

MINUTES

Group :	SPECIAL AUDIT COMMITTEE	Date:	27/06/17
Location:	Room P.12, London Road Campus, Shrewsbury	Time:	6.00 p.m.
Membership:	Sarah Gibbons, Iain Gilmour, Nigel Merchant (Committee Chair) and Rex Sartain. I vacancy/co-opted member vacancy.		
IN ATTENDANCE:	Clerk to the Board, Tracy Cottee		
BY INVITATION:			
APOLOGIES:	Iain Gilmour and James Staniforth.		

The Clerk advised that the Special Meeting had been called to consider the notes of the inquorate meeting of the Audit Committee held on 20 June 2017 (previously circulated) and to ratify any decisions and recommendations to the Board required.

11/17. **Declarations of Interest**

There were no declarations of interest.

12/17. **Draft Minutes of the Meeting Held 07 March 2017**

The Minutes of the meeting held on 7 March 2017, were agreed as a true record.

13/17. **Notes of the Inquorate Meeting of the Audit Committee held on 20 June 2017**

The Committee reviewed the notes and previously circulated reports.

14/17. **Appointment of Internal Audit Service and Financial Statements Audit Service**

The Chair of the Committee reported that a tender exercise had been conducted with respect to the appointment of both an internal audit service and financial statements audit service to Shrewsbury Colleges Group. Having been through the process, which included the involvement of the Chair of the Committee and the Chair of the Finance & Business Operations Committee, TIAA LLP was selected as the Internal Audit Service and Grant Thornton as the Financial Statements Audit Service.

In accordance with Audit Committee Terms of Reference, the appointments were required to be recommended to Board.

RECOMMENDED TO BOARD that –

1. TIAA LLP be appointed as the Internal Audit Service to Shrewsbury Colleges Group with effect from 01 August 2017, for a four-year period; and
2. Grant Thornton be appointed as the Financial Statements Audit Service to the Shrewsbury Colleges Group with effect from 01 August 2017, for a four-year period.

15/17. External Audit 2017 – 2018 Audit Plan and Strategy

At the informal meeting, Mr Reid of Grant Thornton, had introduced the External Audit 2017 – 2018 Audit Plan and Report (previously circulated).

He had explained that the Plan and Strategy set out –

- Grant Thornton's understanding of the principal business issues relating to Shrewsbury Colleges Group (SCG) and the overall impact on their audit approach – financial position and Going Concern and realising the benefits of merger;
- The company's risk-based approach;
- Significant risks identified;
- The Company's approach to materiality and regularity assurance;
- The Team;
- Fees; and
- Communications of audit matters with the Committee.

The Chair reported that Mr Reid had commented that the Group appeared to be in a sound financial position, so some risks present in the wider sector, such as Going Concern, did not present such a challenge to the College. He observed that, whilst the merger was nearly a year old, there were on-going projects, such as moving to a single ledger and a single HR system. He confirmed that the scope of the audit would include work on the significant risks defined by the ISA – auditing of revenue transactions, management override of controls and Local Government Pension Fund Disclosures.

The Clerk reported that Section 6 ('Our approach to Regularity Assurance') had been amended to reflect that the College's sponsor Funding Agency was the Education Funding Authority (EFA), although, in reality, the EFA and the SFA (Skills Funding Authority) were now a single body.

The Committee agreed that the Plan and Strategy timetable fitted well with the Audit Committee meeting cycle for 2017 – 2018.

RECOMMENDED TO BOARD the External Audit 2017 – 2018 Audit Plan and Strategy.

16/17. Internal Audit Reports

Mr Green of RSM, the College's outgoing Internal Audit Service, had presented the following reports to the informal meeting (previously circulated) –

- Learner Support – substantial assurance;
- Learner Number Systems – reasonable assurance;
- Compliance with Legal Requirements – Freedom of Information and Data Protection – partial assurance;
- Follow-Up; and
- Internal Audit Progress Report.

The Committee Chair explained that he had enquired on the College's preparations for GDPR as it would have to demonstrate how it understood the data it held and management of related risks. The Principal had reported that the Group Vice-Principal, Strategy & Information had responsibility to implement the preparation programme and work was underway. The Clerk reported that, following the informal meeting, the College's Internal Audit Service had been approached to deliver a briefing session to governors on GDPR and its strategic implications.

RESOLVED: That the reports be noted.

17/17. Audit Recommendation Tracking Report

The Committee reviewed and noted the Audit Recommendation Tracking Report (previously circulated).

The Committee Chair had asked several follow-up questions regarding the asset register and Safeguarding and PREVENT training. The Principal confirmed that, with respect to the PREVENT Policy,

reputational risk was reviewed regularly at Senior Leadership Team. The Clerk confirmed that governors would receive a Briefing on Safeguarding and PREVENT before the next Board meeting, prior to being requested to undertake on-line development over the summer. Governors would also be invited to participate in the Staff Training Days on 11 & 12 July 2017.

RESOLVED: That the reports be noted.

18/17. Internal Audit Strategy and Plan

The Committee reviewed the Draft Internal Audit Strategy and Plan (previously circulated).

The Committee Chair and Principal had discussed the document prior to the meeting and had suggested that it be amended by the removal of an assurance audit in learner numbers planned for 2017 – 2018, with an appraisal audit looking at the process and effectiveness of the merger, with particular reference to moving curriculum to English Bridge. The Principal had explained that the College was intending to relocate Art provision to one campus and it would be beneficial to learn thought audit whether the College's project model would provide benefits going forward. The Clerk confirmed that the Draft Plan would be amended accordingly. And supplied when available.

In accordance with Audit Committee Terms of Reference, the Internal Audit Strategy and Plan was required to be recommended to Board.

RECOMMENDED TO BOARD the Internal Audit Strategy and Plan, as amended by the substitution of an assurance audit in learner numbers planned for 2017 – 2018, with an appraisal audit looking at the process and effectiveness of the merger.

19/17. Risk Register and Board Assurance Framework

The Committee reviewed and noted the current strategic risk register and governance risk register (previously circulated).

A separate governance risk register had been created following merger to track specific risks associated with the project. These risks had been successfully mitigated and, from 2017 – 2018, governance risks would be incorporated into the College Risk Register

The Chair reported that at the informal meeting, committee members present had observed that the current Register featured many risks and it was hard to 'filter' the strategic risks through the Committee as a result. He indicated that he would discuss this with the new Finance Director on appointment.

RESOLVED: That the reports be noted.

20/17. Audit Assurance Report

The Committee noted an assurance report on compliance with the Audit Accountability Annexe of the Foundation Code (previously circulated).

The Committee noted that there was currently 1 vacancy on the Committee for either an Appointed or co-opted committee member. The Clerk reported that the interested candidate in the co-opted position had recently withdrawn their interest. As the Committee had recently experienced an inquorate meeting, the Committee observed that this position should be filled and that the Committee's terms of Reference amended as part of committee evaluation, to ensure all meetings were quorate.

21/17. Letter from Peter Lauener, Chief Executive and Accounting Officer of the ESFA;

The Committee reviewed and noted the letter, which had also been received by the Finance & Business Operations Committee (previously circulated).

22/17. Irregularity and Fraud

None reported.

23/17. Risk

There were no areas of risk arising from the meeting.

24/17. Performance Review and KPI Performance of Internal Audit and Financial Statements Auditors

Deferred to next scheduled Committee meeting.

25/17. Committee Evaluation

Deferred to next scheduled Committee meeting.

Date of next scheduled meeting – Tuesday, 23 November 2017 at 6.00 p.m.

The meeting concluded at 18.23.