

AUDIT COMMITTEE

Minutes of a Meeting 10.00am Wednesday 27th September 2017 Thomas Mawson Room

Present: Mr David Seymour (DS) (Chair)
Mr Sean Lynn (SL)
Ms Katrina Napthine (KN)

In Attendance: Ms Lynn Forrester-Walker (LFW)
Mr Rees Batley-KPMG (RB)
Mr Duncan Laird (DL)
Mr Jon Sawyer-PWC (JS)
Mr Efeiri Ayeni-PWC (EA)

Apologies: Mr Graham Papenfus
Mr Russell Marchant

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	<p>The Chair welcomed Ms Lynn Forrester-Walker and Ms Katrina Napthine to their first meeting.</p> <p>Apologies</p> <p>Apologies were received from Mr G Papenfus and Mr R Marchant.</p>		
2.	<p>Declaration of Interest. Paper A02/09/17.</p> <p>The Clerk advised that member's interests would be taken as those disclosed in the Register of Members Interests. There were no further declarations of members interests for agenda items.</p>		
3.	<p>Minutes of the Last Meeting. Paper A03/09/17.</p> <p>Minutes of the meeting held on the 4th May 2017 were agreed to be a true and accurate record and signed by the Chair.</p>		

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4.	<p>Matters Arising</p> <p>4.1. (8.0) Farm Audit</p> <p>The Clerk advised that the detailed review of the Farm was not carried out to save costs but there is a Farm Audit scheduled for early in Quarter 2. This will be discussed at Agenda Item 7.</p>		
5.	<p>Discuss and approve Internal Audit Reports.</p> <p>5.1. Information and Cyber Security. Paper A05.1/09/17.</p> <p>EA advised that the Report is classified as high risk due to the number and significance of key findings identified with the review identifying two high risk recommendations, four medium and one low. EA advised that the three key areas of risk identified were network security, user education and awareness and malware prevention. EA advised that the audit was not just about technology but concentrated on people and process. EA explained how the results were aggregated across the three cyber security review areas. EA directed Members to the two high risk findings in his Report which are Regular formal security assessments are not carried out and lack of Information Security related policy documentation. EA outlined the findings, implications and recommendations that have been made. College Management had accepted these recommendations and target dates for completion were 30th November 2017 and 30th September respectively.</p> <p><i>The Internal Audit Report on Information and Cyber Security was approved.</i></p> <p>5.2. Core Controls: Non-standard revenue. Paper A05.2/09/17.</p> <p>EA advised that the Report is classified as medium risk due to the number and significance of key findings identified with the review identifying three medium risk recommendations, one low and one advisory. EA advised that the audit concentrated on two areas, income recognition and debtor management. EA referred Members to the medium risk findings; Inconsistent payment terms and procedures to recover outstanding debt in a timely manner; Regular aged debtor analysis is not maintained and monitored throughout the year and Credit Control checks over trade accounts are not enforced. EA outlined the findings of each, the implications and the proposed actions. EA also referred Members to their advisory recommendation for the College to maintain a list of contracts signed and approved. LFW believed this would be an area of good practice and fall in line with the General Data Protection Regulations that come into operation in May 2018. IW advised that this had been a challenging audit with a new Credit Controller in 2015/2016 who had needed more assistance. IW believed that some of the samples were not as random as suggested which led to a high percentage error rate. IW confirmed that there has been significant improvements in 2016/2017 and these would continue.</p>		

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	<p>Upgrades to the Agresso system have given significant improvements to reporting and processes. IW acknowledged the issues that have been raised and confirmed that all are being addressed. LFW confirmed that she was pleased with the actions that have been taken.</p> <p><i>The Internal Audit Report on Core Controls: Non-standard revenue was approved.</i></p>		
<p>6.</p>	<p>Discuss progress on recommendations from Internal Audit Reports. Paper A06/09/17.</p> <p>LFW explained the process in that the Report detailed progress on outstanding audit recommendations and those marked completed have been completed since the last meeting and will drop off from the next Report. LFW was pleased with the brevity of the report and believed this was positive. LFW felt that some of the actions maybe worthy of removal although factually not complete but will see if PwC are comfortable with this. LFW advised that the outstanding recommendation on Financial Controls will be reviewed with IW. LFW advised that relating to purchase orders this was an issue across the College and more controls will be introduced to the process. LFW advised that the issue on Student Recruitment was there for a historical reason which has now been resolved. DS outlined the circumstances relating to this for those new members. It was agreed that this section could be removed with the exception of the point relating to on-line applications. LFW advised that the section relating to DLHE Return relates to HE data required by the funding bodies. HE data has gone through the FE ILR system but this will need to change. HEFCE have recently conducted a data audit, the results of which will come to the next meeting, and it was agreed that this section should be removed and replaced with any recommendations from the HEFCE audit. LFW advised that relating to the completion of annual budgets the additional post of a Management Accountant had been taken out of the Budget but she will seek to get this post re-instated.</p>		
<p>7.</p>	<p>Discuss and approve Internal Audit Annual Report 2016/2017 and finalised Audit Plan for 2017/2018. Paper A07/09/17.</p> <p>JS advised that the Report covers two areas. Firstly the work that has been undertaken this year and secondly the plan for next year. JS advised that the publication of the two reports that were discussed earlier completes all the planned work for 2016/2017. JS confirmed that four audits had been delivered in the period in line with the original audit plan. The Contract Management was in two phases the second of which is in the 2017/2018 plan. There were 2 high level findings, 7 medium, 3 low and 3 advisory in the four reports and JS confirmed that the recommendations and actions from these audit reports will be carried forward and followed up in 2017/2018 as part of the follow-up of audit recommendations.</p> <p>JS advised that the Internal Audit Plan for 2017/2018 has previously been</p>		

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<p>discussed but there is one area, the Value for Money Review, which still needs to be clarified. JS confirmed that the Governance Review has started by issuing a questionnaire and will continue with interviews with governors and attendance at the next Corporation Meeting. JS advised that we have three areas listed for Value for Money Reviews, Farm, Catering and Equine. In response to DS JS advised that in order to give assurance only one area could be looked at in the eight days that have been allocated. DS believed that the Farm, with its historic problems, was the area than needs the most urgent review and he knew this to be the wish of a number of governors outside of the Audit Committee. IW advised there has been significant work done relating to the Farm but there is still work to do. LFW agreed that the focus should be on the Farm but there should be time to allow the new processes to take effect and suggested that the audit should take place at the end of Quarter 2 in January 2018. We should then be able ensure that the appropriate systems and processes are in place. JS suggested that the Terms of Reference should be brought to the next meeting for approval. LFW advised that Catering would be reviewed internally and Equine was not seen as a problem but appeared for review as one of our biggest areas.</p>		
<p><i>The Internal Audit Annual Report 2016/2017 was agreed and will go to the Corporation Meeting in December for approval.</i></p>	Clerk	07/12/17
<p><i>The Audit Plan 2017/2018 was approved with the Farm being the Value for Money Audit which will take place in January 2018.</i></p>	JS	Amend
<p><i>The Terms of Reference for the Farm Value for Money Audit will be approved at the next meeting.</i></p>	JS/Clerk	13/11/17
<p>7.1. Review PwC Audit Insight Publication: "HE Matters". Paper A07.1/09/17.</p> <p>JS advised that this publication is referenced in their Annual Report. JS advised that this bi-annual publication considers a number of current issues and themes within the HE sector concentrating on risk, a number of which are equally applicable to the FE sector.</p>		
<p>8. Discuss and approve External Audit Strategy. Paper A08/09/17.</p> <p>RB outlined the key areas on which they will spend the majority of their time. RB advised that the key areas of their focus will be around the identified significant risks in revenue recognition including fraud and the risk of management override of controls. RB advised that an interim audit was carried out in July 2017 and the final audit will be conducted in October 2017. RB explained that the basis of setting materiality uses total revenue as a benchmark and they will report on all individual errors in excess of £24K. RB confirmed that we will report individually on Limbury and Rudgeley Services subsidiaries. DL advised that the audit would concentrate on the risks that would have the greatest impact on the College and these were agreed after</p>		

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<p>meeting IW, the previous Finance Director and the Principal. These risks are re-visited annually. DL outlined the significant risks that had been highlighted for audit. In response to DS DL advised that they had been made aware of the historical issues with stock valuation and had attended the stock take and undertook procedures to verify the count. In respect of the Local Government Pension Scheme DL confirmed that their actuaries will review the actuarial valuations and compare against internal benchmarks.</p> <p><i>The Audit Plan was agreed and the final report will come to the next meeting.</i></p>	RB	13/11/17
<p>9. Risk Management</p> <p>9.1. Discuss proposed review of Risk Management Register and Action Plan. Paper A09.1/09/17.</p> <p>LFW advised that the Risk Management Register and Action Plan were discussed at the recent meeting of the Risk Management Group. In preparing for this meeting she had looked at PwC's audit work on this subject of two years ago. The current register is not manageable, has been added too over the years but has had very few risks deleted and contains duplications and overlapping risks. LFW confirmed that she will carry out a detailed and thorough review. The structure of the Register will need to change to provide differentiation between strategic and operational risks, to group by areas of the College so it can be more easily used by managers. LFW would also wish to incorporate RAG Rating. JS agreed that there needs to be a fundamental review as the current register does not support the "so what question". LFW believed that this fundamental review will take some time so plans to update the next meeting with progress and aim for final draft for the Spring Meeting 2018.</p> <p>9.2. Review Top 10 College Risks. Paper A09.2/09/17.</p> <p>LFW advised that the top risks had been updated after the Risk Management Group Meeting and whilst there is no great change she is comfortable that they capture the major risks to the College. KN suggested that some of these risks could contain timelines. LFW agreed that some could and this could form part of the review.</p> <p>9.3. Approve the Risk Management Group Terms of Reference. Paper A03/09/17.</p> <p>LFW advised that the only amendments were to titles of some members.</p> <p><i>The Risk Management Group Terms of Reference were approved.</i></p>		

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9.4. Note minutes of Risk Management Group. Paper A09.4/09/17.	The Minutes of the Risk Management Group were noted.		
10. Review Purchase Order Compliance. Paper A10/09/17.	IW outlined the reasons for the purchase orders that were not compliant and this was accepted.		
11. Any Other Business			
11.1. HEFCE Data Report			
<i>LFW advised that the HEFCE Data Report will come to the next meeting for approval.</i>	LFW	13/11/17	
11.2. General Data Protection Regulations (GDPR)			
<i>LFW advised that she will report to the next meeting on GDPR progress.</i>	LFW	13/11/17	
11.3. Dates of Future Committee Meetings.			
<i>LFW proposed that we schedule our meetings for April, June and November.</i>	Clerk	13/11/17	
11.4. Members Meetings			
In response to LFW the Clerk advised that we have run Members only meetings after the scheduled meetings.			
<i>It was agreed that we will hold Members Meetings commencing at the next meeting.</i>	Clerk	13/11/17	
12. Dates of future meetings all at 10.00am.			
Monday 13 th November 2017 Wednesday 11 th April 2018 Tuesday 19 th June 2018 Wednesday 14 th November 2018			

Mr David Seymour
Chair Audit Committee

13th November 2017