

SHREWSBURY COLLEGES GROUP

MINUTES

Group :	AUDIT COMMITTEE	Date:	21/11/2018
Location:	Principal/CEO's Office, Priory House, Welsh Bridge Campus, Shrewsbury	Time:	5.30 p.m.
Membership:	Iain Gilmour, Nigel Merchant and Rex Sartain. 1 committee vacancy and 1 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:	None.		

Prior to the meeting, Committee members received a Briefing from the Finance Director on the impact of devolution the Adult Education Budget (AEB), taking effect from 01 August 2019, on the College 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.

21/18. Election of Chair

Having been proposed by R. Sartain and seconded by I. Gilmour, it was

Resolved: That Nigel Merchant be appointed Chair of the Committee.

N. Merchant in the Chair.

22/18. Declarations of Interest

There were no declarations of interest.

The Principal/CEO informed the Committee that Linda Carroll, former Academic Staff Governor (London Road Campus) had recently resigned from the Board and the College due to ill-health. The Committee expressed its best wishes to her for the future.

23/18. Draft Audit Committee Workplan 2018 - 2019 (Appendix 5)

The Committee undertook a review of the Key Reports to be considered by the Committee for 2018 - 2019 (previously circulated). The Chair of the Committee requested that the June 2019 meeting date be amended; this was agreed.

Resolved:

That the Annual Timetable of Standard Business for the Audit Committee 2018 – 2019, be approved.

24/18. Draft Minutes of the Meeting Held 21 June 2018 (Appendix No. 4)

The Minutes of the meeting held on 21 June 2018, were agreed and signed as a true record.

25/18 Internal Audit Reports (Appendices Nos. 6a – 6f)

Ms Parkes presented the following reports –

Advisory – Review of Post-Merger Arrangements (previously circulated).

The review had considered the effectiveness of the merger process, in particular the effectiveness of the move of curriculum between College sites. The review concluded that –

- The core systems had been integrated and one prospectus prepared for 2018/19;
- There remained a number of systems to integrate such as Moodle, trips and visits and room bookings;
- The application systems were due to be integrated in June 2018, however, at the point of audit two systems were being used;
- Some support staff remained on different contracts within the College; and
- Communication was confirmed as an area for development within the College.

All recommendations and management comments had been accepted.

Resolved:

That the report be noted.

Assurance Review of Safeguarding/Prevent (previously circulated).

The review had considered the safeguarding arrangements in place at the College to ensure the well-being of students and vulnerable groups was maintained. The review also assessed the arrangements at the College to discharge its Prevent Duty. The review concluded that –

- The College has a Safeguarding (Child Protection and Vulnerable Adults) Policy and Procedure and PREVENT Policy and Procedure which had recently been updated;
- All staff and Board members had received Safeguarding Awareness training;
- An annual safeguarding report and annual assurance audits were presented to the Board by the Lead Governor;
- A validation exercise was needed to ensure all manual concerns had been entered onto the new system; and safeguarding forms and plans need to be reviewed and standardised across the College – both were being actioned.

And thus had Substantial assurance.

Resolved:

That the report be noted.

ICT Review of Cyber Security (previously circulated).

The review had considered the arrangements for the pro-active identification, prioritising and mitigating against cyber-crime. The scope of the review did not include detailed testing to assess whether there is evidence of possible fraudulent actions. The review concluded that –

- Appropriate ICT operational arrangements were in place to safeguard the College against the risk of cybercrime, however, further development of the information security policy framework and risk analysis was required; these were being actioned.

And thus had Reasonable Assurance.

Resolved:

That the report be noted.

Follow-Up Review (June 2018) (previously circulated).

The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations.

- 5 reviews had been undertaken. At the time of the review,
 - 14 actions implemented;
 - 1 action revised target date;
 - 1 action considered but not implemented; and
 - 2 actions not implemented.

The actions not implemented were explained to the Committee and accepted. The Committee enquired on the recommendation not implemented that all journals be reviewed and approved by an appropriate second member of staff. The Finance Director explained that he currently did not post any journals and considered counter-signing of journals generated by the Finance Director as providing limited assurance; he took greater assurance from periodic reviews of balance sheet accounts and analytical review of monthly management accounts. This was accepted and agreed by the Committee.

Resolved:

That the report be noted.

Internal Audit Annual Report (previously circulated).

The annual internal audit report summarised the outcomes of the reviews carried out on the College's framework of governance, risk management and control. This report was designed to assist the Governing Body in making its annual governance statement.

The approved 2017/18 Annual Audit Plan had been for 35 days of internal audit coverage in the year. During the year, the review of the Apprenticeship Strategy had been cancelled and the review of Financial Business Planning deferred to 2018/19. A review on Sub-Contractor Controls in addition to the work set out in the Annual Plan had also been undertaken. All of the other planned work had been carried out and the reports issued.

The Report concluded that the Internal Audit Service was satisfied that sufficient internal audit work had been undertaken to allow it to draw a positive conclusion as to the adequacy and effectiveness of Shrewsbury Colleges Group's risk management, control and governance processes. In the Service's

opinion, Shrewsbury Colleges Group had adequate and effective management, control and governance processes in place to manage the achievement of their objectives.

Resolved:

That the report be noted.

Annual Internal Audit Plan (previously circulated).

The Draft Audit Plan for 2018/19 had been developed by carrying out an updated audit risk assessment to ensure that the planned coverage for the year was focussed on the key audit risk areas. This had been agreed by Board at its meeting in July 2018 (Board Min. No. 27/18 refers).

Each year, an updated risk assessment was carried out to ensure the Audit Strategy remained fully aligned with the key risks facing the College. Following the risk prioritisation review the Committee now accepted the updated Final Audit Strategy and the Annual Plan.

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**

26/18. The Audit Findings of the Shrewsbury Colleges Group (Appendix No. 7)

The Committee considered the report of the College's Financial Statements' Auditor, Grant Thornton (GT) (previously circulated), highlighting the key matters arising from its audit of the Shrewsbury Colleges Group) financial statements for the year ended 31 July 2018.

The audit had gone smoothly; the Finance Manager and Finance Team had responded well to the audit team's questions and requirements and were thanked by the auditors for their co-operation.

Mr Devitt advised that there was nothing adverse in the findings and that there was very little outstanding in terms of work to do. He explained the report's contents, as follows –

- The work was substantially complete and there were currently no matters of which Grant Thornton were aware of that would require modification of the audit opinion, subject to minor outstanding matters;
- Audit findings – significant risks – the commentary was explained to the Committee's satisfaction;
- Audit findings against other risks;
- Going Concern – Grant Thornton considered that the Board's Going Concern assessment was reasonable and therefore the accounts have been appropriately prepared on the going concern basis;
- No matters in relation to fraud or breaches in relation to laws and regulations had been identified;
- The Letter of Representation (previously circulated) was brought to the Committee's attention, which would be signed at the Board meeting in December 2018;
- Regarding fees and non-audit services, the Committee noted the Statement to the effect that Grant Thornton was independent of the College and provides no other services.

In conclusion, Grant Thornton anticipated that it would provide the College with an unmodified audit report.

The Finance Director explained that recommendations arising from the Report would be included in the Recommendation tracking report going forward.

Resolved:

That the Audit Findings for Shrewsbury Colleges Group for the year Ending 31 July 2018, be accepted.

27/18. **External Audit Reports –Financial Statements for the Year Ended 31 July 2018** (Appendix No. 7)

The external auditors from Grant Thornton (GT) presented the Financial Statements for the Year Ended 31 July 2018 (previously circulated). The Draft Financial Statements for the year ended 31 July 2018, had been audited by the Financial Statements auditors who indicated a 'clean' unqualified audit opinion in terms of both truth and fairness and regularity, although a number of minor amendments were still required.

The Finance Director advised the Committee that governors were required to make an assessment of the College's going concern and that the auditors needed to be satisfied that the assessment was robust. The Committee accordingly reviewed a list of considerations and the responding management comments in order to make their assessment, including a paper (previously circulated) that set out the cash-flow forecast for the financial year 2018-19, based on the budget and actual cash movements and forecasts for the year to date. In addition the paper provided a two year monthly cash-flow forecast based on the 2018-19 and 2019-20 2 year financial plan and budget approved by the Board in July 2018. The Committee agreed that the paper indicated that the College had sufficient resources to meet the going concern requirement.

The Committee thanked the Finance Manager and Team for their hard work in assisting the Financial Statements Auditors.

Resolved:

That, having considered the draft Financial Statements, the report of the Finance Director and Financial Statements auditors and the reports on going concern, the Committee **RECOMMENDED TO BOARD** that

1. the Committee considered the Shrewsbury Colleges Group to be a going concern; and
2. the audit findings and draft year-end financial statements 31 July 2018, be recommended to the Board for approval.

ACTION: REPORT TO BOARD

28/18. **Risk Register and Board Assurance Framework** (Appendix Nos. 8)

The Committee reviewed (previously circulated) the Risk Register and Board Assurance Framework (BAF) – November 2018 Update. In updating the Risk register a number of risks previously tracked had been reviewed and removed as no longer appropriate or requiring monitoring. The Committee noted that SLT had reviewed and removed redundant risks to secure a more focussed and strategic Register.

The Finance Director explained the 'Red' Risks identified in the Register, including -
The Risks identified with a current assurance level of Red in Appendix A are:
3.4 - Risk of disruption to teaching work due to actions taken by unions/professional associations.

The Committee noted that RAG-rated assurance levels after existing controls were in place, and expected assurance levels after proposed Action Plans had been completed were also recorded.

The Committee was advised of those risks that were to be removed from the 2017 – 2018 Register. Regarding Risk 2.12 - Business Continuity Planning, the Committee challenged the expected assurance level after action plan completed as 'green'. The Principal/CEO considered that SLT felt that the College had adequate contingency.

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

Resolved:

RECOMMENDED TO BOARD that:

1. the Risk Register and Board Assurance Framework (BAF) – November 2018 Update, be approved; and
2. the carrying-forward of risks for the 2018 – 2019 Risk Register and BAF, be approved. **ACTION: REPORT TO BOARD**

29/18. Audit Recommendation Tracking Report (Appendix No. 9)

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

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.

30/18. FMCE Assurance Check 2017 – 2018 (Appendix No. 10)

The Committee considered the FMCE Return (previously circulated). The FMCE as a 'checklist' had provided useful assurance of the College's position regarding important assurance indicators. Although it was no longer required, it had been completed to indicate positive movement across all areas since merger. However, going forward, the Committee identified that the College was required to complete in full the new Accounting Code of Practice (ACOP) which would provide the similar level of assurance.

The Principal/CEO was also of the view that, whilst there had been value in completing the document to show that internal processes have been embedded, the grading framework did not appear wholly appropriate as it was not easy to qualify the grading. The Committee recognised and supported this.

Resolved:

That the report be noted.

31/18. Audit Committee Draft Annual Report 2016/17 (Appendix No. 11)

The Chair submitted his Draft Annual Report and advised that the report would be referred to the Board for approval. He invited comments on the report.

The purpose of the Annual Report was to submit to Board a précis of the activities of the Audit Committee in an annual report for the Year 1 August 2017 to 31 July 2018 and had been produced in accordance with the model as set out in the guidance on the Joint Audit Code of Practice. However, the Committee recognised that the next Annual Report would be compiled subject to the provisions of the 2018 Audit Code of Practice.

The Annual Report to the Board provided -

- a summary of the work of the Committee during the financial year under review, including any significant issues arising up to the date of preparation of the Report;
- any significant matters of internal control included in the management letters and reports from auditors or other assurance providers;
- the Committee's view on its own effectiveness and how it had fulfilled its terms of reference; and
- the Committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness.

A Committee member requested that the Report make more explicit that, whilst the Committee had the requisite skills amongst its existing members, it was looking for another committee member and a co-opted committee member. The Clerk confirmed that this matter was being considered by the Search & Governance Committee at its meeting on 07 December 2018.

Resolved:

That the Draft Annual Audit Report for Audit be agreed and, subject to further minor amendments requested, be **RECOMMENDED TO BOARD** for approval. **ACTION: REPORT TO BOARD**

32/18. Whistleblowing, Irregularity & Fraud – Annual Statement of Declaration of Incidents 2017 – 2018 and Policy (Appendices Nos. 13a & b)

The Committee considered a report from the Clerk (previously circulated) presenting a Declaration that no incidents of Fraud, Corruption or Whistleblowing had been reported to the Clerk's Office during 2017 – 2018, in accordance with Financial Procedures.

Resolved:

That the Committee RECEIVED the Statement of the Clerk regarding Incidents of Whistleblowing and Fraud 2017 – 2018 and AGREED that the annual reminder regarding the College's Anti-Bribery arrangements be sent to all staff.

The Committee also considered the Draft revised Whistleblowing Policy and Procedure (previously circulated)

The Committee requested that the Policy make explicit links to the College's current Gifts & Hospitality Policy and Procedures.

Resolved:

That the revised Whistleblowing Policy and Procedure be **RECOMMENDED TO BOARD** for approval. **ACTION: REPORT TO BOARD**

33/18. Irregularity and Fraud

None reported.

34/18. Committee Evaluation (Appendix No. 13)

The Chair invited Committee members, including officers, to submit by email their completed committee assessments before the end of the week.

The Internal Audit Service and Financial Statement auditors left the meeting. The Committee thanked them for their work for the College.

35/18. **Performance Indicators for Auditors** (Confidential Appendix No. 16)

The Committee considered a confidential report setting out the results of the performance monitoring of the Internal Audit Service auditors during 2017 - 2018 (previously circulated).

36/18. **Date of Next Meeting** – Wednesday, 20 March 2019 @ 6.00 p.m. Venue – Principal/CEO's Office, Welsh Bridge Campus.

The meeting concluded at 8.21 p.m.