

**CONFIRMED MINUTES OF THE AUDIT COMMITTEE HELD ON FRIDAY 24 JUNE
2016 IN THE COMMITTEE ROOM AT GREEN LANE**

Present

Ian Swain	Independent Governor
Denise Ogden	Independent Governor
Ian Butchart	Independent Governor / Chair

Also in attendance

Stuart Slorach	Vice Principal Resources
Jackie White	Clerk & Governance Advisor
Claire Leece	RSM
Alexandra Hartshorne	KPMG
Mick Thompson	KPMG

	Action
<p><u>PRIVATE MEETING WITH THE AUDITORS</u> Members held a privately with the auditors prior to the main meeting.</p>	
<p><u>DECLARATION OF INTEREST</u> There were no further declarations of interest.</p>	
<p><u>APOLOGIES FOR ABSENCE</u> Apologies were received from the Principal.</p>	
<p><u>AC15 029 UNCONFIRMED MINUTES OF THE MEETING HELD ON FRIDAY 27 NOVEMBER 2015</u> The minutes of the last meeting were agreed as an accurate record.</p>	Clerk
<p><u>AC15 030 MATTERS ARISING</u></p> <p>AC15 018 - Matters arising - the Final Annual Report including the conclusion was circulated to members</p> <p>AC15 020 - Internal Audit Report H&S -Wording changed to reflect that treatment was given and therefore was RIDDOR reportable and recirculated to members</p> <p>AC15 020 - Internal Audit Report H&S - Ian confirmed that discussion had been held at the Corporation Board but there was not an appetite for a link governor.</p> <p>AC15 020 - Internal Audit Report H&S - The Clerk confirmed that H&S was included on the Corporation Board annual cycle of business</p>	

AC15 020 - Internal Audit Report H&S – The Vice Principal confirmed that the 6 incidents were included in the H&S report on the agenda

AC15 020 - Internal Audit Report H&S - it was agreed that H&S would remain on the Audit Committee agenda for the foreseeable future and a recommendation would be made to the Corporation Board to have routine updates on H&S.

AC15 019 – Internal Audit Report Payroll - The Vice Principal Resources confirmed that both the recommendations had now been undertaken.

AC15 031 **EXTERNAL AUDIT PLAN**

Claire Leece spoke to the previously circulated report and reminded members that the purpose of the document is to explain the scope of the audit of the financial statements and the regularity assurance engagement, RSM proposed approaches, and to highlight the key risks that they will be focusing their audit work upon.

Members noted that the audit plan is based on discussions with the College to date.

Claire indicated that the areas of Income recognition, pension scheme liabilities, going concern, management override of controls, first year adoption of F&HE SORP 2015 and Hartlepool Capital Project were to be looked at.

Claire drew member's attention to page 15 with regard to Fraud and to remind members that principal responsibility for the prevention and detection of fraud rests with management with the oversight of those charged with governance, who should not rely on audits to discharge those functions. Any suspected fraud or discovered fraud should be reported as soon as possible.

Ian Butchart commented on the information contained in Appendix E and how useful these were in particular the information on Academy status and Area Review. He also referred the Vice Principal Resources to the information on "how effective are your cyber defences" and asked him to share this with the Audit Committee.

Ian Swain also commented that Appendix E was useful in particular the FE Commissioner Report and discussed that this should be shared with the Chairman.

The Vice Principal Resources confirmed that planned to provide the Corporation Board with a paper on the F&HE SORP 2015.

Denise Ogden commented that on page 9 Hartlepool Council TVU/Growing Places Fund should be the local growth fund. Claire agreed to amend this.

Claire discussed that based on RSMs discussions with Stuart Slorach the audit and assurance fees will be £14,250 with an additional one-off work will also be required as a result of implementation of Statement of Recommended Practice: Accounting for Further and Higher Education 2015. Based on our current understanding, we estimate our fees for such additional work will be no more than £1,500. Ian Butchart welcomed that the fee had not been increased.

The Committee APPROVED the External Audit Plan for 2016/15.

AC15 032 **INTERNAL AUDIT REPORT – CAPITAL PROGRAMME MANAGEMENT**

Alex Hartshorne spoke to the previously circulated report and members noted 1 medium and 2 low risks. A full list of the findings and recommendations were included in the report. It was noted that from the work performed on the capital programme management, it was consider that the system of internal control is Satisfactory.

Denise questioned the Vice Principal Resources on whether the College policy on procurement included using local suppliers and if not recommended that one of the three quotes should be from a local supplier. The Vice Principal Resources discussed that they do try and use local suppliers where possible, however Ian Swain recommended that this be confirmed in the procurement policy or Finance regulations as appropriate.

Ian Butchart asked the Vice Principal Resources why the project which was awarded to the most cost efficient contractor rather than not reported to the Corporation Board and he confirmed that a decision had been made under delegated authority due to timescales, however a retrospective report should have been provided to the Board.

With regard to the recommendation on the frequency of the LGF Board, members agreed that where possible the Board should meet monthly however it may be stood down if there is no business to communicate and it was agreed that Ian Swain confirm this with the LGF Board.

The Committee RECEIVED the report and NOTED the recommendations.

AC15 033 **INTERNAL AUDIT REPORT – BUSINESS CONTINUITY AND DISASTER RECOVERY**

Alex Hartshorne spoke to the previously circulated report and members noted 2 medium and 1 low risks. A full list of the findings and recommendations were included in the report. It was noted that from the work performed on business continuity and disaster recovery, it was consider that the system of internal control is Satisfactory.

Denise commented that it would be useful to test a service / programme area routinely as part of the plan of testing.

Ian Butchart discussed that he is worried that the College is not really getting on top of this important area and that perhaps there should be some discussion at the Strategy Day in October on the issues. The Vice Principal Resources confirmed that the Plan would be coming to the next Board meeting for approval and he was happy to discuss the issue in October.

Ian Swain commented that it is important to communicate the plan once agreed by the Board and that consideration needs to be given to this.

The Committee RECEIVED the report and NOTED the recommendations.

AC15 034 INTERNAL AUDIT REPORT - LIBRARY SERVICES AND SYSTEMS

Alex Hartshorne spoke to the previously circulated report and members noted 2 low risks. A full list of the findings and recommendations were included in the report. It was noted that from the work performed on library services and systems, it was consider that the system of internal control is Good.

Ian Butchart welcomed the information within the report on borrowing but recommended that this should include staff borrowing as this will give an indication of their likelihood to recommend the library to students and also that the levels of borrowing is a reflection of modern day usage of this type of information. Ian also recommended that the report could drill down by programme area as that would be worth exploring.

Ian Butchart also commented that he had previously raised with the Board that non-academic areas such as the library may benefit from a link Governor.

Ian Butchart finally thanked the Library staff for their work on this area.

The Committee RECEIVED the report and NOTED the recommendations.

AC15 035 INTERNAL AUDIT REPORT FOLLOW UP

Alex Hartshorne spoke to the previously circulated report and it was noted that there was 29 recommendations to follow up as part of the audit and 7 still to follow up with 5 of these medium level risks. It was noted that from the work performed on follow up and 2 low risks, it was consider that the system of internal control is Satisfactory.

Denise commented that with regard to page 8, 01-14 Partnerships, the College no longer has any subcontracted provision that the College should not lose sight of this area.

Ian Swain asked the Vice Principal Resources where the College was with regard to the IT recommendations and he advised that the Policy has been reviewed and is just waiting for input from academic staff on the Middlesbrough Campus.

The Committee NOTED the update.

AC15 036 ANNUAL INTERNAL AUDIT REPORT 2015/16

Mick Thompson spoke to the previously circulated report and members noted that KPMG has provided the internal audit service to CCAD for the year ended 31 July 2016. This work was carried out in accordance with the internal audit plan, approved by the Audit Committee, and was designed to allow them to make a statement on the adequacy and effectiveness of the College's risk management, control and governance processes. Planned coverage and output

The Audit Committee agreed to a level of internal audit input of 28 days, 4 of which are deferred from the previous year. 28 days were delivered, with the curriculum planning review being altered to a review over the library services and systems.

Management responses to report recommendations were positive with timely implementation dates identified.

During 2015/16 KPMG followed up 29 agreed recommendations from prior years, of which 18 had been 'implemented', 4 were considered to be 'no longer applicable', leaving 7 'ongoing'.

KPMG has complied with the public sector internal audit standards ("PSIAS").

Of the seven performance indicators set by the Audit Committee, all have been fully achieved.

Denise questioned on whether there was any scope to include Prevent, E&D and Safeguarding and Ian Butchart commented that this issue had been raised by Sarah Fawcett, link governor at the last Board meeting for this area to be included in a future internal audit plan. Alex Hartshorne commented that the Clerk had advised KPMG of this requirement however the plan presented to the Audit Committee had already been discussed and agreed in principle with Management. Ian Butchart asked KPMG and Management to consider what options were available for including this area within the plan.

Ian Swain questioned page 8, the internal audit KPI in relation to the percentage of work undertaken by qualified and experienced Personnel being a 40:60 ratio. Mick Thompson explained that this was the minimum requirement for professional staff working on the audit programme but during the year it was likely to be a higher ratio.

Ian Butchart asked Alex what the fees were for 2016/17 and she confirmed that the fees have been frozen again for this year and are £460 per day. Ian Butchart welcomed that the fee had not been increased.

The Audit Committee NOTED the Annual Internal Audit Report 2015/16.

AC15 037 **INTERNAL AUDIT PLAN 2016/17**

Mick Thompson spoke to the previously circulated report which set out the 3 year strategic and annual internal audit plan scope of planned work to be undertaken by internal audit for 2016/17 within the longer term strategic plan.

The strategic and annual internal audit plan sets out the scope of the planned work to be undertaken by internal audit for 2016/17 within the longer term strategic plan from 2016/17 to 2018/19. These plans were developed based on consideration of:

- business priorities and objectives, through discussions with management;
- the College's risk register;
- requirements for internal audit; and
- consideration of key business processes.

Through these activities, potential internal audits were identified and prioritised for 2016-17 based on those areas viewed as of greatest benefit. The following reviews are planned for 2016-17:

- general IT controls;
- funding body income;
- tendering, ordering, receipts and payments; and
- treasury management.

The Committee RECEIVED the plan and RECOMMENDED it to the Corporation Board for approval

AC15 038 **RISK MANAGEMENT UPDATE**

The Vice Principal Resources spoke to his previously circulated report and members noted that the purpose of the report is highlight the key areas of risk that the College faces over the coming months.

Members noted that the College is operating in an environment where uncertainty and risk are becoming more of an issue that has been in the past. With a growth strategy comes an element of risk as investment is required which in turn adds an element of risk and uncertainty.

Key risks to the College over the course of the coming months include:

- Government policy including BREXIT

- Local Area Review aftermath, incl. the Combined Authority
- Hartlepool construction project
- Cash flow and banking covenants
- HE recruitment
- FE recruitment

The Board were presented on 22nd April 2016 with a paper covering the context for budget setting for the 2016/17 financial and academic year

Since the previous Audit Committee on 11th March 2016 there has been no new risks added to the Risk Register.

Ian Butchart discussed that following the news on the vote to leave Europe that the College should keep an eye on this area and keep the Committee and Board informed of any issues.

The Audit Committee NOTED the update on the Risks.

AC15 039 **AUDIT COMMITTEE ANNUAL REVIEW OF EFFECTIVENESS**

The Clerk gave a verbal update on the collective results of the previously circulated self-assessment checklist and discussed the outcome with members. It was agreed that the assessment was good.

The Committee discussed what could be done better and it was recommended by Mick Thompson that lead officers for the audit areas could be invited to the meeting to hear the outcome of the report and the Audit Committees view. This was agreed by the Committee.

The Chairman thanked all present for contributing.

AC15 040 **RISK VIEWS FROM AUDITORS**

Ian Butchart advised members to refer to the RSM report, specifically Appendix E on the current issues.

AC15 041 **HEALTH & SAFETY UPDATE**

The Vice Principal Resources spoke to his previously circulated report and members noted that the report gave an update as to the progress of completing the recommendations made in January by KPMG regarding Health and Safety in the College

Members were reminded that an internal audit was conducted by KMPG in January and made some important recommendations to the College. Due to the absence of a Health and Safety Advisor for much of 2015 due to sickness or recruitment monitoring of this area had been less than expected. The College appointed a new Health Advisor in late December who has been working closely with staff to instil a better health and safety environment. Since his appointment there has been significant improvement and issues are being dealt with. Whilst it is recognised that there are a number of issues that have been

'hidden' over time these are coming out of the woodwork and being resolved. This has only occurred through having a proactive Health and Safety Advisor who is 'out and about' and discussing issues with staff.

Ian Swain commented that it is good news to see the work progressing but that there is a concern of how we keep this level of detail going. The Vice Principal Resources discussed that it does need reporting to the Board and he will liaise with the Clerk on routine updates.

Denise commented that praise should be given to Dean and staff on the progress made.

Members NOTED the update on H&S and recommended that the report be presented to the Corporation Board.

AC15 042 ITEMS TO HIGHLIGHT TO THE CORPORATION BOARD

It was agreed that the issues relating to Appendix E of the RSM plan, Audit Committee Annual Review of Effectiveness and the H&S update should be highlighted to the Corporation Board

Clerk

AC15 043 ANY OTHER BUSINESS

Ian Butchart advised members that this would be his last meeting as Chair as his term of office as Chairman of the Audit Committee had come to an end. Ian thanked everyone for their contribution and time and felt that the Committee had a good insight into the workings of the College.

AC15 044 CONFIDENTIAL MATTERS

There were no confidential items.

AC15 045 DATE AND TIME OF NEXT MEETING

Friday 25 November 2016.

Signed:

Date: