



**Seevic-Palmer's College Corporation
Risk and Audit Committee**

Minutes of the Meeting held on Tuesday 6 March 2018

**Meeting commenced: 10.00hrs
Meeting ended: 11.40hrs**

Present

Phillip Lennon	Independent Member	Chair
Paul Bennett	Independent Member	
Alex Dobinson	Independent Member	

In attendance

Steven Hendy	Chief Operating Officer (COO)
Paul Goddard	Internal Audit Service (IAS) – Scrutton Bland
Leisyaen Keane	Internal Audit Service (IAS) – Scrutton Bland

Clerk

Sue Glover	Clerk to the Corporation
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21/18 Declaration of Interest

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

22/18 Apologies for absence

There were no apologies for absence.

23/18 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 5 December 2017

The minutes of the meeting were approved and signed as a correct record.

24/18 Matters arising and action points from the minutes of the previous meeting

Members were advised that the Employer Satisfaction Survey would be completed sometime in April and presented to the committee when the outcome was available.

Members noted the all other Action Points had been satisfactorily completed.

Members agreed that there were no other matters arising from the minutes of the previous meeting.

25/18 Risk Management

The COO presented a report which provided details of the headline risks together with the risk register summary for Quarter 3 2017/18.

Members were advised that the risk register had been reviewed and agreed by the Principalship in January 2018. It was noted that a further more in-depth review is planned in April 2018 as the college prepares for 2018/19 and will also take into account the recent FE Commissioner's visit and expected changes to funding.

Members considered the detail of the report, noting the changes made:

- **Risk Ref 2c – ‘Risk of breaching bank loan covenants effecting the going concern of the college’** - has changed from low to medium risk. The mid-year budget review is almost complete and current indications are that the college is at risk of not reaching its operating surplus. Once complete a review of the bank covenants will take place and, although, not expected to be breached it was felt prudent to show caution with a medium risk until the review is complete.
- **Risk Ref 3a – ‘The College is not able to take advantage of opportunities or tackle immediate problems due to insufficient management capacity’** – has changed from low to medium risk. This is due mainly to the current demands on senior management post-merger which may impact on their ability and reduced capacity.
- **Risk Ref 3b – ‘The College does not have a robust system of security including site protection that does not promote a safe environment’** – has changed from medium to high risk following a review of site security where a Limited Assurance was given. This will remain a high risk until the recommendations made are addressed.

Members were advised that the committee only receive the high level risks and the report does not contain low risks. The internal auditor suggested that perhaps the complete risk register could be presented annually and it was agreed that this would be done once the new software system for risk management had been implemented.

In discussion, members asked if measures were in place to determine new risks and whether staff are aware of the procedure for reporting potential risks so they could be added if necessary to the risk register. Members were advised that a detailed review of all risks is planned in April and these points would be taken into consideration.

Members highlighted that some of the rating of risks are the wrong way round and whether the mitigating and target risks could be made much clearer and were advised that these issues would be addressed once the new risk management software was in place.

The internal auditor asked if the full Board were kept advised of risk management and were advised that the risk management report and risk register were presented to each meeting of the Board. In addition, it was planned for the Risk Management policy to be reviewed following the implementation of the new risk management software and presented to the committee for approval.

Members asked whether Health & Safety should be included in the risk register and advised that quite possibly it will be following the review in April. Members were advised that a Health & Safety Compliance Manager is being recruited who will have their own risk register.

Risk Management Software update

The COO updated the committee on the progress of the new software system for Risk Management.

Members were advised that

- a number of quotations are being reviewed, but it was looking very likely that RSM would supply the system

- a decision would be made in April with a view to implementation of the system during May and June and rolled out in August in time for the new academic year
- the IAS advised that relevant training could be given by them

AGREED

The Risk and Audit Committee agreed

- to receive and note the risk management report and risk register
- the report and risk register be presented to the next meeting of the Corporation Board
- committee members be invited to the review of risk management by the College in April

26/18

Internal Audit

Internal Audit Progress Report

The Internal Auditor presented a report detailing the progress made against the 2017/18 Audit Plan.

Members were advised that the Apprenticeship audit referred to was, in fact, the Security audit with a Limited Assurance. In addition, since the progress report had been prepared the High Needs Learner audit had been completed which had resulted in a positive outcome and the final report would be presented to the next meeting.

The Internal Auditor presented for consideration the following final Risk and Assurance Reports:

Marketing

Members reviewed the detail of the report, noting

- Assurance opinion – ‘reasonable’ amber *‘Governance, risk management and control arrangements provide reasonable assurance that the material risk reviewed are managed effectively. There are some areas where the adequacy of operation of controls in practice needs to be significantly improved’.*
- 1 medium recommendation
- 3 low recommendations
- Nil high recommendations

Members reviewed the action plan in place to address the issues raised, noting that one of the recommendations has already been completed and the remainder will be completed by the summer.

Security

Members reviewed the detail of the report, noting

- the security review was carried out at the Palmer’s College campus only to ensure it is managed effectively following the merger
- Assurance given – ‘limited’ red *‘Governance, risk management and control arrangements provide limited assurance that the material risks reviewed are managed effectively. Urgent and significant action is required to improve the adequacy and/or operation of internal controls’*
- 2 high recommendations
- 5 medium recommendations
- 3 low recommendations

Members reviewed the action plan in place to address the issues raised, noting that a number of the recommendations made have already been implemented by the College and that security at the Palmer's campus has now much improved. The internal auditor advised that the recommendations made in the action plan would be included in the next follow-up audit so that the committee would be able to review the progress made. There was a further discussion around the benefits of the Committee having an update on all outstanding recommendations at every meeting of the Risk and Audit Committee.

AGREED

The Risk and Audit Committee agreed:

- to receive and accept the final Risk and Assurance Reports for Marketing and Security
- to review and monitor all outstanding recommendations at every meeting of the Risk and Audit Committee

27/18

Performance Indicators for External Audit

The Clerk presented for consideration a set of performance indicators for external auditors.

Members were reminded that one of the key functions of the Risk and Audit Committee is to monitor the effectiveness of the external audit provider in order to decide, based on a review, whether a competition for price and quality of the audit service is appropriate.

Members considered the proposed performance indicators, noting that these were used successfully by a number of FE Colleges. It was agreed that these should be used in order to establish relevant monitoring of external audit. The COO would complete the set of performance indicators, based on the last external audit undertaken and the outcome would be presented at the next meeting in order to consider the effectiveness of the external audit provider.

AGREED

The Risk and Audit Committee agreed that the set of performance indicators presented are completed by the COO and presented at the next meeting.

28/18

Terms of Reference of the Risk and Audit Committee

The Clerk presented the current and a draft of revised Terms of Reference of the Risk and Audit Committee. In addition, a document produced by RSM detailing a best practice guide for Audit Committees was presented to aid discussion.

Members reviewed the detail of each report, noting the guidance given in the RSM document and the input made to the draft of the Terms of Reference by the Clerk and the Chair.

It was agreed that committee members and the internal auditor would give further consideration outside of the meeting to the revised Terms of Reference and let the Clerk have these so that they may be collated into one document ready to be presented to the Search and Governance Committee for consideration and final approval by the Board.

AGREED

The Risk and Audit Committee agreed to further consider the draft revised Terms of Reference outside of the meeting and to give any comments to the Clerk.

29/18

Post-16 Audit Code of Practice 2016 to 2017

The Clerk presented for information the Post-16 Audit Code of Practice (the Code).

Members were advised that the Code

- sets out a common standard for the provision of assurance in relation to funding of post-16 providers, including
 - assurance arrangements for post-16 providers
 - assurance framework for colleges: requirements for the college corporation
 - assurance framework for colleges: requirements for the auditor/reporting accountant
 - clauses for inclusion in the letter of engagement between the college corporation and their auditor/reporting accountant
 - terms of reference for the regularity assurance engagement
 - summary of regularity concerns

AGREED

The Risk and Audit Committee agreed to receive and note the document

30/18

Any Other Business

The internal auditor advised the committee that it was pleasing to see that the issue of fraud and irregularity and whistleblowing had been highlighted in the draft revised Terms of Reference and suggested that perhaps the committee could consider adding Fraud as a standing item on the agenda and it was agreed that it would be.

The committee were advised by the internal auditor with regard to the new college insolvency regime following the new Technical and Further Education Act passed by Parliament in 2017. The Clerk advised that the AoC had produced a useful briefing document and would circulate to the Committee and Board.

There were no other items of any other business.

31/18

Date of next meeting

The next meeting will be held on Tuesday 12 June, commencing at 10am at Seevic.

At the conclusion of the Part 1 meeting, the Committee moved into a meeting restricted, in accordance with the requirements of the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Committee and to the senior holders.

SIGNED AS A CORRECT RECORD:

DATE: 12 June 2018