

SHREWSBURY COLLEGES GROUP

MINUTES

Group :	AUDIT COMMITTEE	Date:	21/06/2018
Location:	Principal/CEO's Office, Priory House, Welsh Bridge Campus, Shrewsbury	Time:	5.30 p.m.
Membership:	Linda Carroll, Iain Gilmour, Nigel Merchant and Rex Sartain. 1 vacancy/co-opted member vacancy.		
IN ATTENDANCE:	<u>Members of the Senior Leadership Team:</u> Paul Partridge, Finance Director James Staniforth, Principal/CEO Clerk to the Board, Tracy Cottee		
BY INVITATION:	Clare Parkes, Tiaa, College Internal Audit Service (IAS) Nicola Coombe, Senior Audit Manager, Grant Thornton, Financial Statement Auditors (FSA) Bill Devitt, Engagement Lead, Grant Thornton, Financial Statement Auditors (FSA)		
APOLOGIES:	Linda Carroll and Catherine Armstrong, Group Vice-Principal, Business & Operations Management.		

Prior to the meeting, Committee members received a Briefing from the Principal/CEO on the risk management of the College's Apprenticeship provision, including –

- A summary of the risks identified by the College; and
- How the College was managing these risks, by identifying the controls and actions required.

The Principal/CEO also briefed the Committee on progress on the College's strategy to offer Non-Levy funded Apprenticeships as a sub-contractor to an independent training provider. He acknowledged the excellent work of the Finance Director and the Vice Principal in successfully securing an arrangement with SBC.

The Principal/CEO's assessment was that whilst moderate risks surrounding the College's apprenticeships provision remained, these had been identified and were being managed by the College. Going forward, the College would focus on managing the risk controls in place for apprenticeship quality control arrangements, improving predicted achievement rates and improving timely completion. In response to a question from the Financial Statements Auditor, the Finance Director provided assurance that the staff member currently managing apprenticeship provision understood the requirements for robust records and data management. The College had also worked closely with the Department of Education and the ESFA to fully understand and be compliant with funding rules.

The Committee thanked the Principal/CEO for providing the Briefing and agreed that it had provided assurance on the robustness of the College's approach. It commended the risk-based approach taken by the College in identifying the risks and the controls and actions being taken to mitigate these risks.

The Committee was invited to consider the next key risk to be covered in the next presentation.

09/18. **Declarations of Interest**

There were no declarations of interest.

10/18. **Draft Minutes of the Meeting Held 13 March 2018** (Appendix No. 3)

The Minutes of the meeting held on 13 March 2018, were agreed as a true record.

11/18. **Financial Statement Auditors Audit Plan and Strategy** (Appendices Nos. 4)

The Engagement Lead introduced the Financial Statement Auditor Audit Plan and Report (previously circulated) for the year ended 30 July 2018.

The Plan and Strategy set out –

- Grant Thornton's understanding of the principal business issues relating to Shrewsbury Colleges Group (SCG) and the overall impact on the audit approach – financial position and Going Concern;
- The company's risk-based approach;
- Significant risks identified. These risks included –
 - Significant risks, such as the risk of fraud; and
 - Reasonably possible risks (income and expenditure);
- The Company's approach to materiality and regularity assurance;
- The Team;
- Fees; and
- Communications of audit matters with the Committee.

The Principal/CEO requested the FSA to correct two errors in the document.

The Senior Audit Manager was introduced to the Committee and referred to the report (previously circulated) that covered some important areas of the auditor risk assessment Grant Thornton was required to make enquiries under accounting standards. The Chair confirmed that the Committee had been adequately informed and had a good understanding of the College's risk management processes and that the Committee had oversight of the following areas –

- Fraud;
- Laws and regulations;
- Going concern;
- Related parties; and
- Accounting estimates.

RECOMMENDED TO BOARD the External Audit Audit Plan and Strategy.

ACTION: ITEM TO BOARD

12/18. **Internal Audit - Strategy and Plan** (Appendix No. 5)

The Committee reviewed the Draft Internal Audit Strategy and Plan (previously circulated), which set out those audits to be undertaken with the 2018 – 2019 year and the current status of each audit undertaken during 2017 – 2018.

The Finance Director explained that, in order to secure the best value from the IAS, some audits planned for 2018 – 2019 may be re-arranged. The Committee Chair referred to the recent introduction of GDPR and requested that the College both record the assurance work already undertaken to ensure the College's compliance and to plan a compliance audit with the IAS during 2018 – 2019.

In accordance with Audit Committee Terms of Reference, the Internal Audit Strategy and Plan was required to be recommended to Board.

RECOMMENDED TO BOARD the Internal Audit Strategy and Plan. **ACTION: ITEM TO BOARD**

13/18. Risk Register and Board Assurance Framework (Appendices Nos. 6 a & b)

The Committee reviewed (previously circulated) the Risk Register and Board Assurance Framework (BAF) – June 2018 Update.

The Finance Director explained the 'Red' Risks identified in the Register, including -

- Risk 1.2 Achievement Rates;
- Risk 1.5 Systems to support students with predicted grades;
- Risk 2.2 Adult Education Budget;
- Risk 2.3 Apprenticeship Strategy;
- Risk 2.4 Government funding changes;
- Risk 2.5 HE Strategy;
- Risk 2.12 Business Continuity Provision;
- Risk 2.19 - Risk that TUS activity is reliant on a key individual (Red Risk added since last Review); and
- Risk 3.4 Industrial Action.

The Finance Director explained the risks identified and mitigating actions being undertaken. He also referred to risks to be included on the Risk Register going into 2018 - 2019, such as Devolution and its impact on the College.

The Principal/CEO reported that the Finance & Business Operations Committee had requested that Risk No. 2.9 (Risk that cash flow levels aren't monitored effectively which leads to late payment of invoices, interest charges, a creditor day ratio in excess of 45-60 and failure to comply with bank covenants) be either removed from the Register or revised.

The Committee agreed that some of the routine risks identified in the Risk Register could be removed or excluded from the register shared with the Committee to provide an increased focus on strategic risks. The Finance Director agreed to undertake this review.

The Committee concluded that it considered the risks to have been appropriately identified and the management actions reported were effectively mitigating these risks.

A governance risk register had been created following merger to track specific risks associated with governance. These risks had been successfully mitigated through the activities of the Search Governance Committee.

RECOMMENDED TO BOARD the Risk Register and Board Assurance Framework (BAF) – June 2018 Update. **ACTION: ITEM TO BOARD**

14/18. Audit Recommendation Tracking Report (Appendix No. 7)

The Committee reviewed and noted the Audit Recommendation Tracking Report (previously circulated).

The Committee noted that Senior Leadership Team (SLT) had still to review a number of policies. The Principal/CEO explained that, whilst the College's policy framework was robust, SLT had a programme to review the content of all policies as a consequence of merger. The Committee accepted this. The Committee also supported the removal from the Tracking Report of those actions recommended but not accepted by management.

Resolved:

That the report be noted.

15/18. Irregularity and Fraud

None reported.

16/18. Audit Assurance Report (Appendix No. 9 a)

The Committee noted an assurance report on compliance with the Audit Accountability Annexe of the Foundation Code (previously circulated).

17/18. Performance Indicators for Auditors (Appendix No. 12)

The Committee agreed that this matter be deferred to the next meeting.

18/18. Committee Evaluation (Appendix No. 9 b)

The Committee agreed that this matter be deferred to the next meeting.

19/18. Date of Next Meeting - Wednesday, 28 November 2018 @ 6.00 p.m. Venue – Principal/CEO's Office, Welsh Bridge Campus.

The meeting concluded at 1905.