

AUDIT AND RISK COMMITTEE MEETING

CONFIRMED MINUTES OF THE MEETING HELD ON FRIDAY 29 NOVEMBER 2019 AT 9.00 AM IN THETFORD BUILDING BOARDROOM, CCN, IPSWICH RD, NORWICH NR2 2LJ

Present:

Bree Sherwood (Chair), Jill Lanning (Chair of Curriculum and Standards' Committee), Andrea Blanchflower (CCN Curriculum and Standards Governor) – up to and including agenda 6.4.

Attendees:

Corrienne Peasgood (Principal) – via Skype call, Martin Colbourne, (NES MD), Karen McIntosh (NES Finance Manager), Leisyen Keane (Scrutton Bland Auditor), Liandi Venter (KPMG), Charlotte Wilson (KPMG), Jodie Mitchell (Administrator)

1. Apologies for Absence

There were no apologies received for the meeting and it was formally agreed that the Committee was quorate and could go ahead.

2. Declaration of Interest

Governors and Committee members are requested to make known any relevant pecuniary interests relating to any items on the agenda and it was noted that all declarations will be recorded.

There were no new declarations of interest given at the meeting.

3. Unconfirmed Minutes of the Meeting held on 11 June 2019 (Paper 02)

Jill Lanning asked for 6.5.1, final bullet point, to read: Government Retraining Scheme. The minutes of the meeting held on 11 June 2019 were then agreed as a true record of the meeting and will be amended and signed by the Chair at the next meeting.

4. Unconfirmed Confidential Minutes of the Meeting held on 11 June 2019 (Paper 03)

The unconfirmed confidential minutes of the meeting held on 11 June 2019 were agreed as a true record of the meeting and will be signed by the Chair at the next meeting.

5. Matters Arising from the Previous Minutes (Paper 04)

Action 1: Fraud – *a verbal update to be included on the Audit and Risk Committee agenda at each meeting and the Schedule of Business amended accordingly.* Please see agenda 7.2. Action completed.

Action 2: *Additional Learner Support Pilot Scheme to be reviewed at the next Audit and Risk Committee Meeting taking place in November.* Corrienne Peasgood provided a verbal update in Jerry White's absence. Action completed.

Action 3: *OnBoard to be changed to note that Audit Committees take place between 9.00 am and 11.00 am.* Action completed.

Action 4: *Sector Update to be included on the Audit and Risk Committee agenda at each meeting and the Schedule of Business amended accordingly.* Action completed.

Action 5: *Self-Assessment Review documentation to be reviewed before the next annual review process is undertaken.* Action completed.

Action 6: *Paul Goddard to forward his proposed changes to the Terms of Reference to Sue Millions for distribution.* Action completed.

SECTION A

6.1 Draft Annual Report and Financial Statement 2018/19

(Paper 05)

The draft Annual Report and Financial Statement for 2018/19, previously distributed, was discussed at the meeting and the following was discussed and noted:

Martin Colbourne advised that KPMG have been on site and undertaking the audit over the last 3-4 weeks. It was noted that the Annual Report is in a good state and NES has had the benefit of Karen McIntosh this year to coordinate. It is 90-95% complete. Martin Colbourne ran through each page of the Annual Report for the Committee.

Bree Sherwood commented that for each reference to Easton, can it say “proposed impending merger” as it currently reads as though it is a done deal. Whilst no issues are anticipated, and the merger should proceed as planned, it would be better to say proposed as it will not have been formally concluded by the time the Report is signed off. Martin Colbourne confirmed that at the CCN Board meeting taking place on 17 December 2019, the Board will be signing off both the Annual Report and the Merger pack.

Discussions in respect of the colour-coded Achievement of Strategy Targets took place and Jill Lanning asked who the audience for this was? Whilst it is accepted that there is a requirement to include certain information for the ESFA, there will also be potential competitors who will consider this and as such it should be kept high level. Martin Colbourne confirmed that it will be on the CCN website. It was agreed that this may be more appropriate to say what the target was and to say that this was not met but that there are action points to address this. It was also agreed that the colour coding did not assist. The Principal offered that there was a review against each of the strategic aims last year and this could be included (with reference to the strategy day in the summer, how the College have progressed against each of the targets and what will be focussed on going forward). It was agreed that it would be better to remove the colour coding and to have a couple of paragraphs as discussed. Andrea Blanchflower agreed, while noting that this is good for internal, but not for external. The Principal confirmed that she would review this section.

A few additional minor tweaks were made to the document during the meeting. KPMG confirmed that they were still undertaking a first review and so would pick up formatting points.

Consideration as to the provision for irrecoverable debt were discussed. The Business Committee have a debt tracker every quarter. Discussions as to the historic debt and the reduction in this took place and it was noted that progress is being made.

Karen McIntosh advised the Committee in respect of the Accounting Officer’s Pay and Remuneration which is to be expressed as a multiplier (5.8). It was explained the issues in calculating this as it is to be a medium, not an average.

Page 62 in respect of Related Party Transactions is to be checked together with governor expenses (table).

Consideration of timings followed:

- 3 December - Papers for Business Committee
- 10 December – Business Committee
- 17 December – Full CCN Board - sign
- 18 December – Send to KPMG

Action 1: Bree Sherwood to see Annual Report and Financial Statements before CCN Board / sign off (MC / BS).

Action 2: Karen McIntosh to ensure Easton references are correct (KM).

Action 3: Corrienne Peasgood to review the Achievement of Strategy Targets section of the Annual Report (CP).

Action 4: Governance to add Bree Sherwood's reappointment date in table (CJ).

6.2 KPMG Letter of Representation (Paper 06)

The KPMG Letter of Representation, previously distributed, was discussed at the meeting and the following was discussed and noted:

Andrea Blanchflower asked what the purpose of this Letter was and was advised that this letter is confirmation that CCN have given all information and disclosure to the auditors for the purpose of finalising the Report and Bree Sherwood added that it holds the governors to account. This will be signed at the same time as the accounts. Bree Sherwood added that this was standard and is happy with the content.

6.3 KPMG Audit Memo (Paper 07)

The KPMG Audit Memo, previously distributed, was discussed at the meeting and the following was discussed and noted:

Liandi Venter took the Committee through the document and confirmed that there is no deviation from the Audit Plan. She set out the outstanding issues, these being new pay disclosure, GMP equalisation (work is being undertaken with the actuary and Martin Colbourne advised the Committee in respect of the two legal cases – McCloud and GMP). In respect of the pension liabilities, Bree Sherwood stated that the Full CCN Board need to be happy and need to have to hand the budget and forecast. The Principal added that the December Board will have a report on cash flow as well as the business plan, so should be reassured. Bree Sherwood asked that going forward, it would be helpful to have the documents for the forecast each year, so assurances can be given and governors happy to sign off.

Consideration was given to Appendix 3 and the Audit Recommendations and it was noted that they are all low priority. Bree Sherwood informed the Committee that she is at a loss as to what others do and asked KPMG to consider and let the Committee know. It was noted that the Governors are not actuaries and so it is difficult to do more than is being done at the present time. Martin Colbourne advised that the last paragraph of the Management Response will be brought to Business Committee and it may assist Bree Sherwood to sit on the Business Committee for that meeting.

In respect of the audit fee, this needs to be agreed as to what it will look like going forward.

Action 5: Martin Colbourne to prepare cash flow forecasts for board on 17 December 2019 to support the KPMG Audit Memo (MC).

6.4 Audit Committee Report 2018/19

(Paper 08)

Martin Colbourne went through the document previously circulated and advised the Committee that this report provides a summary of what has been done throughout the year.

Section 7 – Governance – Bree Sherwood raised the issue of the composition of the Committee. She is currently the only permanent member of the Committee and so wants to ensure that the Auditors are comfortable that this complies with the Code of Good Governance. It was noted that CCN have a plan to address this. Discussions followed in respect of Jill Lanning's role with the Committee. This needs to be looked at and she confirmed that she was "happy to continue to hold the fort". Jill Lanning feels that the Board is the right size but CCN need to ensure there are enough governors (with the right skill set) for each Committee. Reflection to be given to this in the New Year.

Discussions around the internal audit took place and Jill Lanning commented that she feels uncomfortable as to how performance is evaluated. She explained that she does not think that this is a valid way of undertaking this. The way in which the governors' self assess should be further considered. The Principal advised that this was considered by the internal auditors, who looked at the minutes of meetings, so while it may not have been specific it was considered. In the New Year, the composition of the Committee will be considered. If no governors from Easton come across to CCN, either there will be recruitment or C&S Committee will be approached to see if anyone is happy to also sit on Audit (a governor cannot be on both Business and Audit). Jill Lanning confirmed that she would be willing to sit on Audit, but there may be someone else who would consider the role.

Bree Sherwood confirmed that subject to the amendments being made, she would be happy to sign this Report in due course.

Action 6: Governance to check when Noel Bartram ceased to be a member of the Committee as this needs to be consistent throughout the report - section 2 wording as well as table (CJ).

Action 7: Governance to remove wording "co-opted". Both Noel Bartram and Jill Lanning are Governors and their attendance at the Committee is in the capacity as a full Board member so rephrase to "Governor co-opted to Audit Committee" (CJ).

Action 8: Governance to make necessary amendments for Bree Sherwood to approve and sign (CJ).

Andrea Blanchflower left the meeting at 10.30 am.

6.5 Final IAS Annual Report for 2018/19

(Paper 09)

The Final IAS Annual Report for 2018/19, previously distributed, was discussed at the meeting and the following was discussed and noted:

Leisyen Keane took the Committee through the Report, advising that there are no caveats and greens have been given throughout. There is one high risk recommendation in respect of apprenticeships and this will come back to the Committee. Jill Lanning also commented that this will be picked up at C & S Committee Meeting and it was noted that it would be beneficial for the whole Board to see this.

There were no recommendations carried over from last year which is positive and shows that management have addressed these.

Jill Lanning questioned how the Audit Committee look at risk and the Risk Register. It was agreed that this should be visible to the whole Board, so Governors can articulate how risk is reviewed. The Principal advised that risk appetite and revised scoring will go to the next Board taking place on 17 December 2019. This has also been added to each Committee's Terms of Reference.

6.6 Final IAS Audit Plan for 2019/20 (Paper 10)

The Final IAS Audit Plan for 2018/19, previously distributed, was discussed at the meeting and the following was discussed and it was noted that Paul Goddard attended the last Corporation Board Meeting where this was reviewed and discussed. No further comments were made on this and all deemed to be sensible.

6.7 Risk Management Update

The Principal advised that a complete review will come to CCN Board in the New Year following the merger with Easton and the Risk Management can then be considered by the Audit and Risk Committee.

6.8 Additional Learner Support Pilot Scheme

The Principal advised the Committee that this is a pilot on demonstrating support in a cost-efficient way. The scheme is being run by Norfolk County Council and will be a new way of working.

6.9 Integrated Financial Model for Colleges (Paper 11)

The Integrated Financial Model for Colleges, previously distributed, was discussed at the meeting and the following was discussed and noted:

Martin Colbourne updated the Committee that a working group has been set up between the ESFA and colleges in order to simplify matters. However, things appear to now be more complicated. From December, the normal returns need to be prepared and by the end of February there will be a further combined report showing the outturn, budget and cash flow (1 spreadsheet over a 4-year period).

In terms of Easton, the proposed merger will have taken place on or before 28 February 2020, so this will also need to be considered. Martin Colbourne commented that the sector is trying to absorb and reflect on this. There is a practical challenge in that there is a requirement for the Corporation to approve and sign off. The question was asked as to whether there can be any push back on the return date and it was agreed that this will be picked up with Teresa Kelly.

7. SECTION B

7.1 Sector Updates

There was no update submitted under this agenda item.

7.2 Fraud Discussions

Martin Colbourne referred the Committee to a sophisticated scheme from an alleged supplier, but this was caught by a NES employee (purchase ledger clerk).

He confirmed that requests are independently verified. Leisyen Keane gave an update in respect of sector wide frauds (chaps payments, which CCN rarely use and are mainly smaller amounts as on student bursary).

8. SECTION C

There were no items tabled in this section of the meeting.

9. Other Urgent Business

There was no urgent business tabled at the meeting.

10. Summary of the Meeting

10.1 Review of Meeting Against Strategic Aims

It was agreed that the majority of the strategic aims have been covered throughout today's meeting.

10.2 Items Identified for CCN Board

There were no items to be referred to the Board.

10.3 Any Changes or Additions to be Considered for the Risk Register

There were no changes or additions to be considered for the Risk Register.

11. Confidentiality

Leisyen Keane, Liandi Venter and Charlotte Wilson left the meeting for this section of the meeting.

11.1 Assessment of Auditors Performance Indicators for 2018/19

Please see confidential minutes.

11.2 Approval of Auditors Performance Indicators for 2018/19

Please see confidential minutes.

11.3 External Audit Contract Extension

(Paper 12)

Please see confidential minutes.

11.4 Review of SPH Expenses Claims including Credit Card Data

Please see confidential minutes.

12. Date of Next Meeting

- Audit and Risk Committee: Tuesday 17 March 2020 at 9.00 am in the Thetford Building Boardroom.

All business having been concluded, the meeting closed at 11.30 am.

Signed Date
(Chairman)