

**Minutes of the Meeting of the Audit Committee held on
Wednesday 10 May 2017 at 12.30 pm in Room BT28, Flemingate, Beverley**

Committee Members: Lesley Archer, Business Member
 Alex Denholm, Local Community Member
 Neil Waterhouse, Business Member (Chair)
 John Winepress, Local Community Member

Also in Attendance: Derek Branton, Principal
 John Doris, Vice Principal, Finance & Resources
 Judi Smith, Finance Manager
 Helen Wooldridge, Director of Learner Services, Planning and Diversity
 Lesley Hill, East Coast Audit Consortium
 Benita Jones, East Coast Audit Consortium)
 Ashley Hepton, RMS UK Audit LLP)
 Richard Lewis, RSM UK Audit LLP) From item 1109
 Janice Sunderland, Secretary to the Corporation)

Min. No.		ACTION by whom	DATE by when
1100	<u>APOLOGIES FOR ABSENCE</u> No apologies were received.		
1101	<u>DECLARATION OF INTEREST IN ANY OF THE ITEMS ON THIS AGENDA</u> The Chair reminded members of the Committee to declare at the start of the meeting interests held in any matters to be discussed. No interests were declared.		
1102	<u>MINUTES OF THE MEETING HELD ON 1 MARCH 2017</u> The minutes of the meeting held on 1 March 2017 were confirmed as an accurate record and signed by the Chair.		
1103	<u>CONFIDENTIAL MINUTES OF THE MEETING HELD ON 1 MARCH 2017</u> The confidential minutes of the meeting held on 1 March 2017 were confirmed as an accurate record and signed by the Chair.		
1104	<u>MATTERS ARISING</u> <u>Timing of Future Meetings</u> The Secretary informed the meeting that the Governance QIP requested that all Committees considered the timing of future meetings to ensure that they remained convenient for Members. It was agreed that this would be reviewed at the next meeting following recruitment to the Local Community Member Vacancy.	Secretary	27.9.17

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1105 REPORT FROM THE MEETING OF THE BOARD OF THE CORPORATION HELD ON 28 MARCH 2017

The Secretary reported that the unconfirmed minutes of the meeting held 1 March 2017 were presented to the Board of the Corporation at its meeting on 28 March 2017. The Board also received and noted the Annual report on sub-contractor (partnership) activity 2015-2016.

ITEMS FOR APPROVAL

(Auditors were not in attendance for this part of the meeting)

1106 PERFORMANCE REVIEW OF AUDITORS (Confidential)

This item was recorded as a confidential minute.

1107 ANNUAL APPOINTMENT OF THE COLLEGE'S FINANCIAL STATEMENTS AND REGULARITY AUDITORS FOR 2017-2018

The notes of the selection panel interviews held on 5 April 2017 for the selection of the financial statements and regularity auditors were received.

Members of the Audit Committee ratified the decision to award the contract to RSM and agreed to RECOMMEND to the Board that the contract for financial statements and regularity audit would be awarded to RSM for the three years 2016-2017 through to 2018-2019 with a possible extension of a further two years to 2020-2021. This would be recommended for approval to the Board at its meeting to be held on 12 July 2017.

VP, F&R

12.7.17

1108 ANNUAL APPOINTMENT OF THE COLLEGE'S INTERNAL AUDITORS FOR 2017-2018

The Chair of the Audit Committee and Vice Principal, Finance and Resources, reported on the outcome of the selection panel for internal audit services held on the morning of 10 May 2017. It was confirmed that TIAA had been selected using the evaluation criteria and interview responses.

The decision to award the internal audit service contract to TIAA was agreed to recommend for approval by the Board of the Corporation that the contract for the College's Internal Audit Service for the three year period from 1 August 2017 to 31 July 2020, with an option of a further two years to 31 July 2022, be awarded to the TIAA.

VP, F&R

12.7.17

ITEMS FOR APPROVAL

(Auditors joined the meeting at this point)

1109 FINANCIAL STATEMENTS AUDIT PLAN FOR YEAR ENDING 31 JULY 2017 AND EMERGING ISSUES

The Audit Chair welcomed Richard Lewis and Ashley Hepton from RSM UK Audit LLP to the meeting.

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Richard Lewis presented the financial statements audit plan for the College and its subsidiary for the year ending 31 July 2017. He confirmed that this had been produced through initial liaison with management regarding key risks together with RSM's knowledge of the sector and confirmed that updates would be made given recent changes to auditing standards and sector changes. He outlined the audit and regularity approach, scope and timetable for the work together with the fees. Members noted that some discussions with the ESFA would be delayed due to the purdah period leading up to the general election.

The Vice Principal, Finance and Resources thanked Richard for producing the plan within a short timescale for presentation to the meeting.

A paper summarising details of the emerging issues in Further Education was presented and discussed which members found to be a useful summary document.

Through discussion members raised questions and sought clarity on the following issues:

- Apprenticeships – it was acknowledged that the new ways of working would change invoicing arrangements and affect cash flow due to delays in payment. It was confirmed debt recovery would be the responsibility of the College and that no arbitration process would be provided.
- Following publication of the Post-16 Audit Code of Practice, the regulatory questionnaire would be updated for completion during the summer months.

The financial statements audit plan was approved.

1110 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

The Secretary presented proposed revisions to the Committee terms of reference which were agreed (subject to minor revision) for recommendation for approval to the Board of the Corporation at its meeting to held on 12 July 2017.

Secretary 12.7.17

Members queried why confidential minutes were not presented to the Board which had been an historical arrangement. The Secretary agreed to consider future reporting of minutes to the Board.

Secretary

1111 INTERNAL AUDIT

a) Final reports

Refectories

Lesley Hill confirmed that the audit had sought to ensure that the College had adequate systems and procedures in place to control stock levels and maximise sales margins in the refectories at both

ACTION by whom	DATE by when
Secretary	12.7.17
Secretary	

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the Beverley and Bridlington sites. She confirmed that a number of weaknesses had been identified and therefore limited assurance had been provided.

Members noted that 5 recommendations were made, 4 of which required attention and 1 which was graded significant in relation to robust stock controls.

The Vice Principal, Finance and Resources confirmed that the loss had increased by £20k from previous years. He confirmed that rotation of management across the sites was being introduced to share best practice and it was acknowledged that competition of food providers had increased choice since the relocation to Flemingate, thus reducing income levels. It was confirmed that decisions would be made in relation to reigning in the subsidy.

New Horizons Travel Agencies

Lesley Hill reported on the audit undertaken in relation to both the New Horizons travel agencies to ensure that adequate controls were being operated such that the College received all the commission to which it was due.

Members noted that substantial assurance was provided on the accuracy of the commissioned received and fees paid and that no recommendations were deemed necessary as a result of the review.

Cyber security

Lesley Hill confirmed that the cyber security audit had assessed the college against the key elements of the Government's "10 steps to cyber security" framework. As part of the assessment, staff had been invited to complete a cyber security survey and the results were received. The assessment identified areas of good practice alongside steps to further strengthen controls and reduce the risk or impact of a cyber-attack. An assurance level was not reported due to the nature of this assessment.

Members were assured on a number of issues:

- Awareness training was provided to all staff. Information would continue to be published in a staff core brief and it was recognised, given the heightened risk, that there was a need to keep information up-to-date and visible. It was agreed to consider making staff training on cyber risks mandatory and formalising the process by which staff confirm they had undertaken the training.
- Software within the college was constantly updated to minimise the risk.
- In relation to question 8, 22 threats had been highlighted by staff and fully investigated.

Follow ups

Progress made against implementing 5 previous audits and their associated recommendations was presented by Lesley Hill. It was confirmed that of the 20 recommendations, 13 had been fully

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VP, F&R	asap

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implemented, 4 were outstanding, 1 no longer applicable and 2 not yet followed up. Members noted that the recommendations which remained outstanding would be revisited as part of next year's follow up process.

b) Internal audit progress report to 10 May 2017

It was confirmed that all the audit reviews included in the 2016-2017 internal audit plan had been completed and that the internal audit annual report would be presented to the next meeting of the Audit Committee.

c) Actions plans from previous audits – rolling update

The Finance Manager reported progress made on the recommended actions from previous audits. The Committee NOTED the status report.

1112 FUNDING AUDIT (ILR)

a) Verification of student records data – termly report

The Director of Learner Services, Planning and Diversity reported on the outcome of the DSAT reports confirming that of the 51 reports aimed at identifying potential data or funding errors, 19 reported no potential errors. Members received information on the issues raised via the reports and it was confirmed that follow up investigation confirmed that very few records required corrective action.

Members also received a position statement regarding the funding rules monitoring report, noting that of the 28 funding rules reports, 14 had no queries. The proportion of learning aims records flagged for investigation were noted.

The Committee NOTED the findings of the DSAT's review and the corrective action taken.

b) Quality planning schedule – reporting of data return deadlines

The Director of Learner Services, Planning and Diversity confirmed that all data return deadlines since the last meeting had been met and outlined the returns due before the next meeting.

The Committee NOTED the report.

1113 POST-16 AUDIT CODE OF PRACTICE

The Vice Principal, Finance and Resources informed members that a Post-16 Audit Code of Practice (ACoP) had been published in March 2017, which replaced the Joint Audit Code of Practice (JACOP). This had been published by the ESFA.

He outlined the purpose of the ACoP and summarised the changes from the previous JACOP. A summary of regularity concerns highlighted in the ACoP was provided for Members who agreed that

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the College had adequate arrangements in place in relation to the points listed.

The Secretary agreed to send Committee Members an electronic version of the new ACoP.

The Committee NOTED the post-16 audit code of practice.

1114 TERMLY REPORT ON RISK MANAGEMENT

The Vice Principal, Finance and Resources presented the revised risk register for the second term 2016-2017. He confirmed that this included a substantial addition in relation to cyber security, as a result of the recent internal audit report recommendation. He confirmed that the first ranked risk remained "failure to diversify and grow income from sources outside of recurrent funding streams" and that there was no change to the scoring or ranking of the risks in the revised register.

IT was agreed to amend reference to FRS17 to read FS102. Members NOTED the report.

1115 ESFA LETTER – FINANCIAL MANAGEMENT AND GOVERNANCE

The Principal informed the meeting of the letter sent to Accounting Officers from the Chief Executive of the ESFA with the purpose of reiterating the importance of strong financial management and governance and sharing the findings from recent assurance work.

Members considered the specific areas outlined in relation to management information and financial planning and forecasting and were satisfied that the College regarded both of these with high importance and was compliant with the requirements set out in the letter.

Members noted the letter and the College's position and agreed that this be presented to the Board at its meeting on 12 July 2017 for information.

1116 CLOSE

There being no further business the Chair thanked those present for attending and closed the meeting at 2.00 pm.

ACTION by whom	DATE by when
Secretary	Asap
VP, F&R	asap
Principal	12.7.17

J Sunderland, Secretary to the Corporation

Signed as a correct record on^{27/9/17}..... (Date)

.......... (Chair)