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| **MINUTES** | | | | | | |
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| *Audit and Governance Committee No 18* | | | | | | |
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| Date: |  | *05/11/2019 (Tuesday)* |  | Time: |  | *18:00–20:00* |
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| Venue: |  | *Rural Business Centre* |  | Committee: |  | *Audit and Governance* |
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| Notes: |  | *Refreshments can be obtained from the College restaurant prior to the meeting. Tea and Coffee will be available during the meeting.* | | | | |
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| Present: |  | *Barbara Godby, Garry Payne (Vice Chairman), Jane Booker, Karen Birchall and Robert Wallace (Co-opted Member)* | | | | |
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| Attending: |  | *Alison Robinson (Principal), Janet Whiteside (Deputy Principal) and Steven Downham-Clarke (Vice Principal)* | | | | |
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| Clerks: |  | *Ron Matthews (Clerk)* | | | | |
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| Guests: |  | *Charlotte Walsh (External Auditor), Karen Musgrave (External Auditor) and Kashif Azeem (Internal Auditor)* | | | | |
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| ***Public* Minutes** | |
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| Item number: | Item description: |
| (and category) |  |
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| **45.19** | ***Attendance of College Staff and Audit Representatives*** |
| ***Decision*** | Section 8.1 of the current Constitution and Terms of Reference for the Audit & Governance Committee states:"The Principal or any other senior manager who is responsible for the College's internal control and representatives of the External and Internal Auditors shall normally attend meetings at the invitation of the Committee, and the Committee shall have the power to invite such other persons to attend meetings as may be desirable and necessary".A warm welcome was extended to the internal and external audit representatives, Kashif Azeem and Karen Musgrave. They were introduced to the Principal and members of the Committee.  **Resolved:**  **That the Audit & Governance Committee confirm the attendance of College Management staff and the External and Internal Audit representatives at the meeting.** |
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| **46.19** | ***Apologies for Absence*** |
| ***Decision*** | Apologies had been received from Alison Robinson and Karen Birchall. |
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| **47.19** | ***Appointment of Chair and Vice Chair of Audit and Governance Committee*** |
| ***Decision*** | The Committee considered to the appointment of a Chair and Vice-Chair for the coming academic year.**Following due process it was**  **Resolved:**  **1.  That Jane Booker be appointed Chair of the Audit and Governance Committee for the Academic Year 2019 - 2020.**    **2.  That Garry Payne be re-appointed Vice-Chair of the Audit and Governance Committee until 31 December 2019.** |
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| **48.19** | ***Minutes of Previous Meeting*** |
| ***Decision*** | The public minutes of the Audit and Governance Committee meeting number 16 held on Tuesday 18 June 2019, published on the Extranet, were signed and agreed as a true and correct record. |
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| **49.19** | ***Declarations of Interest*** |
| ***Record*** | There were no declarations of interest made in respect of items on the public agenda. |
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| **50.19** | ***Financial Statements Auditors Draft Management Letter Year Ending 31 July 2019*** |
| ***Decision*** | RSM’s Audit Partner responsible for Myerscough College, Karen Musgrave, attended the meeting and presented the Financial Statements and the Audit Findings Report to the Committee and responded to questions.  **The Draft Report and Financial Statements** for the year ended 31 July 2019 had been included to provide supporting information and would be considered at the Finance and Resources Committee meeting on 3 December 2019. Members noted that income had increased, largely due to increases in the local government pension scheme.  The surplus before pension movements was £345k, lower than budget but better than forecast.  Those present referred to good performance in the context of the external environment, though at a level beneath their comfort zone.  **The external audit of the financial statements** for the year ended 31 July 2019 was complete. The report included the proposed Letters of Representation in respect of both the Financial Statements and Regularity Assurance (pages 14 to 18). The letters would be signed at the Corporation meeting on 10 December 2019.  The Auditors Report lodged within the Financial Statements (pages 24 and 25) state:In our opinion the Financial statements:   * Give a true and fair view of the College's affairs as at 31st July 2019 and of the Colleges deficit of income over expenditure for the year then ended, and * have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.   The Audit Findings Report highlights key points:   * RSM had nothing to report in respect of additional audit, accounting and regularity issues identified during their audit and regularity work (page 6). * No unadjusted or adjusted misstatements in the financial statements (page 7). * RSM had nothing to report in respect of impropriety issues from their work undertaken in respect of the regularity audit (page 8). * RSM had nothing to report in respect of significant deficiencies in internal control from their work performed during the audit (page 9).   The Auditor made comment on the ''high quality set of accounts'' and wished to pass her thanks to the Finance team and in particular the Interim Deputy Principal, Finance and Corporate Services, Janet Whiteside.  **Resolved**:  **1**.   **That the External Audit Findings Report for the year ended 31 July 2019 be  commended to Corporation for approval.**  **2.   That the Auditors Opinion in respect of the Financial Statements Audit and Conclusion in respect of the Regularity Audit for 2018 / 2019 be commended to Corporation for approval and signatures.**  **3.   That the Letters of Representation be commended to Corporation for signature by the Chair and Principal.** |
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| **51.19** | ***Internal Audit Reports*** |
| ***Decision*** | The Committee considered four Internal Audit reports. The first was the **Follow Up Report,** which is normally considered at the June meeting but was delayed to incorporate management responses. All matters identified in previous audit reports were in the process of being implemented.  The second report was the **Draft Annual Summary** on assignments completed in line with the Internal Audit Plan. The work had been planned and delivered as a series of ‘agreed upon procedures’, delivering reviews and testing in areas at the request of management and the Audit and Governance Committee.  This also included the **Procurement Assignment** which had been requested by the Finance and Audit Committee at the start of the year and was not included in the audit plan.  The Third report was the **Internal Audit Progress Report,** which included the timetable for those assignments due in the coming year.  The final report was the delayed **Post 1 May 2017 Apprenticeship Framework Review.** This audit had been delayed due to confusion over the scope of the work and had been explained at the last meeting of the Committee. The report included four medium recommendations, which had been accepted by management. Also circulated with this report was a letter from RSM outlining the findings from the original audit, which would not feature in the final report following the agreement of the revised scope.  **Resolved:**  **That the Internal Audit reports be received.** |
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| **52.19** | ***Internal Audit Progress and Summary Report*** |
| ***Decision*** | The Committee received and noted the above report, which contained information detailing progress to date on all recommendations made. In total 10 recommendations were made of which 6 (60%) had been implemented, 3 (30%) partially completed and 1(10%) no longer applicable.The progress report showed items related to IT were still outstanding from October 2017 and wished to see these progressed to a conclusion.  **Resolved:**  **1.   That the relevant managers be informed of the Committee's concern in the delay in implementation of the IT recommendations from October 2017.**  **2.   That the reports be received.** |
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| **53.19** | ***Review of the College Risk Appetite and Risk Register*** |
| ***Decision*** | Audit & Governance Committee considered the College’s Risk Management Framework, which comprised the risk appetite statement, risk assessment and risk heat map. Members recognised that risk management is a key enabler to the delivery of the Strategic Objectives and supports the assurance statement in evidencing that all risks are considered.  **Risk Appetite** - The section in the Risk Management Policy referring to this states: 'The College recognises that, whilst it must take steps to manage and monitor all risks, it must not allow an aversion to risk to prevent it from taking opportunities, which will aid its successful and innovative development in line with the Strategic Plan. Its appetite for particular risks will depend not only on the likelihood and effect of the risk (before and after controls) but also on the effects of the risk on its core business, if the risk materialises. It will therefore be risk averse in core activities which, if they failed, might jeopardise the solvency of, or seriously undermine the reputation of the College, but will be risk tolerant in activities where failure would not cause serious financial or reputational damage but where success would lead to significant advantages to the College in achieving its Strategic Plan.  In all cases risk tolerance will be enhanced for developmental activities, which will assist the College to develop new markets or enhance reputation even if their full objectives are not achieved.  **Risk Assessment** - Audit & Governance Committee gave attention to the full risk register, a live document that is continuously updated.  The risk register is sub-divided into seven areas, these being; Strategic, Financial, Curriculum, Governance, Estates, Cross College and Human Resources. The College’s committees, at each meeting, review the risk registers appropriate to their respective terms of reference and the Corporation reviews the Highest Operational Risks. Risk is measured by considering both **likelihood** and **effect** using a scale of 1 to 5.  To ensure consistency the definitions of Risk Scores recommended in the report would be added to the Risk Policy.  **Risk Heat Map** - a tool used to present the results of a risk assessment process visually, and in a meaningful and concise way, by using colours to draw attention to those risks that have the highest residual risk score. The residual risk score is calculated as the multiplication of the residual risk assessment for Likelihood and Effect. All proposals were agreed and reportswould be presented to Corporation at its meeting in December 2019.  **Resolved:**  **1.   That the College Risk Appetite is considered to remain fit for purpose and commended to Corporation for approval.**  **2.   That the definitions for the College’s Risk Assessment remain fit for purpose and commended to Corporation for approval.**  **3.   That the full College Risk Register be commended to Corporation for approval.** |
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| **54.19** | ***Data Protection Policy and Procedure*** |
| ***Decision*** | The Committee considered a review of the Data Protection Policy and Procedure. The policy had been updated to include details of timescales for reporting breaches to the Commissioner and details of potential fines. Otherwise the policy remained the same.  **Resolved:**  **That the revised Data Protection Policy and Procedure be agreed.** |
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| **55.19** | ***ESFA Subcontracting Control Report*** |
| ***Decision*** | The ESFA requires providers who subcontract a defined level of provision to obtain a report from an external auditor on the arrangements in place to manage and control their subcontractors. Myerscough falls into this category and, as required, RSM had reviewed the College's Subcontracting Controls to provide the necessary report and external assurance.  Governors questioned the level of expenditure for a number of the subcontractors identified in the report. Officer agreed to check the figures with RSM.  The work had not identified any issues.  **Resolved:**  **That the ESFA Subcontracting Report be received.** |
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| **56.19** | ***Draft Annual Report of the Audit and Governance Committee 2018-2019*** |
| ***Decision*** | The Committee considered the Draft Annual Report of the Audit & Governance Committee to the Principal/Chief Executive and the Corporation for the year 2018/2019. Audit & Governance Committee noted that the report reflected Governance matters according to its terms of reference. In accordance with the Joint Audit Code of Practice the Audit & Governance Committee was required to give assurance to the Board.  Members noted that the report stated:  ‘The Audit & Governance Committee is of the view that it has operated effectively and fulfilled its obligations as identified in its Terms of Reference.  It is also of the opinion that the College’s audit arrangements, the internal control systems, value for money policy and procedures, financial controls, framework of governance, risk management and control are adequate, operating effectively and its processes secure economy, efficiency and effectiveness and can be relied upon.’  The report would be signed by the Chair of Audit & Governance Committee and commended to Corporation for approval and onward transmission to the funding body.  Members considered the Audit & Governance Committee terms of reference and agreed they remained fit for purpose.  **Resolved:**  **1.   That the draft Annual Report of the Audit & Governance Committee to the Principal / Chief Executive and Corporation for the year ended 31 July 2019 be accepted and commended to the Corporation.**  **2.   That the Audit & Governance Committee Constitution and Terms of Reference remained fit for purpose.** |
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| **57.19** | ***Data Returns Reports*** |
| ***Decision*** | Audit and Governance Committee considered the reports, which listed the completion and timing of statutory returns required by the relevant funding bodies for the year end 2018/2019 and the completed returns for the current year 2019/2020.All returns had been submitted on time.  **Resolved:**  **That the Data Returns Reports be received.** |
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| **58.19** | ***Teachers' Pension Report*** |
| ***Decision*** | Audit & Governance Committee received the Teachers' Pension Report.Corporation noted that RSM had provided an independent reasonable assurance report in connection with the Teachers’ Pensions Contributions for the year ended 31 March 2019 which had been submitted to the ESFA in accordance with their time frame.  **Resolved:**  **That the Teachers' Pension Report be noted.** |
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| **59.19** | ***Governors Quality Improvement Plan 2019 - 2020*** |
| ***Decision*** | Governance received a Grade 2 ''Good'' following validation of its self-assessment report. The Clerk had drawn up a Governance Quality Improvement Plan for 2018 / 2019. Members noted that in the coming year attention would be given to:   * Governors awareness of the curriculum offer, financial plan and CPD * Greater involvement of Governors in the activities of the College * More understanding by Governors of external stakeholder engagement * Setting demanding targets * Governor profiles and the publication of photographs * Reviewing membership of Committees   **Resolved:**  **That the Governance Quality Improvement Plan 2019/2020 be received.** |
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| **60.19** | ***Annual Review of the Decision-Making Process of the Corporation*** |
| ***Decision*** | The Provider Financial Assurance (PFA) review of the effectiveness of financial management and governance at Myerscough, undertaken in January 2003, recommended that the Corporation carry out a full review of its decision-making processes annually. This requirement arises from the press release issued by Baroness Blackstone in April 1999, which stated that each college must review annually its decision-making process and such reviews must be recorded in the Corporation minutes.  Audit & Governance Committee was therefore asked to consider the following items, which made up part of the overall decision-making process and recommend for approval.  **Standing Orders and Code of Conduct for Governors.**  During this cycle of meetings all Committees are asked to consider their Terms of Reference to ensure they remain fit for purpose. The Terms of Reference for the Audit and Governance Committee appeared as part of the Annual Report considered earlier in the meeting.  The Instrument and Articles of Government had been reviewed by the Clerk earlier in the year and approved by Corporation in July. In light of the recent appointment of a number of new Governors the Corporation Structure and Committee membership would be reviewed later in the current academic year.  **Resolved:**  **That the Committee expressed its satisfaction with the above and agreed that the documents attached to the decision-making processes remained fit for purpose.** |
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| **61.19** | ***Governor Training*** |
| ***Decision*** | The Clerk reported that arrangements had been made to hold a Governor training session on the College Self-Assessment Report on Tuesday 26 November 2019 commencing at 6.00pm. This date was included in the timetable of meetings agreed earlier in the year.In addition, it was hoped to hold a Governor Briefing session at 4.00pm on the same day to review the performance of the Apprenticeship Programme.  **Resolved:**  **That the Governors training update be received.** |
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| **62.19** | ***Governor Garry Payne*** |
| ***Decision*** | The Chair referred to the fact that this would be the last meeting of the Audit and Governance Committee for Garry Payne, who was due to retire on 31 December 2019.She thanked him for his service to the College and particularly the Audit and Governance Committee where he had served as Vice-Chair for a number of years. She wished him well in the future, sentiments echoed by the rest of the Committee.Garry responded accordingly. |
| Signed:  Chair Jane Booker  4 February 2020 | |

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| ***Confidential* Minutes** | |
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| Item number: | Item description: |
| (and category) |  |
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| **63.19** | ***Declarations of Interest*** |
| ***Record*** | There were no declarations of interest made in respect of the items on the confidential agenda. |
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| **64.19** | ***Minutes of Previous Meeting*** |
| ***Decision*** | The confidential minutes of the Audit and Governance Committee meeting number 16 held on Tuesday 18 June 2019, published on the Extranet, were agreed and signed as a true and correct record of the meeting. |
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| **65.19** | ***Review of the Confidentiality Policy and Confidential Items*** |
| ***Decision*** | Audit & Governance Committee considered the Confidentiality Policy together with a list of all items considered under the confidential or strictly confidential sections of all agendas during the year 2017/2018. The review date would be added to the policy, which members agreed remained fit for purpose.  **Resolved:**  **1.   That the Confidentiality policy be recommended to Corporation for approval.**  **2.   That the recommendations** **as to whether to make public or retain confidentiality on individual items in the schedule of confidential and strictly confidential matters** **considered during 2017/2018 be updated and commended to Corporation for approval.** |
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| **66.19** | ***Provision of an Internal Audit Service*** |
| ***Decision*** | The Committee was informed that the current four year contract with RSM would conclude on 31 July 2020. It was therefore necessary for the Committee to consider the way forward after this date.Earlier in the meeting Karen Musgrave, from RSM, had informed the Committee of an ethical review by the Financial Conduct Authority which may result in Audit firms no longer being permitted to provide both internal and external audit services to a single organisation.In the light of this information the Committee.  **Resolved:**  **That consideration of the provision of an Internal Audit Service after 31 July 2020 be deferred.** |
| Signed:  Chair Jane Booker 4 February 2020 | |

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| ***Strictly Confidential* Minutes** (no items available) |

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| Acting Chairman: |  |  |
| Signed: |  |  |
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