



*Item 5 of these minutes are deemed to be CONFIDENTIAL by virtue of Instrument 16(2) as they contain personal information. These minutes are not available for public circulation, and are held separately by the Clerk.*

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY 20 SEPTEMBER 2017**

**Present**

Charlotte Desourdy	Governor
Ian Falconer	Chair
Debbie Hilditch	Governor
Mathew Lynds	Governor
John Toon	Governor

The quorum for the meeting was three Members.

**In attendance**

David Reeve	Interim Director of Finance
Laura Clark	Clerk to the Corporation
Richard Lewis	RSM UK
Denis Burke	BDO

The meeting was held in Boardroom, Hub and commenced at 4.10 pm.

<b>Item</b>	<b>Minute</b>	<b>Action</b>
-------------	---------------	---------------

**In Camera Session**

Governors met in camera with RSM and BDO. R Lewis confirmed that the Interim Director of Finance (IDoF) had now informed RSM of the on-going investigation; the impact of which will be considered within their work.

*At 4:15pm David Reeve (Interim Director of Finance) joined the meeting.*

**1 Apologies**

There were no apologies for absence.

**2 Declarations of Interest**

Members were reminded of the need to declare interests as and when they arise within the agenda and recognised that there is a register of standing declarations of interest held by the Clerk.

**3 Appointment of the Committee Chair and Vice Chair 2017/18**

No further nominations were received, and therefore it was unanimously agreed that Ian Falconer would continue as Chair of the Audit Committee and John Toon as Vice Chair.

**RESOLUTION (AC 17 /17):** Ian Falconer was appointed as Chair and John Toon as Vice Chair of the Audit Committee for 2017/18.

Item	Minute	Action
4	<p><b>Minutes of a meeting of the Audit Committee held on 31 July 2017 and any matters arising</b></p> <p>The minutes were agreed as a true and correct record and signed by the Chair.</p>	
5	<p><b>Confidential Minutes of a meeting of the Audit Committee held on 31 July 2017 and any matters arising</b></p> <p>This item is confidential and kept separately by the Clerk to the Corporation.</p>	
6	<p><b>Determination of 'Any Other Business'</b></p> <p>It was agreed Item 14 would be discussed earlier on the agenda.</p>	
7	<p><b>Review of the Committee 2016/17</b></p> <p>The Clerk provided an overview of the report, and drew Members attention to the Committee's key priorities as identified for 2016/17. The consensus of the Committee was that the key objectives had been achieved, and the Chair commented that there had been some, albeit limited, progress towards achieving the key priorities which continue to be a priority for 2017/18.</p> <p>In discussion and through key questions and scrutiny a number of key points were made including;</p> <ul style="list-style-type: none"> <li>• The issues concerning the control environment in College, particularly as regards the tone set at a senior level, had now been identified and appropriate steps were being taken, including the commissioning of a forensic audit investigation. The response will enable systematic cultural change within the organisation which is a positive outcome.</li> <li>• R Lewis observed that the role of the Accounting Officer had been crucial to identifying the issue and in his opinion it would have been difficult for the Audit Committee to identify the issue without the Accounting Officer bringing it to the Chair's attention.</li> <li>• There was a question about whether the control environment weaknesses had also surfaced at other committees, but Members agreed that the fact that the then Interim Principal was able to raise her concerns with the Chair of this Committee and that appropriate steps had subsequently been taken provided positive assurance that the key control of Accounting Officer oversight was effective. Questions were raised regarding the extent to which the Committee structure enables or hinders discussions about controls assurance and how can there be further triangulation? It was agreed that assurance mapping can further achieve this.</li> <li>• The Chair suggested that once all the current investigations were complete consideration should be given to lessons learned, e.g. with a session at a Governor Strategic Development Event.</li> <li>• R Lewis also observed that lessons have been learned in terms of assurance mapping and there has been a positive change as a result.</li> <li>• In conclusion, Members agreed that the Audit Committee continued to deal with a very difficult and challenging issue through robust discussions/scrutiny and challenge.</li> <li>• The Clerk also confirmed that the Committee had strengthened with the appointment of an additional Member with extensive Audit expertise.</li> <li>• The Chair highlighted that the continued commissioning of an Internal Audit firm</li> </ul>	

Item	Minute	Action
------	--------	--------

has worked well and lessons learnt reinforce this.

Members agreed that the key priorities for 2017/18 were as follows:

- Understanding lessons learned from the various formal investigations and concerns with the control environment;
- Further development of an assurance map;
- Further work on IT resilience.

**RESOLUTION (AC 19/17):** Members agreed that the Audit Committee had achieved its terms of reference during 2016/17 and agreed key priorities for 2017/18 (to be integrated with the key priorities of the Audit Committee of the merged College where appropriate / necessary).

**8 AOC Board Assurance Framework June 2017**

The Interim Director of Finance provided an overview of the framework which was the result of a Board Assurance Review compiled by the AoC following interviews with colleges and the outcome of an RSM run regional workshop. The main conclusions of the report were summarised to Members including; that the framework provides a structured approach to managing risk; experience of assurance mapping is growing; several colleges have developed assurance frameworks to provide confidence that internal controls are in place; and assurance over the effective management of risk is a crucial responsibility of the Board and its Audit Committee.

R Lewis confirmed the document is an update of a report previously provided to the Committee, emphasised it is important to have an evidence based approach to assurance and urged the college to 'deep-dive' into assurance. The Interim Director of Finance suggested the toolkit is reviewed by the College to ensure its procedures align with it; Members agreed.

The Chair agreed the reports gave an excellent overview and reinforced what the Audit Committee and College have been striving for. Members agreed that it was important that the Senior Management Team had the resources to effectively review assurance and that it was also important that all Governors read the document.

**RESOLUTION (AC 20/17):** The Audit Committee confirmed the intended approach to assurance remains consistent with current best practice, but acknowledges there is still work to be done. The Audit Committee recommended to the Board that Board Assurance is an essential part of **all** Senior Post Holder job descriptions/responsibilities.

Clerk

**9 Risk / Assurance Management – Risk Register September 2017**

The Interim Director of Finance provided Members with a brief overview of the report highlighting how it was important to continue to triangulate the College's approach to risk management. He updated Members that Risk number 10 on the Risk Register relating to new apprenticeship provision had been expanded to include a number of sub risks and the mitigations which had been put in place to address these risks, e.g. external resource to assist with bid writing. It had been agreed at the recent Assurance Management Group meeting that further training would be put in place for managers in how to compile and manage Operational Risk Registers. Through Members discussion and questions a number of key points were raised, including;

- The Risk register has been informed by the Assurance Management Group and therefore assurance is provided to the Audit Committee;

Item	Minute	Action
	<ul style="list-style-type: none"> <li>Confirmation from the Interim Director of Finance that there is the resource/expertise to carry out the training to managers; if this is not the case, BDO would be asked to support delivery of the training.</li> <li>In answer to a Members' question, the Interim Director of Finance confirmed that when the final Internal Audit report on IT resilience is received, consideration will be given to IT resilience being a separate risk on the Register, and it is likely this will be the case.</li> </ul>	

**RESOLUTION (AC 21/17):** The Audit Committee concluded that it continues to be assured that the Assurance Management Group strengthens the College's approach to risk, and that it supports the proposed changes to the Risk Register; and that further consideration should be given by the AMG to the inclusion of IT resilience as a separate risk on the Risk Register.

Members agreed it was logical to consider item 14 as the next agenda item.

## 14 Audit Recommendations and Actions (Composite Report)

The Interim Director of Finance provided an update on the composite report highlighting that actions from the recent Audits had been included and were complete and with the committee's approval these could be removed; also that there is a managed process to ensure actions were followed up on by management. R Lewis confirmed that External Audit recommendations had been included on the report, but that the source of recommendations (e.g. IA or EA) should be differentiated on the tracker (IDoF to complete). The Chair queried whether the procedure for checking renewal of DBS checks every 3 years had been checked – IDoF to confirm.

The Committee was reassured that all recommendations were tracked and addressed and approved the removal of those that were complete.

**RESOLUTION (AC 22/17):** Members confirmed that assurance had been received that all recommendations are tracked and promptly addressed, and approved the removal of all completed actions from the Composite Report.

## 10 Internal Audit Reports

### Follow Report 2016-17

D Burke (BDO) presented Internal Audit review which noted instances where risks had been downgraded without having been considered by the Audit Committee. The audit also highlighted that whilst the Composite Report document just considered by the Committee (item 14) was accurate and that management actions were good and assurance recommendations were tracked, a system is not totally in place and efficiency could be improved.

D Burke also presented a possible replacement for the Composite Report currently used by the College, highlighting that its adoption could assist the tracking process. The Chair suggested that the document could be integrated with the assurance framework and provides an improvement opportunity but this relies on appropriate assurance being in place.

A question was raised regarding checking the appropriateness and strength of management responses; IDoF stated that it was important that management provides challenge to the

Item	Minute	Action
	audit recommendations where appropriate, and it was agreed that the report would include a point referring to when actions were discussed/agreed at Audit Committee.	IDoF
	<u>Annual Internal Audit Report 2016-17</u>	
	D Burke (BDO) introduced the final version of the Internal Audit Annual Report 2016-17 which included information from the follow-up report, which had not affected the outcome. Through Members questions and discussion a number of key points were raised including;	
	<ul style="list-style-type: none"> <li>• College responses to the internal audit reports had not always been timely; this, and timeliness of implementation could be improved in future; KPIs should be agreed.</li> <li>• It was agreed that the 'results' on page 6 should be updated to read more specifically as it is unclear how many have been verified taking into account those recommendations which had been superseded.</li> <li>• Members asked for narrative to be included on the 'advisory' reviews to provide assurance for the Audit Committee.</li> <li>• The opinion on page 10 of the report (107 of the papers) was questioned; BDO confirmed the exceptions were quite large, and discussion took place on whether the wording was accurate and how large the exclusions were.</li> <li>• There continues to be a number of questions regarding implementation of policies and procedures and how these operate.</li> <li>• The financial statements for the accounting period and annual report will still be submitted for Doncaster College, notwithstanding that the merger proposes the dissolution of Doncaster College.</li> </ul>	
	<b>RESOLUTION (AC 23/17):</b> The Audit Committee considered the internal audit reports, commenting on how they positively informed the Committee's own opinion, and requested further review by BDO on the opinion provided in its Internal Audit Annual Report 2016-17.	
11	<b>Annual Summary of Fraud, Irregularities and Whistleblowing</b>	
	The Interim Director of Finance provided an overview of any instances of fraud, irregularities and whistleblowing during 2016/17, highlighting that it was best practice for a summary in-year. All items were interlinked to the on-going investigation, and there were no other instances apart from those the Committee were already aware of.	
	It was suggested and agreed that the wording regarding whistleblowing should be amended to: no instances had been raised under the Whistleblowing policy.	IDoF
	<b>RESOLUTION (AC 24/17):</b> Members considered the Annual Summary of Fraud, Irregularities and Whistleblowing, and commented on the positive assurance the all cases had been identified and implications for the control environment had been addressed.	
12	<b>External Auditors' Update</b>	
	R Lewis reported RSM had started work on the year end audit; information on the investigation had now been received from the Interim Director of Finance. The regularity audit and financial statements would report on the possible implications of the investigation, including College procedures and delegated authority etc. RSM would review the information and inform the Audit Committee in due course.	
	<b>RESOLUTION (AC 25/17):</b> Members received and noted an update from the External Auditors, and how the outcomes of the investigation will inform their work.	

Item	Minute	Action
13	<b>Draft Audit Committee Annual Report</b>	
	<p>The Clerk gave an overview of the Committee's report for 2016/17. The Committee welcomed the work completed to date, and noted that further evidence / conclusions will be included once available.</p> <p><b>RESOLUTION (AC 26/17):</b> Members welcomed the work to date on the draft Audit Committee's Annual Report 2016/17, and that further work from BDO / RSM will inform the conclusions of the report.</p>	
14	<b>National Policy Update/Feedback from Event</b>	
	<p>There were no items to report.</p>	
15	<b>Any Other Business</b>	
	<p>None.</p>	
16	<b>Key Items for Feedback to the Board</b>	
	<ul style="list-style-type: none"> <li>• Robust review of the Audit Committee for 2016/17; agreement that the Committee had achieved its terms of reference, and that key priorities for 2017/18 included; <ul style="list-style-type: none"> <li>○ Understanding lessons learned from the various formal investigations and concerns with the control environment;</li> <li>○ Further development of an assurance map;</li> <li>○ Further work on IT resilience.</li> </ul> </li> <li>• Confirmed the intended approach to assurance remains consistent with current best practice, but acknowledges there is still work to be done. The Audit Committee recommended to the Board that Board Assurance is an essential part of all Senior Post Holder job descriptions/responsibilities.</li> <li>• Audit Committee concluded that it continues to be assured that the Assurance Management Group strengthens the College's approach to risk, and that it supports the proposed changes to the Risk Register; and that further consideration should be given by the AMG to the inclusion of IT resilience as a separate risk on the Risk Register.</li> <li>• Received and considered the Internal Audit Follow up report, and Annual Internal Audit Report 2016/17 - commenting on how they positively informed the Committee's own opinion.</li> <li>• Received the Annual Summary of Fraud, Irregularities and Whistleblowing, and commented on the positive assurance the all cases had been identified and implications for the control environment had been addressed.</li> <li>• Received a draft of the Audit Committee Annual Report 2016/17, noting that further work from BDO / RSM will inform the conclusions of the report.</li> </ul>	
17	<b>Date and Time of Next Meeting</b>	
	<p>(Wednesday 29 November 5.30 pm, in the Boardroom) TBC</p>	

The meeting closed at 5.30 pm

**Laura Clark**

**Clerk to the Corporation**

**Signed: ..... (Chair)**

**Date: .....**