

MINUTES

Group :	AUDIT COMMITTEE	Date:	07/03/2017
Location:	CLASSROOM S.5, WELSH BRIDGE CAMPUS, SHREWSBURY	Time:	6.00 p.m.
Membership:	Chris Fountain, Sarah Gibbons, Iain Gilmour, Nigel Merchant (Committee Chair) and Rex Sartain		
IN ATTENDANCE:	Members of the Senior Leadership Team: Janet Stephens, Group Vice-Principal, Financial and Asset Management (GVP - FAM) Also present: Nick Austin, Group Finance Manager Clerk to the Corporation, Tracy Cottee		
BY INVITATION:	Internal Audit Service RSM: Karen Gentles		
APOLOGIES:	Sarah Gibbons		

01/17. **Declarations of Interest**

There were no declarations of interest.

02/17. **Minutes of the Meeting Held 29 November 2016** (Appendix 1/17)

Resolved:

That the Minutes of the Meeting held on 29 November 2016, were confirmed and signed as a correct record.

Mr. Gilmour had asked at that meeting for an analysis of compound risk as he felt this was a worthwhile project to pursue. The Internal Audit representative advised that this issue could be included in the upcoming risk management audit planned for April 2017.

03/17. **Internal Audit Reports:**

Sub-Contracting Controls (Appendix 2/17)

The Internal Auditor representative submitted a report (previously circulated) on the Shrewsbury Colleges Group (SCG) Sub-Contracting Controls.

- The Skills Funding Letter issued in February 2015, required the Skills Funding Agency (SFA) to consider further the risks that subcontracting presented and how they could be mitigated;
- In response, the SFA Financial Memorandum for 2015/2016, contained a new clause about an annual subcontracting assurance requirement. The clause required lead providers that subcontracted more than £100,000 of funded provision in 2015/2016, to obtain a report from an external auditor on the arrangements in place to manage and control these subcontractors.

- The clause required lead providers to supply the SFA with a certificate confirming that the provider's arrangements were satisfactory. This clause was also included in the Financial Memorandum for 2016/2017.
- The College was required to meet this requirement and this audit had been conducted in addition to the planned internal audit service workplan for 2016/17.

Overall, the report presented a positive outcome for the College and had confirmed that the College was compliant with all necessary requirements with one management action required. The College ensures that contracts with subcontractors are signed by both parties prior to commencement of the start date of the agreement. The required certification had been submitted to the Skills Funding Agency.

Resolved:

That the Report be received and noted.

Key Financial Controls (Appendix 3/17)

The Internal Auditor submitted a report (previously circulated) on the Shrewsbury Colleges Group's Key Financial Controls.

- Taking account of issues identified, the Board could take *reasonable assurance* that the controls upon which the organisation relied to manage this area were suitably designed and consistently applied.
- Whilst house-keeping issues were identified that needed to be addressed in order to ensure that the control framework was effective in managing this area, the report provided a positive outcome, considering the very recent merger.

Dr. Fountain observed that the sampling of purchase orders had been conducted in August 2016, when the College had been dealing with the merger aftermath which might explain why issues had been discovered. The Group Vice Principal, Finance and Asset Management (GVP - FAM) reported that the Finance Team had been affected by long-term sickness absence since merger. Three members of the Team, including the Purchase Ledger Clerk, had been absent, which had affected processing. Mr. Gilmour also expressed concern at the high number of problematic purchase orders in the sample. The GVP-FAM tabled an update into the concerns raised by the report, including explanations for the issues identified and management actions undertaken so far.

Mr. Sartain expressed concern that the recent significant changes due to the merger had impacted adversely on staff resources and systems. Committee members considered that College management should consider deploying additional resources to support key areas if there was a risk to systems. The Finance Manager conceded that he had been reluctant to request additional resources at the time; however, the GVP-FAM reported that arrangements had now been put in place to provide additional resources and provide support for returning Team members.

The Chair sought assurance that the outstanding Issues would be addressed. The GVP - FAM responded that progress would be checked as part of the Internal Audit Service Follow-Up Progress Report.

Resolved:

That the Report be received and noted.

Progress Report (Appendix 4/17)

The Internal Auditor submitted a report (previously circulated) on progress against the 2016/17 Internal Audit Plan discussed by the Committee in November 2016 (Audit Committee Minute No. 7 refers)

- The Internal Audit Service continued to meet with College management as appropriate for scoping meetings and on a periodic basis to discuss planned Internal Audit work and developments at the College; the most recent held on 26 January 2017, with the Group Vice Principal Financial and Asset Management (GVP-FAM);
- The Internal Audit Service had also recently undertaken a review of the College's Subcontracting arrangements outside of the Internal Audit Plan; this audit was undertaken as a result of a Skills Funding Agency requirement.

The Committee also received the following client briefings, issued since the last Audit Committee:

- High Priority Management Actions; and
- Gender Pay Gap Reporting.

The Committee observed that the requirements with respect to the Gender Pay Gap Reporting would take effect from 1 April 2017. The GVP -FAM undertook to bring the matter to Senior Leadership Team's (SLT) attention as the College would be affected by the requirements.

The Committee Chair requested that assurance that the requirements had been met be brought before the appropriate committee.

Resolved:

That the updated summary report be noted.

04/17. Audit Recommendation Tracking Report (Appendix 5/17)

The Group Vice-Principal, Finance and Asset Management (GVP – FAM), submitted a report (previously circulated), setting out progress against Internal Audit Service Reports recommendations.

The GVP - FAM provided further verbal updates -

- She circulated a Draft Disaster Recovery Plan (tabled) to be considered by SLT at its next meeting, prior to circulation to all staff. She invited Committee members to review the document and submit comments by email.
- The IT Manager was currently working on the College's IT Disaster Plan and the Committee Chair requested this be circulated to Committee members for review and comment on completion.

Mr. Sartain requested that the SLT give consideration to the wider, longer-term impacts of the issues identified in the Plan.

Dr Fountain referred to the asset register and the risks of portable equipment being mislaid.

Regarding risk 4.2, the Committee Chair asked SLT to gauge the reputational and operational risks if not all staff had completed their mandatory 'Raising Awareness in Safeguarding and Protecting Children' and WRAP Prevent training.

Regarding risk 5.2 (i), the Clerk reported that the student councils were meeting in March 2017, across all three sites, at which the framework for the Council going forward would be discussed. Governors had been invited to attend these meetings.

Resolved:

That the updated recommendation tracking report be noted.

05/17. **Annual Value for Money (VFM) Report and Policy** (Appendix 6/17)

The Group Vice-Principal, Finance and Asset Management (GVP – FAM), submitted a report (previously circulated), setting out the planned initiatives under the usual VFM annual report headings.

- Historically, an annual VFM report was presented at the Shrewsbury Sixth Form Spring Term Audit Committee meeting. This year, it was suggested and the Committee AGREED, that a full report be shared at the Summer Term meeting on 20 June 2017, as outcomes of new initiatives for the newly merged Shrewsbury Colleges Group would be better known.

The Committee also reviewed the VFM Policy (previously circulated). Mr. Sartain enquired how student perception of the VFM of their provision, particularly from mature students, was sufficiently collected. The GVP - FAM agreed to follow this up with SLT. The Committee observed that there were reputational risks associated with dissatisfied students and considered that student views be captured as part of the student voice framework.

Resolved: That:

1. The examples of Value for Money currently underway at the College be noted;
2. An update be presented to the Committee at its meeting on 20 June 2017; and
3. It be recommended to Board that the Value for Money Policy be approved.

06/17. **Risk Register and Board Assurance Framework** (Appendix 7/17)

The Group Vice Principal, Financial and Asset Management, submitted the Draft Risk Register and Board Assurance Framework Policy and Procedure and latest Risk Register and Board Assurance Framework for 2016/17 (including Governance Risk Register) (all previously circulated).

The GVP - FAM provided verbal updates -

- Risk 1.1 Student retention/achievement had a high impact and therefore showed as a high risk issue. SLT monitored this closely;
- Risk 1.2 Success rates had a high impact and therefore showed as a high risk issue. SLT monitored this closely and would be particularly monitoring the impact of Linear A levels;
- Risk 1.5 Inadequate systems in place to support students struggling to achieve predicted grades. Whilst the probability was low, again, Impact was high. The impact of measures in place to support students would be known next Term;
- Risk 2.2. Failure to deliver Apprenticeship Strategy. This was currently monitored monthly by SLT. The College was undertaking sub-contracting to support delivery and achieve targets;
- Regarding handling data and compliance with the Data Protection Act, the IT Manager had made managers in the College aware of upcoming changes in legislation.

The Committee discussed the pressures on key support teams at present, including the Finance Team and HR Team and challenged whether the Register accurately recorded the current risks and questioned whether sufficient assurances were in place to both support teams under pressure and ensure controls were in place.

Resolved: That:

1. The updated Risk Register and Board Assurance Framework be approved; and
2. It be recommended to Board that the Risk Register and Board Assurance Framework Policy and Procedure be approved.

07/17. Irregularity and Fraud

None reported.

08/17. Risk

There were no areas of risk arising from the meeting.

09/17. Dr. Chris Fountain

It was noted that this was the last Committee meeting to be attended by Dr Fountain. The Committee Chair thanked Dr Fountain for his hard work and commitment to the College Governing Body and in particular for his contribution to the Area Review.

10/17. Date of next meeting – Tuesday, 20 June 2017 at 6.00 p.m.

The meeting concluded at 7.20 p.m.