



**CONFIRMED MINUTES OF THE AUDIT COMMITTEE
HELD ON 28th NOVEMBER 2017**

Present: Tony Mann (Chair), Andrew Davies, Tim Kelly, Nigel Woodcock

In attendance: Sue Higginson, Principal
Michael Norton, Deputy Principal
Steve Cain, Director of Financial Services
Lisa Randall (RSM), Internal Auditor
Ross McLauchlin (Wylie & Bisset), External Auditor
Ian James, Clerk to the Governors
Louise Kelly, Administrator to the Governors

WELCOME

21. The Chair welcomed Tim Kelly and Nigel Woodcock (the newly appointed co-opted non-governor member) to their first Audit Committee meeting.

PRE-MEETING WITH AUDITORS

22. There was nothing the Auditors wished to discuss in the absence of managers.

APOLOGIES FOR ABSENCE

23. Apologies were received from Lorraine Jones and Joe McArdle.

DECLARATION OF INTEREST

24. Tim Kelly declared an interest in any matters relating to the Merseyside Superannuation scheme.

MINUTES OF PREVIOUS MEETING

25. **Resolved** that the minutes of the meeting held on 6th September 2017 be approved as a correct record and signed by the Chair.

EXTERNAL AUDIT MATTERS

26. The Committee received -

- the external auditor's Annual Report for the year ending 31st July 2017
- the Financial Statements for the year ended 2016/17
- the Letters of Representation for both the Financial Statements and Regularity Audits
(copies of the above are attached to the signed minutes)

27. The External Auditor presented the Annual Report and commended the College on the good standard of the working papers prepared for the audit. The Auditor explained that they would be issuing an unqualified, clean audit opinion for both the Financial Statements and Regularity Audits and concluded that no significant issues had arisen.

28. One high priority recommendation in 2016/17 had been made relating to the College's monitoring of the potential breach of Bank covenants and management had responded appropriately. As a result, there were no outstanding issues or current recommendations.

29. The Committee discussed briefly the on-going difficulty concerning the pension deficit with the Merseyside Pension Fund and the requirement placed on the College to address the deficit. The Deputy Principal reminded the governors that this was a national problem on which the MPF were taking a particularly hard line.

30. With regards to the Financial Statements, there were no issues requiring the Committee's attention. The Letters of Representation for both Financial Statements and Regularity Audits were standard documents requiring Board approval.

31. **Resolved** that the Board be **RECOMMENDED** to approve the Financial Statements for 2016/17 and the Letters of Representation for both Financial Statements and Regularity Audits.

INTERNAL AUDIT SERVICES PLAN

Progress report

32. The Internal Auditor provided the Progress Report (copy attached to signed minutes) explaining that the Report would be a cumulative document updating the Committee on progress at each meeting and also including updates on any issues affecting the FE sector. The Committee agreed that the report offered clarity.

33. The Internal Auditor reported that an audit of Key Financial Controls had been completed (see below) and that an audit was currently in progress assessing the College's preparedness for the introduction of the General Data Protection Regulation (GDPR) on 1 May 2018.

Key Financial Controls – Budgetary Control

34. The Internal Auditor presented the Budgetary Control audit report which had resulted in a 'green' (substantial) assurance opinion with only one low priority recommendation made (copy attached to signed minutes). The Auditor explained that auditors had been able to engage with several budget holders and had found the processes in place to be robust. The College had accepted the recommendation which was being implemented.

35. Asked about the process for following up on the implementation of audit recommendations, the Deputy Principal advised that there was a robust tracking system in place which required not only confirmation of actions taken but also the gathering of evidence. The internal auditor also followed up recommendations routinely as part of an annual review, but any high priority recommendations would be followed up in the short term.

FRAUD AND IRREGULARITY

36. The Committee received the annual report on Fraud and Irregularity and were pleased to note that there had been no reported incidents of fraud during 2016/17 (copy attached to the signed minutes). In answer to a question, the Director of Financial Services explained the rigorous checks were in place to validate any requests for changes to suppliers' bank account details.

RISK MANAGEMENT ANNUAL REPORT & UPDATED RISK REGISTER

37. The Deputy Principal presented the Risk Management Annual Report and updated Risk Register (copy attached to the signed minutes). The new co-opted member

commented favourably on the format of the Register and made suggestions which included the possibility of adding a 'target risk' column. The Deputy Principal agreed to consider this proposal.

38. Following the 'Good' outcome of the Ofsted inspection, risks concerned with quality and teaching had reduced. Although Apprenticeships were rated 'Requires Improvement' the Principal was confident it would eventually be upgraded to 'Good' as outcomes for all age groups were now above the National Rate.

39. A new risk added since the last meeting of the Committee was Apprenticeship Reform. Recent changes involving the introduction of the apprenticeship levy had led to a collapse nationally in apprenticeships starts. Fortunately, although identified as a risk, the reduction in the number of starts at this College had been significantly lower than in most other colleges.

40. The Chair suggested that item 14 "Data Security" on the register be amended to "Data and Cyber Security" as cyber security was becoming an increasing risk. The Principal agreed to make this alteration.

CYBER SECURITY AND INFORMATION RISK GUIDANCE

41. The Clerk provided the Committee with a report from the National Audit Office on Cyber Security and Information Risk - Guidance for Audit Committees (copy attached to signed minutes). The Committee requested a report addressing the areas for review suggested in the NAO guide; to be prepared by the ICT Manager and Director of MIS.

INSURANCE REVIEW

42. The Committee received a report for information on the College's insurance cover and claims history for 2016/17 (copy attached to signed minutes) and the governors were pleased to see the low number of claims during the year. The Director of Financial Services explained that the insurance cost had increased by £5k due to the increase in Insurance Premium Tax although a rebate was due in the new year.

43. Commenting on the reduction on the number of claims for accidents in recent years, the Deputy Principal explained that the Health & Safety team had increased their focus on areas outside College buildings as well as on safety issues internally.

COLLEGE MONITORING REPORT

44. The Deputy Principal presented that College Monitoring Report (copy attached to signed minutes). The report showed that there were no overdue actions.

DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE

45. The Committee received a draft version of the Audit Committee Annual Report (copy attached to the signed minutes). The report was a requirement of the Audit Code of Practice and the Committee were invited to review the report and to adopt it for presentation to the Board. There was a minor update in the Audit Code of Practice which would be incorporated into the report when submitted to the Board.

46. **Resolved** that the Audit Committee's Annual Report be approved for submission to the Board, subject to the required amendment

DATE OF NEXT MEETING – Monday 5th March 2018