



MINUTES
of the Audit Committee
held on Monday 12 June 2017

Present: - Mr Norman Moon (Chair)
Mr Simon Bennett
Cllr Sebastian Bowen
Ms Sally Cassels
Mrs Magda Prail

In attendance: - Mr Edward Gwillim (Director of Finance)
Mrs Shirley Coultas (Finance Manager)
Mrs Linda Watkins (Clerk to the Corporation)
Mrs Karen Gentles (RSM)

The meeting was quorate as five members were present. The Chair welcomed Shirley Coultas; introductions followed.

	Action
<p>5. Apologies for Absence No apologies</p>	
<p>6. Declarations of Interest There were no declarations.</p>	
<p>7. I. Approval of the Minutes of the Meeting The Chair signed the minutes of the meeting held on 27 March 2017 as a true and accurate record.</p> <p>II. Matters Arising The Director of Finance confirmed that KSP Ltd had ceased training at the end of May 2017 with no audit requirement in 2017/18.</p> <p><u>The Committee agreed:</u> -</p> <ul style="list-style-type: none">To approve the minutes of the last meeting	
<p>8. Internal Audit Reports Karen Gentles presented the reports:</p> <p>I. Progress Report: This confirmed that all audits scheduled in the audit plan had been completed.</p>	

Sector briefings were presented covering the apprenticeship levy, cyber security and changes to data protection legislation which would come into effect in May 2018. Audits of apprenticeships and compliance to the General Data Protection Regulations were proposed in next year's internal audit strategy.

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| <p>II. Electronic Registers and Timetabling: This report gave substantial assurance with only one medium level recommendation which had been accepted by management. There was a question about selection of the course sample; this was confirmed as random although it was noted that courses from Ludlow College had not been tested; this would be an option for a future audit. The Chair raised Board assurance suggesting that progress of recommendations could be monitored during the year. The Committee tasked the Director of Finance to prepare a tracking document to provide a summary of actions and progress to date which would be reported at future meetings.</p> | E Gwillim |
| <p>III. Key Financial Controls: This report gave reasonable assurance with two medium and eight low level recommendations. It covered banking, cash, general ledger and fixed assets. A Governor expressed disappointment that there were several small issues; these related to recent staff changes. The Staff Governor commented that Ludlow College restaurant petty cash was reported as having a float of £200; this was inaccurate as it was only £50. The sample sizes to test the bank reconciliation on the current and premium accounts was only three which could have reflected on the outcome of the audit. It was agreed that if a small sample was tested finding 2/3 did not meet expectations the sample should be extended. There was questioning about raising and authorising purchase requisitions. The Director of Finance confirmed that he would sign off any capital expenditure. Management's response to keeping specimen signatures stated that this was not beneficial. The Finance Department were subsequently collecting examples of authorised signatures. It was suggested that as 2/5 in the sample tested for expenses claims had failed to meet requirements, the sample size should have been increased. The Finance Manager confirmed that the department had not processed some expenses without authorisation. Financial Regulations had been amended contrary to the findings in the report. These were reported to the Board annually in December when the previous Director of Finance had reported that no changes were necessary. This was evidenced in F&E Committee and Board minutes.</p> | K Gentles |
| <p>IV. Follow Up: The draft report showed a low level recommendation was outstanding, this had been</p> | K Gentles |

amended in the final report as it had already been implemented.

- V. Learner Number Systems:** This report gave reasonable assurance with six medium and one low level recommendation. The same policies and practices were being embedded at Herefordshire and Ludlow College and County Training. An example included 'roll on roll off' apprentices at County Training as opposed to all apprentices commencing in the autumn term. The Chair asked if the College had the appropriate level of focus based on the number of recommendations. It was anticipated that additional systems and paperwork could be required to meet the apprenticeship levy. The Chair asked the Director of Finance the likely impact if recommendations were not addressed. The potential funding cost of the apprenticeship levy had not been calculated; this would be discussed with the MIS Manager. A Governor asked if any apprentices are sub-contracted noting that there are very few; these were inherited from County Training. The Chair asked when progress would be reported to the Committee noting that it would be followed up as part of the recommendation tracking report which the Director of Finance would prepare.
- E Gwillim
- E Gwillim
- VI. Internal Audit Strategy 2017/18-2019/20:** The 3-year strategy had been prepared in discussion with the Director of Finance and Finance Manager. This linked to the College's strategic plan and the risk register. References to the old format risk register would be amended. Specific areas for 2017/18 were outlined covering General Data Protection Requirements, IT cyber security, framework for safeguarding, learning numbers (compliance with apprenticeship reforms), key financial controls and follow up audit.
- K Gentles
- The Chair proposed inviting IT Manager to the next meeting to take questions on the IT report, this was agreed.
- E Gwillim
- The Staff Governor suggested the safeguarding audit cover Herefordshire and Ludlow College as processes used vary based on the different local authorities.
- K Gentles
- HR, business continuity and disaster management had not been audited for several years. Some elements of HR could be audited in the safeguarding audit, such as DBS. The audit could be brought forward earlier in 2018/19. Annual disaster scenario testing was included in the disaster recovery policy which had been approved by the Board previously as part of the budget. The Director of Finance would review the policy which would be brought to the Committee.
- E Gwillim

The Committee agreed: -

- To note the internal auditor's reports
- An internal recommendation tracker report would be presented at each meeting to show progress of audit recommendations
- To recommend that the Board approve the Internal Audit Strategy
- To recognise the importance of maintaining independent auditors
- The Disaster Recovery Policy would be reviewed

[Karen Gentles left the meeting]

9. Risk Management

- I. Risk Management Register: The Director of Finance outlined the risk register which was presented in the new 5x5 matrix format. It showed inherent risks, mitigating actions followed by the remaining risk scored against likelihood and impact which was RAG rated. Comments were invited agreeing that a key and explanation was required to acronyms and scores. Governors debated whether a combination score based on the industry standard of likelihood and impact should be used concluding to seek advice from RSM.

E Gwillim

E Gwillim

There was specific discussion about the IT risk noting that robust systems and back up procedures were in place to mitigate issues with likelihood of an incident being low.

The next step would be to cascade the risk register to request department to prepare risk registers.

E Gwillim

- II. AoC Board Assurance project: The Chair, Clerk and Director of Finance were participating in a board assurance project. The Chair commented that it was important to identify risks and controls from the top level resting with the Board and at operational levels managed by staff. In future the risk register would be added to the Board agenda for discussion and not just information. Identification of risks had been added to Committee agendas.

The Committee agreed: -

- To note the risk register and thank the Director of Finance for preparing in the new format; a key would be added
- To request the Board to approve the risk register
- To note progress on the AoC board assurance project

10. Whistleblowing Policy

This policy was brought to the Committee's attention following discussion at the last meeting. The Clerk reminded Governors that the Committee's annual report included a report on

whistleblowing and if there have been any incidents.

The Committee agreed: -

- To note the Whistleblowing Policy evidencing robust procedures were in place

11. ICO publication Preparing for the General Data Protection Regulation (GDPR) and checklist to self assessment toolkit

This was issued for information which would be audited as part of the internal audit strategy next year. The IT Manager is the Data protection Officer who would attend a course to ascertain necessary actions. In the future, there could be an option to separate the role of Data Protection Officer from data controller.

The Committee agreed: -

- To note the GDPR guidance

12. Annual items for Committee

- I. Election of Chair 2017/18: The Committee agreed to re-appoint Norman Moon as Chair.
- II. Committee's self assessment: Members assessed the Committee's performance against its terms of reference. The Clerk had compiled evidence of effectiveness.
- III. Terms of reference: These would be cross-referenced to ensure that they met requirements of ACOP; no major changes were anticipated.

The Committee agreed: -

- To re-appoint Norman Moon as Chair of the Committee for 2017/18
- The Committee was effective and adequately met the requirements of its terms of reference
- The Clerk would cross-reference the terms of reference against the ACOP

L Watkins

13. Any Other Business

The Clerk reminded Governors that this was Magda Prail and Simon Bennett's last meeting who had effectively contributed to the Committee. The Chair thanked them for their contributions which were reiterated by everyone. The Search and Governance Committee were addressing vacancies for new Committee members who would bring audit and financial expertise to the Committee and would be appointed at the next Board meeting.

14. Date and time of next meeting

The next meeting of the Audit Committee was changed to Monday 20 November 2017 commencing at 4.00 pm.

L Watkins

Signed as a true record of proceedings

Chair:**Date:**