

THE CORNWALL COLLEGE GROUP

AUDIT COMMITTEE

Notes of the inquorate meeting of the Audit Committee held on 18 June 2018 at 9.30 am at CC St Austell

Members	Patrick Newberry	PN	Chair
Governors attending	Tracey Hooper Geoff Warring	TH GW	
Apologies	Jeff Beer Malcolm Bell Jonathan Mashen David Sharples	JB MB JM DS	
In attendance	Alison Phillips Michael Collins Natalie Croot <i>To minute 3.2</i> Sally Foard Adam George Charlie Martin Stephen Patey	AMP MC NC SF AG CM SP	Corporation Secretary Director of Finance and Resources Finance Manager Group Director Development RSM PwC PwC

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

1. WELCOME

The Chair welcomed colleagues and explained that there had been a number of apologies and, in the absence of three members of the committee, the meeting was inquorate. Given the importance of the business to be transacted and the attendance of two new governors, who would be joining the committee in the new academic year, and the internal and external auditors, he had agreed that discussions should continue and be reported to the Board.

Apologies were received.

2. MINUTES

Minutes of the meeting held on 19 March 2018

The minutes of the meeting were received. There were no comments. The minutes would be presented to the next committee meeting for approval. AMP

3. MATTERS ARISING

The agenda was reordered to take agenda items 3.2 before agenda item 3.1

3.1 Funding Assurance Update (Minute 3 Funding Assurance)

The update report was received. The Chair welcomed Sally Foard, Group Director Development, to the meeting and invited her to review the progress made with securing funding data assurance. SF outlined the work which had been taking place to ensure that the number of errors was further reduced, alongside improving the data collection and audit process, and confirmed that significant progress had been made in recent months. The June 2018 Individual Learning Record had been the cleanest she had seen. The Funding Assurance Consultant was continuing to work with the College and an expert Pro Solution consultant had also been engaged to work with and train the team.

There had been two internal audit reviews of this area during the year. The Apprenticeship Review in May 2018 which had identified a number of compliance exceptions and concluded an Amber opinion. These issues had been identified by the team and action was being put in place. This report was included in the papers for the meeting.

The second review was the Funding Assurance review which had recently been completed. This review had also identified a number of issues but SF was confident that the team had been aware of these and plans were being put in place. This completed report was awaited and would be shared with the committee.

Overall SF was confident that significant progress had been made in recent months, processes were more rigorous and improvement was continuing.

The Chair reminded colleagues of the critical importance of accurate data and that any significant issues would result in an automatic downgrading in an Ofsted inspection. Adam George, RSM, explained that previous funding audits had identified themes of errors but the recent audit had found individual learner errors and the review was more positive this year.

AG also reviewed the main points of the Apprenticeship report. He explained that the college's position was in line with other providers and clarification of the new rules was being sought from the Education and Skills Funding Agency.

Following this discussion SF left the meeting.

3.2 Cyber Security (Minute 3 Cyber Security)

The Chair welcomed Steve Cant, Head of IT, and SC presented an overview of the college's IT security. He explained the scale of the College's IT system and the security threats before describing the security measures in place. SC also identified areas for improvement and shared concerns and plans.

Governors asked a variety of questions and discussed openly the challenges and opportunities of maintaining data security recognising that security was largely about people. Following full and open discussion, the Chair suggested that the executive team might want to consider gaining the ISO 27001 accreditation for managing information but appreciated that there were other priorities currently.

The Chair thanked SC for his presentation and he left the meeting.

3.3 General Data Protection Regulations (Minute 3 General Data Protection Regulations)

The progress report was received and Michael Collins, Director of Finance and Resources, reviewed the paper. He explained that the internal auditors had completed two advisory reviews of the College's implementation of the GDPR. The report of the second review was included with the paper and concluded that the College's implementation of the GDPR was well progressed but not yet totally compliant. It was understood that the Information Commissioner did not expect total compliance at this stage but was keen to ensure that the regulations were being implemented and taken seriously.

3.4 Other actions from the previous meeting minutes

The Chair confirmed that all other actions from the previous meeting had been completed apart from the recommendation to reappoint PricewaterhouseCoopers as the external auditors for 2017/18 which would be presented to the July Board meeting.

4. FOR DISCUSSION

4.1 Internal Audit Programme 2017/18 Progress Review

The Cornwall College Group (TCCG) is the Board approved name for the Cornwall College Further Education Corporation.

The progress report, together with the individual reviews, was received. The Chair reminded colleagues that a large number of reviews had been completed since the last Audit Committee meeting and the intention was therefore to focus on this report rather than the individual reports in detail. Governors were however invited to send any questions on the individual reviews to MC.

All

At the invitation of the Chair, AG reviewed the progress report mindful that the Apprenticeship review, GDPR review, and Funding Assurance review had been considered and discussed earlier. He also explained that the Curriculum Planning review had been deferred at the College's request, due to staff sickness, and would begin on 20 June 2018. AG highlighted the key messages from each review and these were discussed briefly. Overall the reviews concluded reasonable assurance, there were no high risk actions identified and the second Follow Up report had concluded that good progress had been made albeit that this review had focussed on the actions management had indicated were completed.

The Chair thanked AG for his overview and suggested that good progress had been made with a number of new actions being completed quickly and the older actions, which had not progressed, delayed for a reason.

- 4.1.1 Apprenticeships
Report received.
- 4.1.2 Business Continuity/Disaster Recovery
Report received.
- 4.1.3 Health and Safety
Report received.
- 4.1.4 Follow Up Visit – 1 February 2018
Report received.
- 4.1.5 Financial Controls – payroll and payment controls
Report received.
- 4.1.6 Follow Up Visit – 2 April 2018
Report received.
- 4.1.7 Funding Assurance
Report awaited.

4.2 Other Audits

No other audits had taken place since the last committee meeting.

5. RECOMMENDATIONS TO THE BOARD FOR DECISION AND INFORMATION

5.1 External audit for the year ending 31 July 2018 – audit planning document

The external audit plan for the year ended 31 July 2018 was received and, at the invitation of the Chair, Stephen Patey reviewed the plan. He explained that the plan was largely the same as the previous year's and highlighted the scope of the audit, the proposed timetable for completion of the accounts and audit approach.

Looking at the areas of audit focus SP reviewed the risks identified as significant and the audit approach for these. The going concern assumption remained a significant risk and MC updated governors on the current position with the Transactions Unit and FE Commissioner. The Chair asked SP whether given the ongoing situation it would be possible to continue with the Emphasis of Matter and SP suggested that it would be unlikely that the situation would be any

more difficult than the previous two years but the actual position at the date of signing would need to be carefully considered. The Bank was comfortable with the progress made but as the loans could be called in at any time the auditors would need to continue to classify the loans as short term debt. The final area of audit focus would be pension schemes actuarial valuations. The Chair requested that governors were kept informed of relevant developments.

SP also highlighted fraud risks and, following discussion, the Chair confirmed that the committee was conscious of the risk areas and considered these in planning the committee's and internal auditors' work.

SP introduced Charlie Martin who would be managing the external audit service and audit team. Finally SP reviewed the fees, which were in line with the tender and previous year, and confirmed PwC's independence, before presenting the engagement letter.

The Chair thanked SP for his review of the audit plan and confirmed that this plan, and the engagement letter, would be presented to the Board for its approval.

MC/amp

MC reported that the recent EFS Payment request, which had been approved, had included costs for backfilling finance staff. He explained that some of this funding would be used to pay for PwC staff to prepare the statutory accounts. This work would be subject to appropriate controls to ensure the independence of the audit team.

5.2 Internal Audit Proposed Plan for 2018/19 - Review

The Internal Audit Plan 2018/19 – initial proposals paper was received and taken as read. AG confirmed that the draft plan was in line with the internal audit strategy 2016/17 -2020/21 and reflected some audits being brought forward to 2017/18. He explained that the College usually had 60 internal audit days to include follow up reviews and management time. The draft plan prepared following discussion with the Director of Finance and Resources and Finance Manager, currently totalled 41 hours and AG invited governors' suggestions for additional areas to be reviewed. Governors suggested several areas including future farm project management, student bursaries and loans, subsidiary companies and safeguarding specifically residential accommodation. Following discussion the governors present agreed to suggest to the Board that the remaining unallocated days be used to review Future Farm Project Management and Safeguarding Residential Accommodation.

MC/amp

AG undertook to update the plan for presentation to the Board meeting on the 11 July 2018.

RSM

5.3 Risk Management Policy and Board Assurance Framework Review

The report was received. MC explained that the proposed changes to the policy were housekeeping changes. The Board assurance framework had been updated to reflect changes to processes and simplify the document. It was intended as a tool to help governors monitor assurance reporting and identify any gaps. The Chair suggested that it covered the key areas and therefore remained fit for purpose but should be reviewed following the completion of the TU work. AG reported that RSM had produced a Board Assurance Toolkit and MC undertook to share this with the committee.

MC

The Chair also reminded colleagues that a risk management discussion session for governors was planned for early in the new academic year.

5.4 Review of Audit Committee terms of reference and committee effectiveness during 2017/18

The paper was received and taken as read. The Chair invited colleagues, and specifically the internal and external auditors, to feedback any thoughts on the effectiveness of the committee during 2017/18 to the Corporation Secretary and undertook to speak with the previous committee chair.

All

5.5 Review of internal auditors; performance and reappointment of internal auditors for 2018/19

This item was deferred to the end of the meeting.

6. STANDING AGENDA ITEMS

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

The report was received. The Chair commented that considerable progress had been made since the last meeting.

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

The report was received. MC reported that there were no significant changes since the last meeting.

6.3 Additional services provided by auditors

No additional services had been provided by the auditors. The planned appointment of PwC to prepare the accounts had been reported earlier.

6.4 Whistleblowing

The Secretary reported that there had not been any disclosures since the last meeting and none were ongoing. The policy would be due for review at the next meeting of this committee and the Chair suggested this would be an opportunity to consider whether the level of disclosures was in line with similar organisations and therefore whether the policy was effective.

7. ANY OTHER BUSINESS

The auditors left the meeting and the deferred item was considered.

7.1 Review of internal auditors; performance and reappointment of internal auditors for 2018/19

The Chair reminded colleagues of the appointment process for the internal auditors explaining that the service had been tendered in July 2016 and RSM had been appointed for a five year term subject to annual reappointment. MC confirmed that he was very happy with the service provided but, following open discussion, three key areas for improvement were identified: reports to be better aligned with the oral feedback; timeliness of completing reports and better phasing of reviews. MC and Natalie Croot, Finance Manager, would discuss this feedback with the internal auditors.

MC/NC

The governors present were supportive of the reappointment of RSM as the internal auditors for the 2018/19 academic year.

8. DATES AND TIMES OF NEXT MEETINGS

28 November 2018 at 11.30am

20 March 2019 at 11.30 am

24 June 2019 at 11.30 am

The Chair thanked colleagues for their attendance and contribution.