**   Mr. Creed advised that ICCA were able to give Substantial Assurance that the areas of the control environment tested during the audit were designed and operating effectively with no significant weaknesses. He further advised that there were three recommendations, one medium and two low as follows**:**   1. Inconsistencies between the financial regulations and the operating procedures. (LOW recommendation) 2. The college should ensure that controls are re-enforced to comply with updated financial regulations (LOW recommendation) 3. The College should ensure that staff using procurement cards obtain receipts and/ or actual evidence of expenditure, as part of the controls in place for the use of procurement (credit) cards. The Finance team should strengthen controls in place to monitor compliance with this process and follow-up outstanding issues more stringently with staff.(MEDIUM recommendation)   The committee were advised that management responses had all been positive and that it was a question of some lapses in established controls rather than a breakdown in controls. Governors challenged the sample size of 20 and received assurance from Mr. Creed that he was comfortable with this sample size being sufficient as ICCA had been testing whether the controls had been identified rather than questioning the substance of the transaction. |
|  | * 1. **RISK MANAGEMENT**   The committee noted that the scope of the audit was to give an opinion as to whether the College had in place effective risk management and assurance reporting arrangements. Mr Creed was able to advise the Committee that auditors could give a substantial overall assurance opinion and went on to explain to the committee the College is now focusing on the next stage which is the development of a board assurance framework.  Mr. Creed further advised that the risk register itself was able to give substantial assurance. Governors asked where the responsibility for risk management lay within the College and were informed that responsibility lies across the executive. Governors asked about a gap in relation to health and safety assurance (R10 on table). Mr. Creed explained that ICCA had identified where there are gaps and management now need to think about these. The Chair commented that there is a health and safety policy and the committee were informed by the Governance Director that the Health and Safety Governor is working with the executive in relation to this. |
|  | **INTERNAL AUDIT RECOMMENDATION TRACKER**  The Principal gave an update regarding English and maths advising there had been some good results and good attendance at resits. Governors asked for an update at the next meeting and an update on the third item.  **ACTION: Director of Finance** |
|  | **INTERNAL AUDIT PLAN 2019-2020**  Mr. Creed advised that the audit plan is the proposal for 19/20 and confirmed that he was made aware of the College’s financial position when preparing the proposal. Mr. Creed spoke about the proposed reviews and explained the rationale for them.  In relation to the 16-19 curriculum efficiency audit, Governors asked whether the audit could be undertaken in sufficient time to drive some action within year rather than seeing the results of any recommendations in the following year. It was explained that the internal audit would reflect on what had been done and check whether what had been done had been done efficiently. The Principal further explained that strategies to impact on the initial 42 day period will impact now, in August and September and gave the committee further details regarding this and what she would expect to see tested in an audit. Mr. Creed advised that what will be measured is how effective the College was in putting in place the cornerstones of the curriculum such as timetables. The audit will be looking at the response of the college.  The committee questioned whether this would therefore be of any added value and there was debate and discussion regarding the purpose and timing of the audit. Mr. Creed advised the audit could be undertaken now but would only be measuring the systems as there would be no students in place. Governors asked if the audit could as well as including benchmarks also bring in other areas of good practice. After lengthy discussion it was agreed that the audit should be structured to undertake some work in advance, some in real time and then a retrospective element to look at what happened over the 42 days. Governors commented that phasing in this manner would allow the audit to examine both the design and implementation. It was agreed that Mr Creed and the Principal would prepare a bespoke scope for this particular audit.  **Action:ICCA and Principal**  Mr. Creed took the committee through the remainder of the proposed audits and advised that if the College is selected for an ESFA funding audit on its 18/19 funding claim, the days allocated to this could be used elsewhere. Governors commented that one of the aspects of this audit would be the integrity of the systems and accuracy so instructed that should there be an audit of the 18/19 funding claim. It was noted that the internal audit plan should be kept under review and that it can be changed.  It was  **Resolved** to recommend the internal audit plan 2019/20 to the Governing Board for approval. |
|  | **RISK REGISTER**  The Principal took the committee though the risks and the mitigation in relation to these. The committee were informed there has been an increased risk in terms of fraud and bribery and the College had been subject to some external attempts at fraud around requests to change pay roll details. It was noted that the College has sound segregation of duties which is mitigation around this risk. The committee also noted that there is an increased risk regarding external regulators from Ofsted changes and a new risk as the College has to reapply to RoATP for apprenticeships due to the FNTI.  Governors asked about the pay roll frauds and whether staff have an online portal and were advised that staff can change personal details on the system but the College is alerted and have algorithms that stop this happening. Governors suggested that this might be followed up with IT.  **Action: CFO** |
|  | **CONSULTATION WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS *SHOULD IT BE REQUIRED***  **This was not required**  Mr. Creed advised there were still a number of audits that are ongoing and upon being asked Mr. Creed gave further details. The committee noted that auditors would normally expect to have substantially finished their work by this point of the academic year.  Governors made it clear they consider the student journey audit to be a priority. |
|  | **STATEMENT OF REPORTED INCIDENTS OF FRAUD AND WHISTLEBLOWING**  The Governance Director advised that there had been no reported incidents of fraud or whistleblowing. |
|  | **14 POLICIES- FOR RECOMMENDATION TO THE BOARD *WHISTLEBLOWING POLICY,***  ***FRAUD & CORRUPTION POLICY POSTPONED***  The Governance Director advised that these policies form part of the financial regulations which had been to the Finance, Resources and Commercial committee the previous week. This committee had asked for all of the regulations to be reviewed and therefore it had been necessary to postpone these policies coming to the audit committee this time. |
|  | **GOVERNANCE** |
|  | * 1. **REVIEW OF TERMS OF REFERENCE**   The Governance Director advised that there had been a few amendments/deletions to the terms of reference to delete parts of the RF bid which were no longer relevant and also an update regarding the audit code of practice. She also advised the committee that the terms had been amended to include the risks contained in section 11 of the recovery plan and it was suggested that these could be mapped to the risk register. Governors asked how the College and the committee will be enabled to monitor the sct 11 risks.  **Action Governance Director discuss with the CFO and Director of Finance how to monitor sct 11 risks.**  It was  **Resolved** to recommend the amended terms of reference to the Governing Board for approval. |
|  | * 1. **ANNUAL CYCLE OF BUSINESS 19/20**   It was  **Resolved** to approve the schedule of business for 2019/20. |
|  | * 1. **REVIEW OF COMMITTEE'S PERFORMANCE**   The Governance Director advised that she had been through the terms of reference and the committee had complied with all of them except that a comprehensive risk assurance map has yet to be completed although risk management was the subject of an audit before the committee. Secondly work regarding the governance structures in the first year of merger was undertaken by the Search and Governance committee without input from the Audit committee. The committee accepted the committee performance review. |
|  | **ANY OTHER BUSINESS**  There was no any other business. |
|  | **ANY MATTERS TO BE REFERRED TO ANOTHER COMMITTEE**  There were no matters to be referred to another committee. |
|  | **DATE OF NEXT MEETING**  ***THURSDAY 26TH SEPTEMBER 2PM KNOWSLEY BOARDROOM***  Mr. Han was thanked for his contribution to the work of the Audit committee, it being noted that this was his last meeting as he would be joining the FR&C committee. |
|  | **The meeting closed at 17.04** |