## 

## MEETING OF THE AUDIT COMMITTEE

**TIME/DATE 2.00pm Friday 21st September 2018**

**VENUE ST HELENS BOARDROOM**

**PRESENT:**

Philip Han External Governor(Chair)

Paul Christin co-opted Member

Keith Sanderson (Chair) External Governor

Alison Canon External Governor

*Julia Tinsley External Governor*

**IN ATTENDANCE**

**S**usan Jee Chair of the Governing Board

Rob Molloy CFO

Stuart Arnfield Director of Finance

Jette Burford CEO

Jonathan Creed ICCA

Kath Stott ICCA

Lorna Lloyd-Williams Clerk to the Governing Board

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| **Item** | **The meeting was quorate with at least 3 external members present and the meeting opened at 14.10** |
| **1**  **A/09/18/1** | **CONSULTATION WITH THE AUDITORS in the absence of College Officers**  This agenda item was taken later in the meeting. |
| **2**  **A/09/18/2** | **APOLOGIES**  There were no apologies |
| **3**  **A/09/18/3** | **NOTIFICATION OF URGENT ISSUES**  There were no urgent items |
| **4**  **A/09/18/4** | **DECLARATION OF INTERESTS**  There were no declarations of interest. |
| **5**  **A/09/18/5** | **OPEN MINUTES OF THE MEETING HELD ON 24th May**  The minutes of the meeting on 24th May 2018 were approved as a true and correct record and authorised for signature by the Chair | |
| **6**  **A/09/18/6** | **MATTERS ARISING** – Actions Sheet – to accept.  Action from meeting 8th February:  The following action was noted:  CFO to undertake a tender process for external audit contract in February/March  Action from meeting 24th May  The following actions were noted:   * Bringing the risk management policy back to the committee was postponed until the next meeting when the CFO would also bring back some form of report/analysis for monitoring risk. * No incidents of fraud * Apprenticeships audit now on agenda. * External planning memorandums now on the agenda. | |
| **7**  **A/09/18/7** | EXTERNAL AUDIT PLANNING MEMORANDUM  Ms A Latham from KPMG presented the External Audit Strategy for 2017/18 in relation to both St Helens College and Knowsley college. She explained there were two audit strategies because of the need to audit the period when Knowsley college was in operation and then the merged college. It was noted that the main purpose of the audit was to give a true and fair value of the state of the colleges financial affairs and the college income and expenditure, gains and losses, changes in reserves and cash flow.  Ms Latham took Governors through each section in detail, which included reference to:   * The purpose and objectives of the audit. * The Audit cycle and timetable. * The materiality and reporting of audit differences. * The significant risks, including risks that ISAs required KPMG to raise in all cases, other areas of audit focus and their approach to them. * Management override * Regularity – new self-assessment questionnaire – explained in detail this to the committee. The Clerk advised that this goes to the Board for signature by the Chair of the Governing board and the CEO in their capacity of Chief Accounting Officer.   **Action:** Clerk send chair of committee the questionnaire and distribute to all of audit committee once completed.   * Pensions – * Merger considerations- appropriate accounting applied. * The audit team structure and fees- both managers on long term sickness so will be bringing in a new audit manager.   In relation to materiality (risk of a material error to the accounts) Ms Latham advised that auditors would report any errors over 25k. Governors questioned how the auditors test completeness of journals and Mrs Latham took the committee through this. Governors asked what proportion of the College’s revenue was from tuition fees and were advised 15% and that this was a growth area. Governors asked that the year end memorandum look at cash flow and financial issues and that KPMG include their work around “going concern” which could also be helpful to have included as an area of audit focus.  Governors also questioned the timing of the external planning memorandum and it was confirmed that usually this would come to the June meeting.  KPMG advised they would check and inform the Clerk as to whether a regularity questionnaire was required for Knowsley as well and it was confirmed to the committee that the basis for the audit would be as a “going concern”. In relation to Knowlsey, materiality was also discussed and the Director of Finance explained that was low at 50k because it is based on income for 4 months. It was  Resolved that the External Audit Planning memorandums be recommended to the Governing Board for approval as presented subject to inclusion of the going concern audit for the merged college. | |
| **8**  **A/09/18/8** | ESFA SUBCONTRACTING AUDIT  The committee were asked if they had any questions on the report. Members asked about the missing sign off on the policy and it was explained that physical sign off is needed on the policy. KPMG advised that recommendations are followed up by the College and it was noted that KPMG had been able to issue the ESFA certificate. | |
| **9**  **A/09/18/9** | **INTERNAL AUDIT STRATEGY 18/19**  Mr J Creed from ICCA presented the proposed Internal Audit Strategy for 2018/19 with the approach to be taken by ICCA outlined for the Committee. Governors noted that an analysis of the colleges key strategic risks had been undertaken, that a meeting had taken place with the Director of Finance and CFO and the strategy had been considered with SLT. The following areas were to be included in the audit plan for 2018/19   * 16-18 student journey- initial enquiry, admissions and enrolment * English and maths strategy * IT data security, infrastructure and disaster recovery * Strategic financial planning and business planning * Risk management and board assurance * Learner records- ESFA mock funding audit   The committee were reminded that the internal audit plan had to be agreed by the committee. Mr Creed took the committee through each of the reviews and Governors questioned whether the plan represented the best use of time in terms of the risk rating of some areas particularly regarding thee IT audit. ICCA explained that over a period of time most areas will have an audit review.  Governors questioned the risk rating being low for information and cyber security when it is seen as being one of the top 5 risks. The CEO advised that a report had previously gone to Audit on cyber security and it is possible that there is a low risk rating as College is confident have controls in place so the net risk is therefore low. ICCA advised that this would be a good year to look at this area.  It was agreed that going forward and for the next academic year, the committee chairs of both FR&C and Q&O as well as audit should provide input to the internal audit strategy and key risks. ICCA advised that it is possible to flex the plan this year if input is required and that internal audit plans need to be proactive and reactive.  Governors raised the issue of the scope of the audits and how ICCA are used to ensure we get the best out of the audits. The Chair of the Committee advised that the committee is looking for help in terms of identifying where best practice is in other colleges and where we as a college can improve. Governors commented that we don’t just want to limit ourselves to what is best in FE. ICCA were asked to take all this into account in the content of audit reports going forward, to include a comparison to best practice section.  It was  **Resolved** to recommend the internal audit strategy 18/19 to the Governing Board for approval. | |
| **10**  **A/09/18/10** | **INTERNAL AUDIT REPORTS**   * Annual Internal Audit Report 2017/18   Mr J Creed from ICCA presented their internal audit annual report for the year ended 31 July 2017which outlined the internal audit work that ICCA had carried out as the College’s appointed internal audit service provider and explained that it includes the auditors opinion on internal control, risk management etc. This will be included in the committee’s annual audit report to the Governing board and he advised the committee that he was able to give reasonable assurance, which is as good an opinion as can be given.  In relation to Knowsley it was noted that the audit opinion was from 12th December and upon Governors questioning it was confirmed that KMPG audited the Knowsley financial statements for 16/17.  Governors questioned whether the deferral of the mock Funding audit had been approved by the audit committee and it was advised that it had not. The Chair of the Committee asked that in future any changes to the audit plan be approved by the committee by way of a note with an explanation being sent to him.   * Fundamental Financial Accounting Controls   Mr J Creed from ICCA presented the above internal audit report which was designed to give independent assurance that the College has effective and efficient controls governing its fundamental financial systems for the areas under review which were:   * General ledger * cash and banking * Purchasing and creditor payments * Income and debtors   It was reported that the review had identified 1 medium and 4 low recommendations***.*** It was reported that ICCA were able to provide management and the Audit Committee with **Reasonable Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified.     * Central and department expenditure controls   Mr J Creed from ICCA presented the above internal audit report on a review of the Colleges central and departmental expenditure controls covering both Staff and non-pay expenditure at bot St Helens and Knowsley Campuses. It was reported that ICCA were able to provide **Substantial Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified. The committee also noted that no recommendations were made.   * GDPR compliance   Mr J Creed from ICCA informed the committee that this had been an advisory audit which had resulted in 8 recommendations.   * Risk Management and Corporate Governance   Mr J Creed from ICCA presented the above internal audit report following a review of the colleges exiting risk management framework. It was reported that ICCA were able to provide **Substantial Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified. Two recommendations had been identified, 1 medium and 1 low.   * Apprenticeship Data   Mr J Creed from ICCA presented the above internal audit report. The focus of the audit was to ensure that controls are sufficiently robust to enable the College to take assurance that information contained on the student record system for new Apprenticeship starts post May 2017 is materially accurate and reliable in supporting the Colleges funding claims. It was reported that ICCA were able to provide management and the Audit Committee with **Reasonable Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified. Two recommendations had been given, one high and one medium.   * Student Progress Monitoring   Mr J Creed from ICCA presented the above internal audit report following a review of the Colleges Student Progress Monitoring system to ensure that there were appropriate polies in place and compliance with the systems, controls and processes establishes to effectively monitor and report on student progress monitoring. It was reported that ICCA were able to provide **Substantial Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified with 1 low recommendation being made.  In relation to the Apprenticeships Audit, the CEO took the committee through the aspects that had led to a high recommendation. She advised this will be fixed going forward with OneFile and to ensure compliance there had been CPD for assessors and the introduction of assessment centres. Governors questioned who would be responsible for this action and were advised it would be one of the Vice-Principals.  The CEO advised that the second part of the recommendation related to delivery of functional skills and that this had been addressed.  ICCA advised lots of colleges had fallen foul of the 20% of the job rule and that it was important that Colleges comply. Discussion took place regarding vulnerability in relation to funding and the associated risks. Governors wishes to know what action was being taken by the College regarding apprenticeships that had started since May 18. The CEO was asked to go away and think about how much exposure we have on this and report back to the committee. Governors advised they want to know that the College is prepared in terms of understanding our vulnerabilities and that the committee and Board can have confidence that measures have been out in place to ensure that does not happen again. **Action: CEO -full facts in next week or two**  ICCA also advised they will pick this issue up in mock funding audit.  The Audit Committee accepted the internal audit reports. | |
| **11**  **A/09/18/11** | **INTERNAL AUDIT RECOMMENDATION TRACKER**    Internal Auditor’s Final report- follow up of previous recommendations  The Director of Finance took the committee through recommendations and where each was. Governors advised that it was not acceptable if actions were not completed in time for the target date. The Director of Finance was asked to emphasise this point to staff. The committee also asked that the tracker be sent out every month to committee  **ACTION Director of Finance/CFO** | |
| **12**  **A/09/18/12** | **RISK MANAGEMENT REGISTER**  Governors considered the risk management register  The CFO advised the College has reconstituted the risk management group and at each meeting a section of risks will be considered. The group had reviewed items 1-6 and some Health & Safety issues at its first meeting. In relation to the risk register Governors were advised that this now includes an assurance column, a risk indicator and a direction of travel column.  The Chair of the Governing board asked that once the committee is comfortable with the risk register that a summary of the risks to be sent to the board.  **Action: CFO**  Governors commented that the register was moving in the right direction.  Governors asked about the September enrolment numbers and the CFO advised that in relation to the 16-18 target he believed that the College will achieve some or most of the growth of 89.  Governors asked about risk m5 and whether auditors were aware of it. KPMG confirmed they will. | |
| **13**  **A/09/18/13** | **RISK SCORING MATRIX**  Governors were invited to attend risk group meetings if they would like. | |
| **14**  **A/09/18/14** | **GIFTS AND HOSPITALITY RETURN**  The Clerk advised that to date no gifts had been recorded but returns not completed so will update next meeting.  **The Clerk asked whether auditors or committee members wished to meet together in the absence of College Officers and as there were no matters to be raised the meeting continued and auditors left at 16.13** | |
| **15**  **A/09/18/15** | **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 24th May**  These were approved for signature by the Chair. | |
| **16**  **A/09/18/16** | **ANALYSIS OF ROOT CAUSES FOR HE SUBCONTRACTING ISSUES**  **(confidential)**  This item was considered to be confidential by the Corporation, with the details therefore recorded within the confidential minutes of this meeting. | |
| **17**  **A/09/18/17** | ANY OTHER BUSINESS –  There was no AOB | |
| **18**  **A/09/18/18** | DATE OF NEXT MEETING –  Thursday 29th November 2pm St Helens | |
|  | The meeting closed at 16.25pm | |