



Item 6 (ii) 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 MONDAY 20 NOVEMBER 2017

Present

Angela Briggs	Governor
Greg Clarke	Governor
Ian Falconer	Governor
Paul Grinell	Governor
Debbie Hilditch	Governor
Madeleine Keyworth	Governor
Sue Lloyd	Staff Governor
Mathew Lynds	Governor
Harold Osborne	Governor

The quorum for the meeting was three Members.

In attendance

Laura Clark	Clerk to the Corporation
Peter Doherty	Chief Operating Officer
Paul Pascoe	Governor

The meeting was held in Boardroom, North Lindsey and commenced at 5.30 pm.

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

1 Apologies

Apologies for absence had been received from David Reeve and Mark O'Reilly.

2 Appointment of Chair and Vice Chair 2017/18

Members agreed that A Briggs would act as Chair of the Audit Committee and I Falconer as Vice Chair for the remainder of 2017/18, and that as the Chairs of the previous College Audit Committees they would present their respective elements during the meeting.

RESOLUTION (AC 01/17): It was unanimously agreed that A Briggs would act as Chair, and I Falconer as Vice Chair of the Audit Committee, for the remainder of 2017-18.

3 Declarations of Interest

Members should declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.

I Falconer declared that he had been co-opted to the Audit Committee of Sheffield College but had declined an invitation to become a full member of that Corporation unless and until his membership of the DN Group Board ceased. He had already discussed this with the Clerks, and added it to his register of interests.

Item	Minute	Action
4	Terms of Reference	T&F Group
	<p>The Clerk gave an overview of the terms of reference for information, highlighting that the Doncaster College Terms of Reference had been revised and developed over the past three years to clearly distinguish the Committee's four roles of commissioning, receiving, reporting and monitoring quality of assurance provision. It was noted that all the Committee Terms of Reference would be reviewed as part of the work of the Task & Finish Group and take into account best practice within the sector.</p>	
5	North Lindsey Minutes	T&F Group
	<p>i. Minutes of the meeting held on 16 October 2017 and any matters arising</p>	
	<p>The minutes were agreed as a true and correct record and signed by the Chair.</p>	
	<p>It was noted that the Incident Response and Business Continuity Plan had been approved at the North Lindsey Board meeting on 30 October and had been shared with staff at Doncaster College for information. It was further noted that the Task & Finish Group would look at the best vehicle for receiving/considering items (e.g. Audit Committee or Finance and Resources).</p>	
	<p>ii. Reserved minutes of the meeting held on 16 October 2017 and any matters arising</p>	
	<p>The minutes were agreed as a true and correct record and signed by the Chair.</p>	
	<p>P Doherty confirmed that feedback had been provided to Mazars on their internal audit service to North Lindsey for 2016/17.</p>	
6	Doncaster College Minutes	
	<p>i. Minutes of the meeting held on 20 September 2017 and any matters arising</p>	
	<p>The minutes were agreed as a true and correct record and signed by the Chair.</p>	
	<p><u>Matters Arising:</u></p>	
	<ul style="list-style-type: none"> • The Clerk confirmed that she would liaise with the CEO with regards to ensuring that 'assurance' is explicit within all Senior Postholder job descriptions. • It was confirmed the Doncaster College policy was for DBS checks to be monitored and reviewed every 3 years. • The importance of Audit Committee discussions being added to the Internal Audit Reports was re-iterated. • The wording of the Whistleblowing report had been amended as requested. 	
	<p>It was confirmed that previous Doncaster College Audit Committee members J Toon and C Desourdy had resigned from the Board upon merger.</p>	
	<p><i>(5.40 pm - S Lloyd, Staff Governor, withdrew from the meeting for the next item)</i></p>	
	<p>ii. Reserved minutes of the meeting held on 20 September 2017 and any matters arising</p>	
	<p>The minutes were agreed as a true and correct record and signed by the Chair.</p>	

(S Lloyd returned to the meeting at 5.50 pm)

7 Draft Audit Committee Annual Reports 2016/17

i. North Lindsey College

P Doherty presented a summary of the North Lindsey draft annual report explaining that it had been reviewed as a first draft at the October committee meeting; the format was different to Doncaster College but that it mirrored the requirements of an audit committee as stated in the Post-16 Audit Code of Practice; and an overview was given leading to the summary opinion that 'adequate and effective assurance arrangements' are in place (full opinion given on page 7 of the Annual Report).

Through questions and in discussions the following key points were made;

- the final version of the report would be presented to the Board on 6 December following a final review / scrutiny at the joint Audit and Finance Committees meeting on 4 December;
- a 'draft' watermark would be added to the document until final approved version;
- It was confirmed that the Committee had received a report of an instance of fraud (not significant) but it had not been through the work of the internal audit firm that this had been identified. P Doherty would provide clarity on this point within the report.

PD

RESOLUTION (AC 02/17): Members received and noted the positive assurance provided within the North Lindsey College Audit Committee Annual Report.

ii. Doncaster College

It was agreed to move agenda item 9 (ii), Internal Audit Report, to this point within the agenda as this report informs the Audit Committee's own Annual Report.

Item 9 (ii) – Doncaster College Internal Audit Annual Report 2016/17

I Falconer provided context to Members, explaining that the Doncaster College Audit Committee had requested that BDO (Internal Auditors) revisit its draft Internal Audit opinion as there had been a concern that it did not adequately reflect the situation at Doncaster College (attention was drawn to the minutes from 20 September 2017). A revised draft had been provided. Members considered page 10 of the report in particular which referred to 'in year control weaknesses identified' and which included four bullet points which encapsulate the issues. However the opinion acknowledges 'limited effectiveness'. Through questions and in robust discussion the following points were raised;

- Members, previously from Doncaster College, confirmed there was no evidence that the fraud was widespread; this was a narrow set of circumstances.
- The historical context was provided and it was confirmed the Audit Committee commissioned a forensic review (undertaken by BDO's forensic team);
- Members recognised and agreed that 'risk management, control and governance arrangements were operating with limited effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved during the period under review.'

Item	Minute	Action
	<ul style="list-style-type: none"> Members agreed that the new leadership arrangements gave assurance that processes are in place to mitigate against this issue occurring again; It was concluded that the Committee was content to receive, accept and note that the Internal Auditors are providing 'limited assurance,' and were mindful that assurance can only be received on a range of matters and that there needs to be appropriate internal assurance controls/framework in place. 	

RESOLUTION (AC 03/17): Members received and accepted the opinion provided in the Internal Audit Annual Report for Doncaster College 2016/17.

Item 7 (ii) Doncaster College Draft Audit Committee Annual Reports 2016/17

I Falconer confirmed Doncaster had reviewed the draft annual report at its meeting in September, approved the format (which had been developed by the Committee a few years ago at a point where a decision had been made not to have an internal audit service, and therefore the Committee commissioned pieces of assurance as required), but had also concluded that the report required updating in terms of the forensic investigation. Members reviewed the additional paragraphs / amendments, in particular section 5.4, and attention was drawn to the line stating that 'RSM had observed that the role of Accounting Officer had been crucial to identifying the issue.'

Through robust and comprehensive discussion and questions, Members considered the report, focussing on the amendments contained within para 5.4. It was confirmed that the report will be sent to the funding agency. Questions were raised regarding the 'except for' statement contained within the annual report and whether this should be removed and instead replaced with the wording from the BDO report to provide consistency. Members also raised queries whether the ESFA had been informed throughout, and it was confirmed that this had occurred (this should also be inserted into the report). Following debate, Members and P Doherty concluded that to ensure consistency and transparency the report would be further amended to reflect the wording used by BDO within its annual report, and that this provides an accurate reflection of the gaps in assurance. The Clerk confirmed that forensic review had been included in the table of assurances at appendix A.

Clerk/
PD

RESOLUTION (AC 04/17): Members received, reviewed and noted the Doncaster College Audit Committee Annual Report, and concluded that the report should be further amended taking into account the discussion and questions at the meeting today.

8 Risk Management Updates

P Doherty introduced this item explaining that moving forwards there should be a steer from the Audit Committee on how risk is reported. Through Members' questions and discussions the following key points were made;

- The summary matrix (p.49 and 50) which identifies how many risks fall within each 'risk definition' and the table showing movement in risks, was agreed by all Members to be helpful as it ensures appropriate scrutiny is given to those risks in particular which are 'red' or have increased. The Chair endorsed this, commenting that the North Lindsey Committee had found this particularly beneficial. Members welcomed this format for the future.
- It was suggested that there could be a 'target risk' included but that this should be monitored closely and effectively managed to ensure it did not provide false assurance.

Item	Minute	Action
	<ul style="list-style-type: none"> • Consideration should also be given to the use of arrows to show a change of direction; and / or a scoring system which flags a risk to the Committee for further scrutiny. • Members commented that the risk management approach across both Colleges should be reviewed – P Doherty confirmed that there is already a plan in place to conduct a fundamental review of the risk management framework; recommendations will be brought to the Committee. • In response to a query, P Doherty confirmed that there is a subjective element to the measurement of risk, but by looking at the controls which are in place, this ensures that risks are scrutinised appropriately. • It was suggested that part of a future Audit Committee meeting could be used to look at risk management in more detail. The responsibilities of the Committee with respect to risk management were reiterated including their role in ensuring that assurance is reported to the Board. • I Falconer explained the way in which Doncaster College had operated; the College Assurance Management Group reported back to the Audit Committee highlighting new risks for the Committee to review / endorse, and the Audit Committee could also suggest new areas of risk for the AMG to consider based on the assurances the Committee had considered at that meeting. Each Committee of the Corporation took ownership of risks which were pertinent to that particular Committee and each meeting of the Committees had a standing agenda item to review those risks and the mitigation which was in place. • The three emerging risks on the Doncaster College register were endorsed. 	

Following a lengthy discussion, it was agreed that P Doherty would take this feedback and discuss further with the Executive team to begin work on developing an appropriate risk management framework which is fit for purpose for the DN Colleges Group. It was agreed that there were strengths of both risk registers and the intention is to ensure readability is maintained, that targets / milestones for individual risks are set, arrows to show movement at a glance are included, and that there will be an indication of which committee would have ownership of each risk. The question of whether there were resource implications was raised as it was noted there was a significant amount of work to be undertaken – this will be kept under review. Members also noted that the risks had not been discussed in depth but it had been important that the Committee gave thought and consideration to the operation and format of risk reporting / assurance for the future.

PD

RESOLUTION (AC 05/17): Members considered the future risk management arrangements, providing feedback / suggestions to be developed further by Peter Doherty.

9 Internal Audit

The Chair introduced this item, explaining that the two Colleges used different firms for their internal audit requirements, and that at this point in time, consideration should be given to a number of questions, including; whether to continue with this arrangement? Or whether to move to just one internal audit firm (use of tender exercise?)?

Members debated using the current two firms to fulfil the work which had been planned already, but there was also debate on whether a single audit plan should be developed to drive the work which needs to be done (and by whom) taking into account the merger. Members also discussed running a tender exercise for 2018/19, and also the importance of having adequate time to consider the tender in full.

Item	Minute	Action
	<p>P Doherty confirmed that as the merger took place during 2017/18 (1 November 2017) the assurance will need to be assembled from both Doncaster College and North Lindsey College, and also the DN Colleges Group. It was agreed that P Doherty will review the procurement rules and regulations, and also the internal audit plans which are in place (it was noted some work had already been undertaken), and that he will report back to the Audit Committee early in the new year for decisions to be made. It was agreed that during the current academic year, the two existing providers would be used.</p> <p>I Falconer commented that there was independent assurance that appropriate arrangements are now in place to mitigate the procurement-related issues encountered at Doncaster in 2016-17.</p> <p>RESOLUTION (AC 06/17): Members considered the arrangements relating to Internal Audit, agreeing that during 2017/18 the two current internal audit providers will be used to deliver one integrated Plan, and that P Doherty will review the current plans and bring further recommendations to the Audit Committee early in the new year.</p>	PD
	<p>9 (ii) Audit Recommendation and Actions – Doncaster College</p> <p>The Audit Committee reviewed and approved the amendments to the tracker and approved the removal of completed actions.</p> <p>RESOLUTION (AC 07/17): Members approved amendments / removals from the composite report.</p>	
10	<p>Any Other Business</p> <p>The Clerk provided a summary of the approach taken at Doncaster with regards to an item which had normally appeared at the end of each agenda of a Committee meeting – ‘Key Items for Feedback to the Board.’ It was agreed that this should be considered further by the Task and Finish Group.</p> <p>I Falconer also explained that there had been a standing agenda item on the Doncaster College Audit Committee agenda asking for consideration of implications, and whether there was anything else the Committee would like to commission in the light of what it had considered during the current meeting.</p> <p>Members discussed the inclusion of an ‘in camera’ session with the auditors and whether to place at the start or end of meetings. It was agreed that the adoption of regular private discussions with auditors will be explored further via the Task and Finish Group.</p> <p>I Falconer queried when the (Doncaster College) completed regularity audit questionnaire will be presented to the Audit Committee – it was agreed it should come to the next meeting on 4 December 2017.</p>	<p>T&F Group</p> <p>Clerk</p> <p>PD/DR</p>
11	<p>Date and Time of Next Meeting</p> <p>A joint meeting of the Audit Committee and Finance & Resources Committee is scheduled for 5.30 pm on Monday 4 December 2017 at North Lindsey College for consideration of the Financial Statements. RSM would attend and a different member of RSM staff would report on each College’s financial statements for 2016/17 from both a financial and audit perspective.</p>	

Item

Minute

Action

The meeting closed at 7.30 pm

Laura Clark
Clerk to the Corporation

Signed: **(Chair)**

Date:

TABLE OF ACTIONS

Meeting Date	Item No.	Action	Responsibility
	4	All the Committee Terms of Reference would be reviewed as part of the work of the Task & Finish Group and take into account best practice within the sector.	Task & Finish Group
	5i	The Task & Finish Group would look at the best vehicle for receiving/considering items (e.g. Audit Committee or Finance and Resources).	Task & Finish Group
	7i	P Doherty would provide clarity on the point (incident of fraud, but not significant) within the NLC AC Annual report.	P Doherty
	7ii	Members and P Doherty concluded that to ensure consistency and transparency the DC AC Annual Report report would be further amended to reflect the wording used by BDO within its annual report, and that this provides an accurate reflection of the gaps in assurance.	Clerk / P Doherty
	8	Risk Management - P Doherty would take this feedback and discuss further with the Executive team to begin work on developing an appropriate risk management framework which is fit for purpose for the DN Colleges Group.	P Doherty
	9	Internal Audit - It was agreed that P Doherty will review the procurement rules and regulations, and also the internal audit plans which are in place (it was noted some work had already been undertaken), and that he will report back to the Audit Committee early in the new year for decisions to be made.	P Doherty
	10	'Key Items for Feedback to the Board.' It was agreed that this should be considered further by the Task and Finish Group.	Clerk / Task & Finish Group
	10	It was agreed that the adoption of regular private discussions with auditors will be explored further via the Task and Finish Group.	Clerk / Task & Finish Group
	10	Regularity audit questionnaire (for Doncaster College) will be presented to the Audit Committee at the next meeting on 4 December 2017.	P Doherty / D Reeve