

## Minutes of the Audit Committee Meeting of the Corporation held at the College at 4.15pm on Tuesday 22 November 2016

**Members Present:** Ms L Burt  
Ms L Carter  
Mr L Davies (Chair)  
Mr A Minter  
Mr D Roberts (Student Governor)  
Ms S Ward

**In attendance:** Ms I Bond - Southern Internal Audit Partnership  
Mr J Cox - Group Finance Director  
Ms I Dubber - PA to Group Finance Director (minutes)  
Ms C Ellis - Director of Research & Development (Risk Management Monitoring item)  
Ms F Millar - External Auditor

**Apologies:** Mr M Lawther

### Part 1 – Standing Items

#### 818 Apologies for Absence

Mr M Lawther sent his apologies.

#### 819 Membership

There were no membership issues.

#### 820 Declaration of Interest

There were no declarations of interest.

#### 821 Minutes

The minutes of the meeting held on 24 May 2016 were **Agreed** as an accurate record and signed by the Chair

#### 822 Matters Arising

JC stated that the delay referred to the Financial Statements for 2014/15. The Audit Committee date had been put back this year to allow more time to prepare. FM confirmed the extra time had allowed things to run more smoothly.

## Part 2 – Matters for Decision

### 823 Audit Committee's Annual Report to the Corporation (Paper 2216/16/A)

JC stated that the letter is from the Chair of the Audit and will be presented to the Corporation. It was a summary of audit matters for 2015/16 including Internal and Financial Audit statements, and that everything in the report relates to the matters brought before the Audit Committee to review under its Terms of Reference.

### 824 Strategic Internal Audit Plan 2016-19 & Annual Internal Audit Plan 2016-17 (Paper 2217/16/A)

JC stated that the 2016/17 and 3 year Strategic Plan were part of a 3 year audit cycle. It lays out the areas that will be looked at over each of the 3 years. Appendix B – shows the 3 year Internal Audit Plan with the audit days allocated to each area. LC asked if 2 ½ days was sufficient for auditing international. JC stated that it was as the product itself isn't evaluated, just the policies and controls. IB stated that it had been discussed with JC to see if more time was needed. LD asked if the plan was unexceptional. IB stated it was a normal plan with no exceptional matters. LD asked about feedback – IB stated that the systems identified are covered by the 3 audits each year. If anything adverse was picked up in the report, it would ordinarily be dealt with before the Audit Committee met. JC stated that it was Highbury College's choice to carry out Internal Audit. SW stated that in her experience the Internal Audit was very thorough and taken seriously by all staff.

It was **Agreed** to recommend the Strategic Internal Audit Plan 2016-19 and Annual Internal Audit Plan 2016-17 to Corporation for approval.

### 825 Self-Assessment Questionnaire (Paper 2218/16/A)

It was acknowledged that this was the first time a SAQ had been brought to the Committee. The College's Self-Assessment against requirements was unexceptional. JC had nothing to add to the report, and that we appeared to have 'ticked all the boxes'. LC suggested that the Self-Assessment Questionnaire reference the fact that the College had a clear whistle-blowing procedure. It was noted that the Committee had received the report and that it would need to be fed back to the Clerk that the SAQ needs to be updated to record this evidence.

The Joint Audit Code of Practice Self-Assessment Questionnaire was **Agreed**, subject to the whistleblowing amendment discussed, and its signature by the College's accounting officer and Chair of Governors **Authorised**.

### 826 Review of Terms of Reference (Paper 2219/16/A)

The Committee **Agreed** that the TOR to be submitted to the Corporation for approval.

**Minute 827 was confidential**

## 828 – Internal Audit Report – Summer term 2016 (Paper 2220/16/A)

IB stated that there were cycles of audit – 1 in each term. 2 were done last year. She stated that Page 2 of the report gave the Audit opinions on 4 systems and the follow up.

**IT General Controls** had adequate **assurance** and it was a clean audit. All important policies are included and in place. There was only 1 action arising which was the IT strategy back-up and recovery plan – the policy needed to be updated. It was noted that there wasn't anyone allocated who was responsible.

**Business Continuity** was substantial assurance

**Cash Collection** had its policies reviewed. 3 areas were identified, and overall had **adequate assurance**. There were 4 actions plans, none onerous. It was checked how much cash was held as there were insurance limits which staff may have been unaware of. The cost of additional insurance was checked but deemed not worth it as we should be improving standards. Cash would be banked more regularly.

**Procurement** had **limited assurance**. There was a lack of evidence of obtaining 3 quotes for a large purchase item. JC explained that one of the items referred to was caused by the College Accountant not applying the process at a time when JC was on leave, and that the purchase required fast action. It was agreed that if the procedure isn't followed that there should be an explanation of extenuating circumstance in the Audit. JC said that the tender ordinarily goes to the Committee. There had been a review of the process of ordering goods before a PO was raised, and that this was only raised on receipt of invoice. It is not good practice to pay invoices late. Overall though, this was not enough to bring the assurance down below limited. LC queried a management action – IB & JC to revisit that paragraph and make the action clearer. IB stated that the off-site activities need to be followed up. The audit work shows the Action Plan has been implemented but there is some limited non-compliance. However, the non-compliance is greatly reduced from before. LD stated that it was going in the right direction and that it would not be re-audited. However, it won't fall off the radar.

## 829 – Review of Outstanding Items (Paper 2221/16/A)

JC stated that the actions from the last Internal Audit report will show on the next outstanding items Action Plan. JC read the report – all but 1 had been actioned by the date required, and that the one that hadn't has an explanation.

## 830 – Risk Management Monitoring (Paper 2222/16/A)

CE attended the meeting and presented the Risk Management Monitoring 2016 paper. She gave an overview of the revised approach to reporting and drew the Committee's attention to paragraph 2.4 in the paper which stated that the format of the reporting has been changed following the recommendations from the December 2015 Corporation meeting.

CE outlined the approach being taken to monitoring and managing risk by drawing the Committee's attention to the process which is undertaken by the College Leadership Team, Operations Group, and Business Results. CE illustrated this by looking at Risk 12 and explaining the process of Gross and Net scores and the relationship between Existing Controls and the Action Plan. In this example, items from the previous Action Plan for this risk have been moved to become part of the Existing Controls. The Action Plan going forward will focus on 'embedding improvement in teaching and learning' whilst the Existing Control is stated as 'improving teaching and learning'.

CE then addressed the approach taken to assessing Movement in Net Score risk by looking at Risk 1. The Net Risk Score shows a reduction due to the application of the Existing Controls which involved a robust review of the International Strategy. JC explained that the International recruitment has changed – the work used to be going out, whereas now the focus is bringing business to the college. The risk remains 'Significant' but due to the reduction in the Net Score the assessment is that movement remains unchanged. There are three risks where there is upward movement in Net Risk Score: Risks, 2, 4 and 6. Although Risk 6 shows a reduction in the Net Risk Score we maintain that as upward movement due to the significance of the Government's Apprenticeship Reform. LD stated that the baseline presented by the Net Score Movement would enable Committee members to look at future reports and raise questions and welcomed this presentation of risk in the new format.

LC stated that the presentation given by CE had been very helpful in explaining the process and asked that this comment be noted in the Committee's report. LD reiterated this observation and thanked CE.

### **831 – Internal Audit Annual Report (Paper 2223/16/A)**

IB stated that it was an unexceptional report, which in the current climate is exceptional. IB read through main points. Good work was carried out, which was all classed as **Adequate**. It a positive that there were no 'no assurances', and no fraud or corruption. LD thanked the College staff for the work that was put in on the Audit. He noted that on the back page of the Audit carried out in March we are classed as **Adequate**. IB was praised for a good report.

### **832 – Financial Statements and Regularity 2015/2016 (Paper 2224/16/A)**

FM presented the report. The main issue was the recovery of a significant Nigerian debt which was long overdue with no clear timeframe for being cleared. It was acknowledged that if the debt was not settled, it wouldn't turn the College into a liability but we needed to look at ways of recovering it. The bigger issue was a Going Concern – whether Highbury College would be able to continue for 12 months from the date of the audit. The further deficit forecast was less than last year. There is sufficient cash generation to maintain our liabilities. The Covenant in the loan is satisfied and some differences in the net current assets can be attributed to a change in the presentation on the Balance Sheet due to the implementation of FRS102. JC stated that the changes in presentation had taken time and there had been lots of additional work. A Key Risk was the International programme and overseas travel costs. Section 3 summarised other issues.

Section 4 has details of everything that they have become aware of.  
Section 5 outlines overseas travel costs and keeping tabs on it, and the losses incurred by NH Training.  
Section 6 recommends improved consolidation documents.  
Section 7 details accounting policies. It was acknowledged the audit was much smoother because of the extra time given.  
It was again stated that the biggest problem was the Nigerian debt.  
LD stated the report would need to be tweaked but could then go to Corporation.

### **Minute 833 was Confidential**

### **Self-Assessment of Meeting**

2 evaluation forms were handed in. The only item which received negative comments was that the agenda and papers hadn't arrived on time.

**The date of the next meeting is 07 March 2017 @ 4.15pm**