

THE CORNWALL COLLEGE GROUP

AUDIT AND RISK COMMITTEE

Minutes of the Audit and Risk Committee meeting held
on 28 November 2018 at 11.00 am at CC St Austell

Members		Jeff Beer	JB	Chair
		Tracey Hooper	TH	
		Jonathan Mashen	JM	
		Geoff Warring	GW	
Members of the Finance and Resources Committee				
	<i>To minute 3</i>	Karen Burrows	KB	
		Peter Child	PC	
	<i>To minute 3</i>	Thelma Sorensen	TS	
Apologies				
		*	Malcolm Bell	MB
	<i>Member of Finance and Resources</i>		Ian Tunbridge	IT
In attendance				
		Alison Phillips	AMP	Corporation Secretary
	<i>To minute 9</i>	Michael Collins	MC	Director of Finance and Resources
	<i>To minute 9</i>	Natalie Croot	NC	Finance Manager
	<i>From minute 2 to minute 9</i>	Elaine McMahon	EM	Principal and Chief Executive
		Adam George	AG	RSM
		Charlie Martin	CM	PwC
		Stephen Patey	SP	PwC

*number of consecutive meetings at which apologies for absence have been given.

I. WELCOME TO THE JOINT MEETING WITH FINANCE AND RESOURCES COMMITTEE MEMBERS

Jeff Beer explained that following Patrick Newberry's decision to resign from the Board the Chair of the Board had asked him to chair this meeting pending the appointment of a new Audit and Risk Committee Chair. He welcomed colleagues to the first joint meeting of the Finance and Resources Committee meeting with the Audit and Risk Committee to consider the external auditors' management letter and the draft Cornwall College Financial Statements for the year ended 31 July 2018.

Apologies were received.

The Chair explained that the senior team had been under significant pressure to finalise the College's application for Restructuring Funding, which was being considered imminently, alongside the usual end of year reports. As a consequence the papers for this meeting had been circulated very late and were not as complete as hoped despite the team's best efforts. Accordingly, to ensure that there was appropriate scrutiny, and mindful of the limited time which governors had had to review the reports he suggested that it was likely that a further meeting of the Audit and Risk Committee would be necessary to finally agree the accounts for presentation to the Board on the 12 December 2018.

2. **CONSIDERATION OF CORNWALL COLLEGE FINANCIAL STATEMENTS FOR 2017/18**

2.1 **External audit for the year ended 31 July 2018 – Audit findings report relating to the Financial Statements and reporting on regularity**

The confidential report was received and at the Chair's invitation Stephen Patey, PricewaterhouseCoopers, reviewed the report. SP reassured governors that the draft financial statements, which incorporated the accounts of the subsidiary companies, were well progressed with just a few numbers and notes to be finalised. He also reported that the audit had gone smoothly and was very clean. In summary there were eight key judgements requiring governors' attention detailed in the report, the most significant of which was the pension liability; and four adjustments or control recommendations. SP reminded the governors that they were required to consider the issues raised in the management letter and the letter of representation (which would be amended to reflect the Going Concern assessment) before approving the accounts.

SP and Charlie Martin, PwC, reviewed the management letter section by section. Going Concern remained a significant risk and SP outlined the audit work undertaken. He reported that he had had a useful conversation with the ESFA Deputy Director for the South West. The College was in a better position than the previous year and SP confirmed that the accounts would be prepared on a going concern assumption with an emphasis of matter paragraph. The governors agreed that the College was in a better position with £3m of Exceptional Financial Support now agreed and every likelihood that the application for Restructuring Funding would be approved imminently. Following further discussion the governors agreed that the going concern position was clear.

Pension schemes – actuarial assumptions was an elevated risk and SP outlined the work which had been done to test the assumptions. He confirmed that the auditors were comfortable with the assumptions and the significantly improved valuation in the balance sheet. Michael Collins, Director of Finance and Resources, outlined the pension costs in the profit and loss account and implications of the pension liability valuation process. Governors discussed the issues including affordability carefully and agreed that alternative arrangements should be considered at an appropriate time. It was noted that PwC would be able to offer support with this review.

MC

CP reviewed the five open internal control deficiencies; two from the previous year and three from the current year. He confirmed that the audit had gone well and that several of the previous year's issues had been addressed. He summarised the key issues from the current audit. MC agreed the position and updated the governors on recent changes.

Finally SP referred governors to the standard letter of representation included with the management letter and explained that it would be updated to reflect the going concern discussions and re-presented.

The Chair thanked SP and CP for their report and congratulated MC and the team on the positive feedback. He also welcomed Elaine McMahon, Principal and Chief Executive, who had joined the meeting during this discussion.

2.2 **Cornwall College Financial Statements including its subsidiary companies: CCMS (2000) Limited and CC Education Services Limited**

The confidential draft financial statements were received. SP explained that the accounts were virtually complete but the Board report was still to be done and the changes discussed earlier in the meeting would also need to be added. In summary the income and expenditure account

showed a deficit of £2.7 million, largely attributable to pension costs which would be explained in the narrative.

The complete accounts would be presented to the Special Audit Committee meeting which the Audit Committee members agreed would be scheduled for 10 December 2018 and then presented to the Board on 12 December 2018 for approval.

AMP

Following this discussion the Finance and Remuneration Committee members left the meeting except for Peter Child who agreed to observe the Audit Committee meeting.

3. MINUTES

3.1 Minutes of the meeting held on 19 March 2018

The minutes of this meeting were received, agreed and signed by the Chair.

3.2 Notes of the inquorate meeting held on 18 June 2018

The notes of the inquorate meeting held on 18 June 2018 were received and noted.

4. MATTERS ARISING

4.1 Meeting held on 19 March 2018

Matters arising from this meeting were discussed at the inquorate meeting on 18 June and reported in the notes of that meeting.

4.2 Inquorate meeting held on 18 June 2018

The Chair reported that the following had been approved at the July 2018 Board meeting:

- Minute 3.4 Reappointment of External auditors for year ending 31 July 2018.
- Minute 5.1 External Audit Plan for 2017/18.
- Minute 5.2 Updated Internal Audit Programme 2018/19.
- Minute 5.3 Risk Management Policy and Board Assurance Framework to be reviewed following completion of the TU work
- Minute 5.4 – Terms of reference approved by the Board in July and committee effectiveness considered and used to inform governance SAR.
- Minute 7.1 Reappointment of Internal Auditors for 2018/19.

5. FOR DISCUSSION

5.1 Internal Audit Programme 2017/18

5.1.1 Funding Assurance

The report was received. Adam George, RSM, highlighted the key points detailed in the report. He advised the committee that there had been themes of errors in the previous year but this year there were individual errors demonstrating good progress and better control. The opinion was still amber but moving towards green and the errors identified did not impact on funding. MC explained the approach taken by RSM which used a process to interrogate the funding data and its compliance with funding rules. He also reported that RSM would be training college staff on the use of PDSAT tool which the college could use independently.

The committee noted the report.

5.1.2 Curriculum Resource

The report was received and AG explained that this was an advisory audit which had taken place when the College was reviewing its own procedures to enable the audit to challenge the

processes being implemented. The audit had identified four key actions relating to documenting the control framework and strengthen monitoring, which AG explained. The committee discussed the audit and MC explained that there had been significant review of curriculum planning this year which had enabled management to identify staff utilisation which would facilitate greater efficiencies going forward. Management accepted the recommended actions which would be reflected in the curriculum planning process beginning in January 2019.

5.1.3 Internal Audit Annual Report 2017/18

The report was received. AG informed the committee that for the twelve months ended 31 July 2018 the internal auditor's opinion was:

“The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective.”

This was the second of four opinion levels and was an improvement on the previous year. Following discussion the committee commended the progress made. MC agreed that there had been improvements and acknowledged that internal audit had been used as a management tool to focus on key areas. He explained that audit work had been secondary to both Transactions Unit and financial management. Going forward he hoped that there would be more capacity to ensure that audit actions were implemented.

The committee noted the report.

5.2 Internal Audit Programme 2018/19

The internal audit progress report was received. AG explained that the Funding Assurance audit had not been included in the report and apologised for this omission. He reviewed the plan for 2018/19 and explained that some audits had been deferred, in recognition of the college staff being particularly stretched at this time, and some were still to be scheduled. The College was however in a better position than the previous year.

The committee noted that the Follow Up report had been deferred and MC reassured the committee that it would not be further delayed but was being programmed to better align with meetings.

5.2.1 Catering Controls Audit

The report, which had looked at income collection and stock management at catering facilities at three sites was received and reviewed by AG. The audit opinion was reasonable assurance with three medium and two low priority actions identified. The committee recognised that there was a difficult balance between appropriate control and cost effective management. MC reported that he had invited catering consultants to review options.

The Chair recognised that catering was a challenge for the College and the committee noted the report.

5.3 Other Audits

5.3.1 Office for Students – Audit of 2016/17 Student Payments

The report of the visit in May 2018 together with the college's action plan which was prepared in response to the audit, was received. The report concluded that the OfS had not gained assurance in both focus areas and had identified eight high importance recommendations and two lesser importance recommendations. An action plan to address these recommendations had been prepared and shared with the OfS and it was understood

that the work had been completed to the satisfaction of the OfS. The committee requested confirmation of the actions taken at the next meeting and the inclusion of these actions on the rolling review of high and medium risk recommendations.

MC/amp

6. RECOMMENDATIONS TO THE BOARD FOR DECISION AND INFORMATION

6.1 Risk Management Annual Report for the year ended 31 July 2018

This report had not been prepared and was likely to be incorporated into the Audit Committee Annual Report.

6.2 Audit Committee Annual Report for the year ended 31 July 2018

This report would be completed for the Special meeting of the Audit and Risk Committee on 10 December 2018.

MC/amp

6.3 External audit report and Cornwall College Annual Accounts for the year ended 31 July 2018

The joint meeting of the Finance and Resources Committee with this committee, had considered the management letter and accounts. A Special meeting of the Audit and Risk Committee would be scheduled for 10 December 2018 and would consider all of the end of year reports for recommendation to the Board for final approval on 12 December 2018.

MC/amp

7. STANDING AGENDA ITEMS

7.1 Rolling review of high and medium risk audit recommendations from previous audits

MC tabled the report and rolling register of high and medium risk audit recommendations from previous audits. He reviewed the report; 38 items had been closed as a result of RSM Follow up reviews, 25 were awaiting confirmation as closed and 10 had been added from recent audits. Specifically high risk items had been reduced to only 4. The committee reviewed and discussed the Open High Risk Items. In particular the committee asked about the Purchase Order system and MC explained that enforcing the raising of an order for everything was a challenge as the software package lacked visibility. This needed to be reviewed but there was no capacity to do so currently. MC did however reassure the committee that orders were going through an approval process and a plan to address the system would be developed. The committee noted the report and confirmed that it was comfortable with the progress being made.

MC

7.2 Review of Cornwall College Risk Register and Executive Leadership Team risk management discussions

MC apologised that he had not had an opportunity to prepare this report. He confirmed that the Executive Leadership Team discussed risk management quarterly and MC updated the risk register as a result of these discussions. MC undertook to update the register for consideration at the Special Audit and Risk Committee meeting on 10 December 2018 along with the Audit Committee Annual Report and statutory accounts.

MC

The Chair reassured MC that governors were very aware of the workload, recognised that a phenomenal amount had been achieved and endorsed the leadership team focussing on the agreed priorities of securing funding support.

7.3 Additional services provided by auditors

No additional services had been provided by the auditors.

7.4 Whistleblowing

The Secretary reported that there had not been any disclosures since the last meeting and none were ongoing.

The policy was due for review but this had not yet been done. A draft would be presented to a future meeting for consideration. AMP

8. COMMITTEE MEMBERSHIP

The Chair explained that following Patrick Newberry's resignation there was a governor vacancy and a co-optee vacancy on this committee. He invited colleagues to consider potential committee members and forward any suggestions to the Secretary. All

9. PRIVATE MEETING OF COMMITTEE WITH AUDITORS

The staff members left the meeting and the internal and external auditors were invited to share any concerns or comments with the committee.

10. DATES AND TIMES OF NEXT MEETINGS

Special Meeting 10 December 2019 at 10.30 am

20 March 2019 at 11.30 am

24 June 2019 at 11.30 am

The Chair thanked colleagues for their attendance and contribution.