



Audit and Risk Assurance Committee

Minutes of the Audit and Risk Assurance Committee meeting held on Monday 4th December 2017 at 8.50 am in the Board Room City Campus.

Present: Gwyn Arnold
Ian Brown
Seb Schmoller, Chair
Ian Falconer, Co-opted Governor

In Attendance: Kate Platts, Executive Director of Finance and Resources
Maxine Bagshaw, Clerk for the meeting
Heather Philipson, Health and Safety Manager (from 9.30 - 9.45 am)
Richard Lee, KPMG
Clare Partridge, KPMG
Madeline Hawley, Grant Thornton
Frazer Pirie, Grant Thornton

Min. No.		Action By Whom	Action By When
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17/4/1 WELCOME INTRODUCTIONS & APOLOGIES FOR ABSENCE

Apologies for absence were received from Kathy Atkin and Phillip Keown from Grant Thornton.

Ian Falconer was welcomed to his first meeting as a Committee member. Maxine Bagshaw who is acting as an interim Clerk was also welcomed to the meeting.

2 DECLARATIONS OF INTEREST

The Chair reminded everyone present to declare any interests that they may have on matters to be considered. Ian Falconer asked that it be recorded that he is a Governor at DN Colleges Group and is Vice Chair of its Audit Committee. This College is in a period of transition and it is expected that he will retire as a Governor there in the near future.

Clare Partridge from KPMG also asked that it be noted that she is a Governor at Barnsley College.

3 MINUTES OF THE MEETING HELD ON 25TH SEPTEMBER 2017

	<p>In the absence of Kathryn Atkin it was not felt appropriate for the Chair, as the sole other member who attended that meeting, to approve on his own. It was therefore agreed to carry forward consideration of the minutes of the meeting held on 25th September 2017 to the next meeting.</p>	Clerk	19 th March 2018
4	MATTERS ARISING		
	<p>The committee asked that it be recorded that an action progress tracker be provided in future. Unfortunately the Clerk has, entirely understandably, not had the time to produce this for this meeting.</p>	Clerk	Standing agenda item
	<p>The Committee asked for an update to be provided in relation to AIB discussions referred to on page 2, paragraph 4.3. The Executive Director of Finance and Resources explained that the operating covenant discussed was at a different rate than understood by the College. AIB have provided a restatement and it is pleasing to be able to advise that the College did not breach the covenant in 2016-17.</p>		
	<p>In terms of considering the content of the minutes it was agreed that all other matters noted as actions would be dealt with during planned agenda items for this meeting.</p>		
	<p>AGREED: to note the update provided.</p>		
5	FINAL INTERNAL AUDIT REPORT FOR 2016/17		
	<p>Grant Thornton introduced this item and confirmed that there have been no changes to the main body of the report save for page 9. The number of days has been updated to reflect the actual position and the costs summarised.</p>		
	<p>In reviewing the report the Committee discussed the high priority recommendation made in relation to the purchase ledger and more particularly the use of the corporate credit card. They asked whether this action has now been addressed. The Executive Director of Finance & Resources was unable to confirm this at the meeting but agreed to review as a matter of urgency. The Committee challenged the senior team and indicated that they wanted to close this issue very quickly, ideally so they provide positive assurance to the Board that all high priority issues had been resolved by the year-end.</p>	ED F&R	Dec 2017
	<p>AGREED The Committee were happy to receive the annual report provided and welcomed the content. They were happy to commend it to the Board as part of the risk assurance framework in place.</p>		

6 INTERNAL AUDIT PLAN FOR 2017/18 FINAL

Grant Thornton presented this document and confirmed that no fundamental changes had been made since September 2017, except for the additional review of internal communications and staff engagement. This audit will specifically look at the restructure communication which took place in 16/17 (and any lessons learned) but will be much broader than this.

The Committee questioned whether the new management team feel that this plan remains appropriate and achievable. The Executive Director of Finance & Resources confirmed that she feels that the plan is achievable and acknowledged that the question regarding its continued appropriateness in terms of focus is a valid one. The Committee challenged the senior team and auditors as to whether the things that are identified as audit subjects will help the College improve.

The Committee considered the audit topics planned in detail and it was felt that generally the headings are right, however what is now important is for the management team to carefully consider the scope and specifications of the individual audit exercises to ensure that they delve into the areas of concern and risk.

The Committee was reminded that the College will also have some external points of assurance this year including from Ofsted, the FE Commissioner, and ESFA.

The Committee asked whether a summary table exists which shows a matrix of all strategic risks and where assurances are planned to be obtained within this framework. The Executive Director Finance & Resources has not yet been able to establish whether such a summary exists but confirmed that was also her preferred approach and she would ensure that one was prepared as soon as practicable. The Committee challenged the senior team and indicated that this was a crucial document for them, in that it would help them and the Board to see where they planned to obtain their assurance. They felt that this was needed to be certain that the new management team are really focussing on the areas of concern linked to risks, rather than being fettered by the previous management team's decisions and chosen areas of focus.

It was accepted that the internal audit plan is a snapshot document and is capable of amendment should the College's risk profile change during the year.

The Committee challenged the senior team and expressed a view that the Board and external stakeholders need to have certainty regarding financial planning and forecasting. This is an area for potential internal audit, however it was agreed that this was

probably not the best time to look at this and that a better use of resources would be testing once changes have been implemented.

The Executive Director Finance & Resources advised that she has gone back to the BDO report prepared on behalf of the bank in 2015 and it is clear that not all of the recommendations within that report have been actioned. For her, there is a piece of work to do in terms of better understanding and managing data, and in particular additional resources are required to consolidate the data sets that exist.

The Committee restated their concern regarding the absence of a suitably thorough assurance framework. Without such a document and RAG rating they cannot, with sufficient confidence, gauge whether the right assurance is being commissioned.

The Executive Director Finance & Resources acknowledged the Committee's stated position and explained that in terms of the finance team, their restructure in July 17 has had a negative impact and that the College will have to work hard with the new team to ensure consistency of approach and expectations.

In terms of immediate risks these were identified as:

- Ofsted,
- Finalisation of the 16/17 accounts - which will be achieved,
- Future financial planning. All agreed that this was key. There is the option to have an external review undertaken, however this will come at a cost. The Executive Director Finance and Resources gave assurance to the Committee that she knows what needs to be done and that this may involve additional resource required to support the Management Information and Systems function.

The Committee expressed the view that the lack of a planning and assurance matrix of the kind described above - particular in the context of the departure, over a period of about six months, of four senior members of staff - is a governance failing, and in acknowledging this it needs to be a priority to reintroduce it. [This minute should be read in the context of Item 11 below.]

In terms of improving financial forecasting and financial monitoring the Committee questioned whether there are any 'quick fixes' or whether it is the case that systems and processes will need to develop over time? The Executive Director Finance & Resources expressed the view that the changes needed were not complex but that it will take time to introduce.

AGREED: to approve the Internal Audit Plan 2017/18 as presented and request that the senior team work closely with auditors to agree appropriate specifications for the audit work required.

7 INTERNAL AUDIT 2017/18 PROGRESS REPORT

Grant Thornton introduced this item and drew members' attention to the table in section two of the plan. The Committee noted and challenged the team in terms of the reporting slippage against the original schedule, however it was agreed that with hindsight it was not necessarily a bad thing as it will give an opportunity for the new management team to be involved in giving shape to the audits agreed.

AGREED to note the update provided.

8 MANAGEMENT REVIEW OF INTERNAL AUDIT RECOMMENDATIONS

The Executive Director Finance & Resources introduced this report and stated her view that, the role of this Committee is to hold management to account for progressing and completing the actions identified. She is comfortable and confident that this document now accurately provides a summary of all internal audit and external actions agreed and outstanding, ie it is complete, however at this point in time she has not yet had the capacity to delve deeper in terms of the current state of progress addressing those agreed actions. In particular there may be an issue for her regarding whether or not actions are being progressed in a timely manner. She is unable to provide a high level of assurance that actions have been completed at this meeting, however she does not believe that any actions that are outstanding are significant risks.

She confirmed that there are plans in place for her to speak to all of the owners of actions and realistically get a feel from them as to when the improvements recommended will be complete. It is also intended to introduce another level of scrutiny, this will be at executive level, with each member of the executive identified as owning and monitoring implementation of improvements agreed.

The Committee questioned when it was expected that the College will get to a cultural position of implementing actions to whatever timescale is agreed. The Committee was advised that it is likely to take a couple of months fully to implement new systems and to make clear expectations on individual staff. It is expected that an improved position will be seen by the next quarter and an updated report will be provided on this at the next committee meeting.

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The Committee discussed generally the culture and apparent lack of ownership in progressing matters to conclusion. The Committee were given assurance that the exercise to be undertaken will allow a reassessment of the due date for actions and the College can then move forward in a realistic position.

The Committee discussed the format of the report and it was agreed that all audit actions needed to be included within one tracking document. The Committee also noted its intent, once the tracking document is up to date, to summon any action owners whose agreed deadlines have slipped more than once.

AGREED: to assure the Board that the College continued to keep track of all improvement recommendations it agreed, but that it was not yet in a position to confirm whether or not those actions were completed on a timely basis.

9 HEALTH & SAFETY ANNUAL REPORT FOR 2016/17

Heather Philipson, the Health and Safety Manager, joined the meeting at 9.30 am. She presented her written report and a number of key matters were noted:

- Fire - all buildings have fire risk assessments and evacuation procedures, including personal emergency evacuation plans for staff and students. An external audit was undertaken on this and positive assurance was given, although it may be that the College uses a different template document moving forward.
- There is no asbestos in College buildings.
- Legionella is considered as a risk, however the College has an external contract in place to manage and mitigate. The College has established procedures in place for flushing little used outlets, testing and treatment. This is closely monitored by estates and the College receives regular visits from a water hygiene specialist.
- Work related stress - there are established procedures in place and the College is actively promoting the use of the Employee Assistance Programme which provides 24 hour helpline support to employees.
- Significant improvements have been made in terms of staff compliance with training.
- The College continues to engage with regulatory bodies as required. One complaint was made to the Health and Safety Executive in October 2017 regarding smells arising from the use of acrylic nails. A full review was undertaken and report provided to the HSE, no further work or action is required. It was explained that the College is not actually teaching this module this year so it is not expected that there will be further issues.
- During 16/17 there were two reportable accidents, both of which were minor but were reportable because both of the individuals involved left site and went to hospital.

The Committee was happy to receive the report and agreed that it provided positive assurance about the adequacy and effectiveness of the College's health & safety management systems.

The Committee referred back to the management review of internal audit recommendations report and the noncompliance with action implementation. They questioned the Health and Safety Manager on whether or not this was a surprise or a concern. She indicated that she was not concerned that there was a non-compliance culture as regards H&S: in most cases it is just a matter of continually chasing until actions are completed.

The Committee questioned whether Health and Safety and Safeguarding are linked in terms of management. It was explained that they are managed separately.

AGREED: to report the positive assurance which the report provided to the Board and to include outstanding H&S recommendations to the Committee's action tracker.

(Heather Philipson left the meeting at 9.45 am)

10 REPORT OF THE EDUCATION & SKILLS FUNDING AGENCY AUDIT

It was agreed that the content of this report would be confidential as it contains commercially sensitive data.

As an overall observation however, the Committee were pleased that it gives assurance regarding the appropriateness of funding claims. They welcomed the report and the assurance that it gives in terms of the College's control.

They asked that their appreciation be passed on to the funding and finance teams.

AGREED to report the positive assurance over funding claims to the Board.

11 TERMLY REVIEW OF RISK MANAGEMENT PLAN FOR 2017/18

The Executive Director for Finance and Resources introduced this item and provided a verbal update. She confirmed that she has done a lot of work to assess the College's risk management position. The College already has a risk management policy and plan in place and it is intended that this will be reviewed by the Executive. The Executive will assess the identified risk appetite and also analyse in detail the proximity of risks known. This will then give a sense of priorities which can be linked to the internal assurance plan and framework.

The EDF&R is planning to undertake a risk management workshop with the executive team early in the new year. Part of this will include a review of the register, where the Executive team can

look at priorities and agree mitigating actions. She described this as very much a 'work in progress' at this stage.

Rather than create something entirely new, the plan is to review what is already in place and exists. It was confirmed that there will be a risk management report to every meeting of this Committee and that risks are reported regularly to the Board.

ED F&R

Standing Item

The Committee discussed the management of risk and the risk register generally and expressed the view that, whilst they accept that the executive will have to oversee it, they do not feel that the use of resources at such a high level to record the day-to-day management of risk is efficient. They queried who should track this document and they queried whether it should be a Finance Manager, the Clerk etc. or someone at a lower operational level.

In terms of the register generally it was accepted that it should be owned by the Executive Team, however they did not feel that it was solely the responsibility of the finance department to manage and progress.

It was agreed that the output of the planned workshop would be reported to the next meeting. The Committee indicated that, specifically they would want to know who will operationally administer the risk register and the actions required.

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The Committee challenged the senior team and expressed the view that again, the issue that has arisen is in relation to the accuracy and timeliness of actions and that this clearly needs to be something that is addressed College wide.

There was a view expressed that in the short term it is appropriate for the CEO to own and manage risk.

The Executive Director Finance & Resources indicated that for her there are two significant issues for the College to address in the short term, the first is quality and the second is finance. The Principal is focusing on the quality side of operations and the EDF&R has agreed to oversee risk. This is a practical decision taken to provide appropriate capacity for both areas of focus.

AGREED: to assure the Board that the Executive has plans to strengthen the College's formal approach to the management of strategic risks, but that pending the re-invigoration of the existing framework manage current strategic risks continue to manage directly by the Executive.

12 AUDIT COMMITTEE'S ANNUAL REPORT FOR 2016/17 (TO THE EDUCATION AND SKILLS FUNDING AGENCY, GOVERNING BODY & ACTING CHIEF EXECUTIVE)

The Executive Director Finance and Resources presented the draft report which the Committee debated. There were a number of observations and agreed actions:

- It was noted that in terms of the Code of Good Governance questionnaire the 'action required' column does not have implementation dates or targets. For future reports the Committee would like to see some proposed end dates and also an identified owner for actions agreed. The Committee agreed that this was needed to ensure robust governance but acknowledged that it was part of an ongoing journey of improvement. It was not felt that there was a need to update this questionnaire at this point in time prior to approving the 16/17 Annual Report. They also felt that it would be really useful to cross reference in the questionnaire where evidence can be found, for example in minutes of meetings, reports etc. This can be provided by way of an extra column or in an extract which summarises actions in a tracker. This is to be part and parcel of the assurance frameworks to be developed.
- The Committee particularly considered section 13 of the report and questioned whether they were 'satisfied' with the statement in bullet point 2. They did not feel that this as presented accurately reflected their position. Instead this should read 'that management have plans in place to address all the actions and improvements identified'.
- A minor change was agreed at paragraph 10.2 the reference to cyber security should be deleted and 'information' inserted.

Subject to these minor changes the Committee were happy to approve the report as presented.

AGREED to approve the Audit Committee Annual Report for 2016/17 for submission to the Chief Executive and the Governing Body, as principal source of assurance underpinning the draft Statement of Corporate Governance and Internal Control in the draft Report of the Governing Body with the draft Financial Statements 2016-17.

13 REVIEW OF THE MEETING

The Chair took this opportunity to invite comments on any further work to be commissioned and any highlights to be included in the Chairs report to the Governing Body on 18th December 2017.

The Committee felt that work requested would be accurately recorded within the minutes and that they did not feel that there was anything further to add at this stage. In terms of the Chair's report, the Committee requested that it be made clear to

Governing Body that it is critically important for the College at this time for staff at all levels to be tracking and dealing with agreed actions in a timely manner. It was felt by all that discussions had been useful regarding the wider position of the College and in particular, the issues and challenges that the management team currently faces.

14 AOB

There were no items of additional business.

15 DATE AND TIME OF NEXT MEETING

It was confirmed that the next scheduled meeting is Monday 19th March 2018 at 8 am.

Meeting closed at 10.10 am.