

**MINUTES**

<b>Group :</b>	<b>AUDIT COMMITTEE</b>	<b>Date:</b>	28/11/17
<b>Location:</b>	<b>Principal/CEO's Office, Priory House, Welsh Bridge Campus, Shrewsbury</b>	<b>Time:</b>	6.00 p.m.
<b>Membership:</b>	Linda Carroll, Iain Gilmour, Nigel Merchant and Rex Sartain. 1 vacancy/co-opted member vacancy.		
<b>IN ATTENDANCE:</b>	Members of the Senior Leadership Team: Paul Partridge, Finance Director James Staniforth, Principal/CEO  Clerk to the Board, Tracy Cottee		
<b>BY INVITATION:</b>	Bill Devitt, Grant Thornton, College Financial Statement Auditors Scarlett Mayer, Grant Thornton, College Financial Statement Auditors Peter Harrison, Tiaa, College Internal Audit Service		
<b>APOLOGIES:</b>	None.		

Prior to the meeting, Committee members received a development briefing from Peter Harrison of the College's Internal Audit Service (IAS), Tiaa, on –

- The roles and responsibilities of the Audit Committee;
- Tips and techniques for effective Audit Committee oversight, including the need to work collectively to hold the College to account; and
- How to effectively challenge and support the College to ensure effective controls are in place.

**26/17. Election of Chair**

Resolved: That Nigel Merchant be appointed Chair of the Committee for 2017 – 2018.

Nigel Merchant in the Chair.

**27/17. Declarations of Interest**

There were no declarations of interest.

**28/17. Draft Minutes of the Special Meeting Held 27 June 2017**

The Minutes of the special meeting held on 27 June 2017, were agreed as a true record.

**29/17. Annual Timetable of Standard Business for the Audit Committee 2017 - 2018 (Appendix 5)**

The Committee undertook a review of the Key Reports to be considered by the Committee for 2017 - 2018 (previously circulated).

Resolved:

That the Annual Timetable of Standard Business for the Audit Committee 2017 – 2018, be approved.

### 30/17. **Internal Audit Reports**

Mr Harrison provided a verbal update to the Committee on the progress of the Internal Audit Service's work schedule. He reported that two internal audits on Payroll and Health & Safety had been completed; the reports and management recommendations would be presented to the Committee meeting in March 2018, along with two further reports on audits that would be undertaken during February 2018. He referred in brief to the recommendations set out in the draft reports, indicating that they were minor in nature.

### 31/17. **External Audit Report Financial Statements for the Year Ended 31 July 2017** (Appendix No. 7)

The Finance Director and the external auditors from Grant Thornton (GT) presented the Financial Statements for the Year Ended 31 July 2017 (previously circulated).

The Draft Financial Statements for the year ended 31 July 2017, had been audited by the Financial Statements auditors, Grant Thornton, who indicated a 'clean' unqualified audit opinion in terms of both truth and fairness and regularity. The audit had gone smoothly and, despite the challenging circumstances of the departure of the former GVP – Finance & Asset Management in June 2017 and the very recent arrival of the newly-appointed Finance Director in August 2017. The Finance Manager and Finance Team had responded well to the audit team's questions and requirements. The draft accounts were supported by good quality working papers and GT received full co-operation from the Finance Team during the course of the audit.

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 (previously circulated) in order to make their assessment. The Committee also considered a paper (previously circulated) regarding the cash flow, covenant and going concern projections for the 12 months from December 2017.

The Committee was advised of the observations arising from the audit, which are contained in the Financial Statements Auditor's Report (Audit Min. No. 32/17 refers).

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 draft year-end financial statements 31 July 2017, be recommended to the Board for approval.

**ACTION: REPORT TO BOARD**

### 32/17. **External Audit Financial Statements Audit Highlights Memorandum and Report** (Appendix No. 8)

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 2017.

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 2017;
- 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.

In response to a governor query, the Finance Director undertook to investigate the status of assets rated as having zero value on merger.

Resolved:

That the Audit Findings for Shrewsbury Colleges Group for the year Ending 31 July 2017, be accepted.

### **33/17. Risk Register and Board Assurance Framework (Appendix No. 9)**

The Committee reviewed (previously circulated) the Risk Register and Board Assurance Framework (BAF) – November 2017 Update and considered whether to approve the carrying-forward of identified risks to the 2017 – 2018 Risk Register and BAF.

The Finance Director reported that, since his appointment, he had met with risk holders and the Senior Leadership Team (SLT) to ensure an holistic understanding and approach to the risks identified by the College. The Finance Director highlighted that a number of red risks on the register were inherently high risk to the sector – such as risks around attendance and enrolment. He clarified that controls in place would in most cases be regarded as reducing these risks only to Amber as the SLT would be unlikely to ever regard such risks as fully mitigated and hence "Green". RAG-rated assurance levels after existing controls were in place and expected assurance levels after proposed Action Plans had been completed were also recorded.

In response to a governor query, the Finance Director undertook to investigate what provisions the College had in place to safeguard students' work in progress, particularly art work.

The Committee Chair referred to several recent incidents of cyber-crime to hit the public sector, such as the 'wannacry' virus attack on the NHS and sought assurance as to the College's controls. The Principal/CEO reported that the IT Team had responded well to the recent attacks

on the NHS servers, for example, installing patches as they were released by Microsoft. The College has a good record in keeping software up-to-date.

The Committee Chair requested that the Register identify the other committees that connected with key strategic risks. The Principal/CEO suggested that committee chairs be alerted to 'red' risks on the Strategic Register and that the final item on the committee agenda would be to consider whether these risks had been addressed in the meeting. This was agreed and the Clerk and Finance Director were requested to facilitate this going forward.

Resolved:

That it be recommended to Board that:

1. the Risk Register and Board Assurance Framework (BAF) – November 2017 Update, be approved; and
2. the carrying-forward of risks for the 2017 – 2018 Risk Register and BAF, be approved.

**34/17. Audit Recommendation Tracking Report (Appendix No. 10)**

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

The Committee observed that there were a number of recommendations outstanding beyond their implementation dates; these have been affected by merger. However, the Committee agreed that some actions could be removed as they had been either overtaken by events or the College had determined not to take action. The Finance Director reported that he was working with risk owners to ensure they were being addressed in a timely manner. The Chair challenged why a recommendation with respect to Safeguarding was outstanding. The Finance Director explained that the outstanding training had been completed but because of significant numbers of new starters there were still a number of staff who needed to complete the training, SLT had discussed this the previous day and were taking direct responsibility for full completion

Resolved:

That the report be noted.

**35/17. 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 2016 to 31 July 2017 and had been produced in accordance with the model as set out in the guidance on the Joint Audit Code of Practice Part 2 to which the Board subscribed.

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 members, it was looking for a co-opted committee member.

Resolved:

That the Draft Annual Audit Report for Audit be agreed and, subject to the further amendments requested, be referred to the Board for approval.

**36/17. Irregularity and Fraud**

None reported.

**37/17. Risk**

There were no areas of risk arising from the meeting.

**38/17. Whistleblowing, Irregularity & Fraud – Declaration of Incidents 2016 – 2017** (Appendix No. 13)

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 2016 – 2017, in accordance with Financial Procedures.

Resolved:

That the Committee RECEIVED the Statement of the Clerk regarding Incidents of Whistleblowing and Fraud 2016 – 2017 and AGREED that the annual reminder regarding the College's Anti-Bribery arrangements be sent to all staff.

**39/17. Performance Indicators for Auditors** (Appendix No. 14)

The Committee considered a report setting out the proposals for the arrangements for performance monitoring for auditors during 2017 - 2018 (previously circulated).

The Committee agreed that the performance indicators suggested be used at an operational level by those working with the audit teams, to inform the Committee of performance going forward.

**40/17. Committee Evaluation** (Appendix No. 15)

The Committee completed the Committee Evaluation Sheet, as part of the Board's Governance Self-Assessment Programme as in accordance with good practice.

During the previous academic year:-

	<b>Evidence/Comments</b>
1. In its annual cycle is the Committee covering all the areas of business as laid out in its terms of reference in the Scheme of Delegation?	Yes – the Committee has an annual cycle of business approved at the first committee meeting of the year.
2. How does the committee scrutinise and challenge issues in accordance with its role as a committee of the Governing Body?	The Committee expects properly presented reports – and receives thorough, well-presented information –on the risk register and internal audit reports, for example. There are examples of challenge evident in the Minutes – progress of recommendations and timeliness of completion, for example.
3. How does the Committee feel it contributes to the Board, therefore adding value to the College?	The Committee is required to present a thorough Annual Report to Board on its activities. Minutes are forwarded to the Board to ensure that all are fully informed of the Committee’s discussions / recommendations / approvals. The Committee looks in detail at the risk register for the College and scrutinises diligently the information presented. The Committee has received development on the role and responsibilities of the Committee. The College is a Sixth Form College and does not need to have an Internal Audit Service. However, it has <i>chosen</i> to do so, in order to ensure robust controls are in place and use audit as an improvement and learning tool.
4. How efficiently are meetings conducted? Are all members encouraged to contribute to the discussion and formulation of recommendations where appropriate?	All meetings held as scheduled, no incidences where Chair was absent. Meetings generally last approx. 2hrs. Recommendations and approvals made as required. Full contribution evidenced. 1 inquorate meeting during 2016 – 2017. However, held quorate within 5 days.
5. How appropriate is the size of the committee? Is there extra knowledge or expertise that additional (co-opted/external) members could bring to the committee?	Committee membership subject to annual review and membership is based on a robust skills audit. The Committee is actively looking for a co-opted member.

<p>6. Does the Committee receive all the information/ presentations/papers it requires to fulfil its terms of reference? Is the information delivered in an appropriate and timely manner?</p>	<p>Agendas are normally despatched 7 days in advance. Electronic despatch introduced. The reports are focussed and to the point, good use of RAG and graphs and tables (e.g. Risk Register) and are of the correct length. Data is presented in a format members could understand.</p>
<p>7. Are the timings and frequency of meetings appropriate to enable the Committee to complete its annual cycle of business?</p>	<p>The Committee has met on 3 occasions during 2016 - 2017. Evaluation confirmed that the day (Wednesday) and time (6.00 p.m.) are right. Meeting times were acceptable - but could be changed to suit circumstances in future (i.e. demonstrating flexibility). Have a facility to hold a Special Meeting, if needed.</p>

**41/17 Date of Next Meeting** – 13 March 2017 at 6.00 p.m., Venue – Principal/CEO’s Office, Welsh Bridge Campus.

The meeting concluded at 1920.