

The Vice Principal Finance and Resources commented that he is aware that slow progress has been made against the IT related recommendations but this is because all are significant pieces of work to undertake and cannot be completed by way of a 'quick fix'. He gave assurance to the Committee that completion of these recommendations are in progress and completion of some of the actions should be achieved by the time of the next report.

The Committee commented that in a number of instances in the report the expected implementation date had passed with the recommendation noted as still work in progress. The Clerk will ensure that the expected implementation date is revised and updated as appropriate for future reports.

JBridges

In recommendation 8 of the Key Financial Controls audit work the Head of Finance was to investigate opportunities for reducing the volume of cash that is processed and handled by departments. Additional card machines have been installed in 2 locations in the College and members asked if the new electronic payment method has resulted in less cash handling as a consequence. The Head of Finance confirmed that the same levels of cash are still being processed but there is confidence that once spending habits have changed and customers are familiar that this payment option is now available then cash handling will reduce; it just needs time to embed.

5 **New JACOP**

L Keane of Scrutton Bland provided the Committee with an overview of the key amendments that have been made in the Post-16 Audit Code of Practice from the previous Joint Audit Code of Practice (JACOP).

There are four key changes to note:

1. In the Committee's opinion on the adequacy and effectiveness of the Corporation's audit arrangements, the word 'audit' has been replaced with the word 'assurance' and the 'economy' removed from the statement about 'securing economy, efficiency and effectiveness'. Opinions on the 'effectiveness and efficient use of resources, solvency of the institution and the safeguarding of its assets' have been added as requirements for the annual report of the Committee.
2. The self-assessment questionnaire (Annex C) included in the JACOP is no longer included in the post-16 Audit Code of Practice. The new self-assessment questionnaire has not yet been released but External Auditor, J Smith, confirmed at the meeting that the template from 2015/16 is to be used until a replacement questionnaire is released.
3. Corporations must have policies and procedures, including a whistleblowing policy, on the process to be followed when suspicion arises of potential irregularity, including fraud, corruption, any impropriety or major weakness or breakdown in the accounting or other control framework. The agreed policy and procedures must now include provision that when any significant instance of fraud, irregularity or major weakness or breakdown in the accounting or other control framework is suspected, the Chair of the Audit and Risk Management Committee, the relevant funding body and now also both the external and internal auditors must be informed as soon as possible.
4. Annex C of the new code is a Summary of Regularity Concerns (formally the Self-Assessment Questionnaire in the JACOP) and this sets out some of the characteristics of providers where regularity concerns have been identified.

6 **Membership**

i. ***Renewal of co-opted membership; N Roberts and H Nydam***

Membership of this Committee, under its Terms of Reference, is able to include up to two members who are not members of the Corporation. At the Committee's suggestion co-opted membership of the Audit and Risk Management Committee is subject to annual review rather than an appointment to serve a three-year term of office.

The Appointments and Governance Committee met on 10 May 2017 and subject to the endorsement of this Committee, it is proposed that a recommendation to reappoint N Roberts and H Nydam will be put to the Corporation to approve at the meeting to be held on 7 July 2017.

The Committee agreed that the contribution and input of both members is critical and valued and the recommendation for reappointment is to be supported. A recommendation for approval will be put to the Corporation at the meeting to be held on 7 July 2017.

JGazzard

7 **Internal Audit Reports**

i. ***Maths and English***

The purpose of the audit was to confirm that Maths and English courses are being delivered in a financially effective manner, to confirm that class sizes are being optimised, to confirm that Maths and English are being delivered to a high quality and to confirm that students are entered onto the correct qualification level.

A reasonable assurance opinion (3 of 5, yellow status) was awarded and a total of 3 medium and 2 low recommendations were made in the report.

At the time of the audit it was found that 238 learners (an error rate of 8.7%) did not meet the condition of funding and this could pose a financial risk to the College of £404K if not resolved. Assurance however was given by the College management team that this was being addressed with the aim of ensuring that all learners were enrolled within a week.

The first recommendation (medium status) of the report asks that the evidence confirmed by the academic staff or that provided by the feeder school of the learners' GCSE grades should be recorded on the Student Record System where evidence from the awarding bodies and the Personal Learning Record is not available. The College intends to develop a new Folio system to collect student prior attainment at GCSE, along with the facility to upload evidence.

In response to the second recommendation (medium status) of the report a review with the MIS Manager is to be undertaken to look at staffing levels, capacity and training and identify others who could be trained to data input or employ additional staff/temps to get the data input as soon as possible. Staff utilisation is being explored so that in peak periods this function is suitably resourced.

College management agreed the third recommendation (medium status) of the report and plan to run Condition of Funding reports for both Maths and English from the beginning of the academic year.

The fourth recommendation (low status) of the report aims to resolve delays in processing timetabling and register changes. The management response confirms that all Maths and English timetables for 2017/18 have already been planned and the Director of Maths and English has been tasked to refine and update the systems used to qualify Maths and English timetable changes.

The last recommendation (low status) of the report asks that a detailed report on Maths and English class sizes is run on a regular basis and reviewed to ensure that they are appropriate to optimise teaching and learning. The recommendation has been accepted by College management and regular reports and analysis on class sizes are to be undertaken.

The Committee asked for assurance that staff were aware of the importance of the condition of funding rules. The Vice Principal Finance and Resources confirmed that it was coincidental that the error rate of 8.7% (238 learners) occurred at the time of the audit work. The Head of MIS is stringent about the funding rules and meeting compliance and therefore had been reluctant not to accept anything other than physical evidence of prior GCSE attainment.

The Committee also noted that the due dates of the recommendations had passed at the time of reporting yet actions were still to be completed. The Committee asked to receive assurance that all recommendations of this report will be met before the end of the academic year. It was noted that the responsible officer to take this work forward is to change from the Vice Principal Curriculum and Quality to the Vice Principal Finance and Resources, who has responsibility for MIS (Management Information Systems).

SJones

JBridges

ii. ***Learner Recruitment***

The purpose of the audit work was to confirm that proactive and consistent Admission processes are in place that maximise the ability to convert enquiries into enrolments and to confirm that this feeds into the College's Marketing Strategy.

A strong assurance opinion (1 of 5, green status) was awarded with just one low recommendation made in the report.

Auditors found that applications are promptly reviewed and applicants contacted to provide them with the next available interview date. The number of applications and offers at the time of the audit review were significantly more than at the same period last year. During the mystery shopper exercise, the first application did not receive a response from the College yet College records showed that acknowledgement and interview letters had been generated but these had not been received. On second mystery shop attempt however everything came through. It is unknown why the first mystery shop did not work but it may have been that the letters had been picked up by others using the auditors generic address used for the mystery shop exercise and correspondence had not been passed on.

The low recommendation of the report advises the College to develop a KPI to monitor whether the Admissions Team are meeting their targets of providing applicants with interview dates five working days after they have submitted their application and then sending the offer email within ten working days of the interview being held. College management had agreed that a KPI report is to be generated for September 2017 and is to be monitored by the SMT on a monthly basis from October onwards.

The Committee commented that College appears to be demonstrating good practice and offering students a good experience but questioned how this could be triangulated with actual student numbers. The Vice Principal Finance and Resources confirmed that other measures are high such as our conversion rate which indicates that the work of the Admissions team to enrol, keep warm, interview and convert applications to enrolment are working.

iii. ***Apprenticeship Recruitment and Employer Engagement***

The purpose of the audit work was to ensure that the proposed revised framework and processes for employer engagement and apprenticeship recruitment, including the efficiency of the apprenticeship teams, how the College has prepared for the Apprenticeship Levy, how it has planned to engage with employers in terms of providing work placements and the engagement of assessors whilst on site, is appropriate and operating effectively in practice.

A significant assurance opinion (2 of 5, green status) was awarded with two low recommendations made in the report.

Auditors found that the Vice Principal Employer Engagement, the Director of Business Development and the Apprenticeship Levy Co-ordinator are engaging with employers and are regularly promoting the apprenticeship options available. The College has produced some high quality documentation regarding the introduction of the Apprenticeship Levy and the Apprenticeship Standards. As at 17 March 2017, the College had recruited a total of 803 apprentices against the target of 1000 apprentices from non-levy paying employers and 200 levy-paying employers. There is also confidence that these targets will be reached by the end of the 2016/17 academic year and the College's forecasts support this prediction.

The first low recommendation made in the report suggests that the College should develop an Apprenticeships Strategy that documents how the recruitment of apprentices will be managed and how the quality of delivery will be sustained and improved. In light of the ESFA's announcement to pause the non-levy allocations until after December 2017 this recommendation will not be progressed until we know the government's decisions on funding non-levy apprentices from 1 January 2018.

The second low recommendation made in the report has been revised from previous audit work and asks that a review of a number of KPIs be undertaken to monitor apprenticeship application processes. There are five areas for potential review and the Vice Principal Employer Engagement has completed this work confirming that only one area is measurable; time between a course enquiry being received and a response to the enquirer being provided; which is 48 hours. Auditors confirmed that they thought this assessment was fair.

8 Progress Report

The 2016/17 Audit Plan has been completed and all planned audit work has been carried out. The Committee noted that of the 7 audits, 4 had been awarded a reasonable assurance opinion (3 of 5), 2 significant (2 of 5) and only 1 strong (1 of 5). Auditors said that in their opinion it was good that the College used its internal service to focus on the areas where improvement can be made rather than concentrating on the areas that are known to be working well.

9 2017/18 Draft Audit Plan

The initial planning meeting has been held, the timetable confirmed and audit deliverables agreed.

The plan explains the scope of the audit of the financial statements and the regularity assurance engagement, the proposed approach, and highlights the key risks that auditors will be focusing their audit work upon. It was noted that further to the release of the new Post 16 Audit Code of Practice the engagement letter dated 9 December 2015 and supplementary letter dated 10 November 2016 which sets out respective responsibilities is to be reissued given the recent changes to auditing standards and sector changes.

The scope of the audit is set out on page 4 of the plan and is unchanged from last year. Auditors will be on site in July 2017 to do their detailed planning and initial site work in anticipation of preparing and presenting draft financial statements and annual report in November 2017 to the Committee.

The key business and audit risks and areas of material irregularity affecting the audit plan include a review of income recognition, pension scheme liabilities, going concern, management override controls and the accommodation strategy.

The review of income recognition will look at the income of each funding stream to ensure that it has been recognised in accordance with the SORP (Statement of Recommended Practice).

The liability to be recognised under FRS102 in respect of the College's share of the LGPS deficit is to be reviewed. The deficit is derived from calculations undertaken by an actuary based on College data and a number of key actuarial assumptions which is to be tested as part of the audit work.

The Corporation is responsible for assessing whether adopting the Going Concern basis of accounting for the financial statements remains appropriate. It was noted that bank covenants of the College are calculated on the old UKGAAP (Generally Accepted Accounting Practice UK) and conversion to the new UKGAAP is in progress.

Auditors plan to look at journal entries and other systems under Management Override Controls to ensure that transactions made in the preparation of financial statements can be traced back to source documentation.

Under the review of the College's Accommodation Strategy Auditors intend to look at the costs incurred in respect of the new Engineering building and the timing of works carried out over the summer to ensure that expenditure is correctly accounted for.

Assurance fees were detailed in the plan and accepted by the Committee.

Auditors confirmed a number of matters to be brought forward from the Audit Findings Report last year. As previously mentioned the College could breach a covenant as a result of the presentational changes under the new UKGAAP which is to be tested. There is also a risk that the College is recognising £127K income (£36K from the LSF and £91K owing from 2013/14 bursaries) as liabilities when there is no likelihood that the College will be required to repay these funds. The College has received income from the Biomass Boilers, and

at present it is not clear whether this income would be regarded as taxable or not so these items will fall into scope of the audit work planned.

Appendix A of the plan details the contact details of the Audit Engagement Team. Appendix B sets out the other matters relating to audit and regularity scope, approach and reporting. Appendix C include the pro forma audit and regularity reports (unmodified) and Appendix D details the governance, control and independence arrangements. It was noted that auditor independence has been maintained in accordance with ISA (International Standard on Auditing (UK) 260).

Appendix E set out some of the key issues currently affecting the sector and details of recent developments in this regard that may be of relevance to the College. Topics included; Apprenticeship Reforms; Apprenticeship Levy – contractual arrangements; Area Review update; Funding Bodies merger; the Insolvency Regime; Accounting for College combinations; Post 16 Audit Code of Practice; impact of IR35 on the Public Authorities – from 6 April 2017; Gender Pay; Modern Slavery Act 2015; Public Sector Exit Payments; funding and monitoring information; subcontracted advanced loan funded provision; high priority management actions; themes from fraud reviews; Data Protection and the new GDPR; VAT ruling; and Brexit – the white paper offers news for HE Providers.

10 Review of Internal Control Systems Assessment (FMCE)

At the November 2016 meeting of the Committee it was agreed that the College Secretary should continue to complete both the FMCE Assessment and the Regularity Audit (SAQ). The Committee said that they felt that the FMCE was still relevant and a valuable tool but recognised that over time it may not remain appropriate and therefore asked that they review the position again to determine whether or not it is to be completed for the 2016/17 academic year.

After debate it was agreed that the FMCE Assessment template no longer remains relevant and by completing would add no value or high level of assurance to the work of the Committee.

11 Risk Management Update

The risk register has been reviewed to ensure that the key risks for the academic year remain appropriate. At a glance the number of risks with a high likelihood of occurrence has stayed the same with only 1 risk in the red zone. This pertains to the risk of reduction of enrolments for 2016/17 leads to reduced HE income. The Vice Principal Finance and Resources confirmed that the forecast in year had been adjusted down by £200K and the Resources Committee had tasked him to set a realistic level of income in the 2017/18 budget. A conservative view has been taken by course to calculate the likely level of funding for budgeting purposes and this has concluded a reduction of £200K as originally assumed in the 2017/18 budget as a realistic assumption. An intensive marketing campaign is underway targeting level 3 students in College to encourage higher education opportunities to this cohort of learners. Regional advertising is also out there and in place over the summer months to hopefully attract more learners to the UoS at WSC.

12 Risk Management Procedure Review

The Risk Management Procedure is subject to an annual review by the Committee and the Corporation. There is a direct link between the Risk Management procedure and the College's Strategic Plan. The procedure has

been reviewed and only minor changes on page 8 to correct 2 typos and updating the footer details of the policy are proposed. The Committee **approved** the procedure and will put forward a recommendation to the Corporation to approve at the meeting to be held on 7 July 2017.

JGazzard

13 Internal Audit Services Tender

Confidential item under paragraph 18(2) of the Instrument and Articles of Government.

14 Any other business

i. Data Protection Breach – Summary Report

Confidential item under paragraph 18(2) of the Instrument and Articles of Government.

ii. Case of Fraud

Confidential item under paragraph 18(2) of the Instrument and Articles of Government.

In the light of the recent fire tragedy of the Grenfell Towers in London it was noted that the cladding on all properties on the estate are to be checked.

L Keane and J Smith left the meeting at 6.20pm

Date of next meeting

Tuesday 10 October 2017 at 5.00pm. Room TG1.16

The meeting closed at 6.40pm