



Minutes of a Meeting of the Audit Committee of the Board of the Corporation

held at the College on Monday 7th July 2014 at 5.30 pm

Present:

Mr G Marshall (Chair), Mr G Gibson, Mr J Davies, Mr D Temperley, Mrs G Granath.

Apologies: None

In attendance:

Mr C Todd (Director of Finance and Resources), Ms K Redhead (Principal), Mr P Church (Baker Tilly), Mr G Wilson and Ms S McNair (Pricewaterhouse Coopers), Mr M Sowerby (Clerk to the Corporation),

The Chair, Mr Marshall welcomed all attendees to the meeting and then asked each person to introduce themselves.

1. Declarations of Interest

1.1 There were no declarations of interest

2. Minutes of a Meeting of the Audit Committee held on 10th March 2014

Matters Arising

2.1. Item 2.1. Langley Park. The Director of Finance and Resources informed Members that the prospective purchaser is currently trying to resolve planning issues with Durham County Council (DCC). When the matters are resolved the sale should proceed. DCC are also eager for the sale to proceed. Following a question regarding visitors to the Community Centre using the car parking area, the Director of Finance and Resources informed Members that he would check the insurance cover for the property and if necessary arrange for disclaimer notices to be displayed.

2.2. Item 3.3 Strategic Planning recommendation. The Director of Finance and Resources confirmed that this item had been resolved and removed from the list of outstanding recommendations.

Agreed:-

2.3. THAT the Committee accept the minutes as a true record.

3. Minutes of a Meeting of the Audit Committee held on 28th April 2014

Matters Arising

3.1. There were no matters arising. The Chairman confirmed that the decision of the Audit Committee to appoint Pricewaterhouse Coopers (PwC) had been ratified by the Board at the meeting on the 13th May 2014.

Agreed:-

3.2. THAT the Committee accept the minutes as a true record.

4. Report on outstanding audit recommendations.

4.1 The Director of Finance and Resources presented the report and reminded Members that it had been agreed at the last meeting to remove any low priority recommendations from the report and only include medium and high priority recommendations.

4.2. The Director of Finance and Resources then outlined the current position in relation to the Asset Register and the development of the Travel Policy. Members were then provided with details of the five new recommendations added to the list and were informed that all of the recommendations will be implemented by the end of July

Agreed:-

4.3. THAT the Committee accept the report.

5. Risk Management Report and Risk Register update

5.1. The Director of Finance and Resources informed Members that since the last meeting of the Audit Committee the Senior Management Team (SMT) have developed a Risk Management Policy and updated the Risk Register by refining and removing some of the risks.

5.2. The Director of Finance and Resources then outlined all of the changes to the Risk Register and explained the mapping table contained within the report. Members were informed that a number of new risks had been added to the Register and these were also outlined in detail.

5.3. A Member expressed concern that Risk 6, failure to recruit and retain high quality staff at all levels, had been removed after only a few months. The Member felt that this was still a high risk and should be monitored over a much longer timescale for example 12 to 24 months. The Chairman agreed with this suggestion. The Director of Finance and Resources advised Members that all senior positions are now filled and there is stability within the SMT but agreed to look at this area again.

5.4. Another Member expressed concern that Risk 9, failure to respond to competition from other colleges and private training providers, had been removed.

The Director of Finance and Resources and the Principal confirmed that the most significant risk for 2014/15 was Risk 1, funding stream changes, but agreed to look at redefining Risk 2, failure to meet recruitment and funding targets, to include the competition risk.

5.5. The Director of Finance and Resources informed members that the Risk Heat Map is to be redeveloped and presented to the next Audit Committee meeting. The Chairman asked for greater clarity in the revised map.

5.6. The Director of Finance and Resources then outlined several aspects of the Risk Register and following a question from the Chairman, the Director of Finance and Resources informed Members that an action register, to sit alongside the Risk Register is to be developed over the next few weeks.

5.7. The Director of Finance and Resources then presented the Risk Management Policy and informed Members that the policy had been examined and approved by Internal Audit (Baker Tilly). Members were also informed that the policy will be reviewed and approved by the Audit Committee annually.

Agreed:-

5.8. THAT the Committee approve the updated Strategic Risk Register and the Risk Management Policy

6. Internal Audit Reports

6.1 Mr Church (Baker Tilly) presented the following reports:

- Mock Funding Report
- Staff Development Report
- Risk Management Report
- Payroll and Expenses Report
- Follow up Report
- Internal Audit Progress Report
- Benchmarking Report

6.2. Mock Funding Report. Mr Church explained that this audit replicated a Skills Funding Agency (SFA) audit. Mr Church then highlighted each section of the report and Members were informed that the review of this service provided reasonable assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were three medium priority recommendations which Mr Church outlined. All of the recommendations had been accepted by management and implemented.

6.3. Following a question The Director of Finance and Resources confirmed that the missing record referred to in the report had been located. The Principal informed Members that an electronic tracking system is to be implemented which will help to prevent this happening in future.

Agreed:-

6.4. THAT the Committee receive the report

6.5. Staff Development Report. Mr Church explained the background to the report and advised Members that the Principal had requested the audit of this high risk area. Each section of the report was then highlighted and Members were informed that the review of this service provided substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were two medium and two low priority recommendations which had been agreed and implemented.

Agreed:-

6.6. THAT the Committee receive the report

6.7. Risk Management Report. Mr Church provided Members with the background to this report and highlighted the significant changes taking place in the Further Education Sector. Mr Church then outlined each section of the report and Members were informed that the review of this service provided substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were three low priority recommendations. All of the recommendations had been accepted by management, two will be implemented by the end of July and the third will be implemented in December 2014.

Agreed:-

6.8. THAT the Committee receive the report

6.9. Payroll and Expenses Report. Mr Church advised Members of the background to the report and explained the payroll process. Details of the payroll and expense budgets for the previous two years were highlighted. Details of the scope of the review were then outlined. One medium and one low priority recommendations had been made. Both of the recommendations had been accepted by management, one recommendation has already been implemented and the second recommendation is to be implemented by the end of July.

6.10. Following questions the Director of Finance and Resources and the Principal confirmed that the expenses budget and actual cost figures were correct and the apparent over spend was due to the fact that it had not been possible to accurately set the budget in the first place. Members were also informed that the rise in expenses is due to the increase in the number of assessors and the College has to examine all costs when considering the viability of a training programme.

Agreed:-

6.11. THAT the Committee receive the report

6.12. Follow up Report. Mr Church provided Members with the background to the report and informed Members that the College had demonstrated good progress in implementing actions agreed to address internal audit recommendations. 87% of all actions had now been implemented. Mr Church then highlighted several sections of the report.

Agreed:-

6.13. THAT the Committee receive the report

6.14. Internal Audit Progress Report. Mr Church presented the report and highlighted the audits completed and the one audit (Academic Quality Systems) still to be done.

Agreed:-

6.15. THAT the Committee receive the report

6.16. Benchmarking Report. Mr Church reminded Members that at a previous meeting they had requested benchmarking information. Mr Church then outlined each section of the report. Members were informed that the College had very positive assurance levels, 86% green and 14% amber/green and much lower levels of recommendations.

6.17. A Member commented that the College performance appears to be way ahead of the average and it was agreed that the report should be presented to the next meeting of the Board. The Chairman thanked Mr Church and the SMT for all their good work.

Agreed:-

6.19. THAT the Committee receive the report

7. Internal Audit Plan for 2014 – 2015

7.1. Ms McNair presented the report and summarised each step in the PwC approach in the preparation of the assurance plan. Ms McNair then outlined each area of the annual plan which included:

- The Assurance Framework:
- Procurement:
- Mock SFA Funding Audit:
- Health and Safety:
- Business Continuity Planning:
- Pre/post implementation and associated controls for the new finance system.

7.2. Ms McNair then highlighted the Key Performance Indicators contained within appendix 1 of the report.

7.3. The Director of Finance and Resources informed Members that the plan would normally cover a period of three years but due to the timing of the appointment of PwC only a one year plan has been produced at this time. Because changes are constantly taking place the plan will be updated during the period. Following a question from the Chairman the Director of Finance and Resources confirmed that he was pleased with the plan.

7.4. Following a question about an SFA Funding Audit the Director of Finance and Resources informed Members that the College has just been notified that we are to receive an audit later this year. The Principal explained that there are no risk based reasons why the College has been included in the audit and that we are one of five

colleges receiving a duplicate audit. Members were informed that the Mock SFA Funding Audit will include our partners.

Agreed:-

7.6. THAT the Committee approve the Internal Audit Plan for 2014/2015.

8. Financial Statement Auditors Strategy year ending 31st July 2014

8.1 Mr Wilson presented the report and explained in detail the scope of the audit and the audit approach. Members were then given details of the risk based audit methodology and strategy and the scoping materiality. The key areas of risk to be audited were identified as follows:

- Fraud and management override of controls:
- Revenue recognition:
- Pension schemes – actuarial assumptions and enhanced pension contributions:
- Current economic environment and financial standing.

8.2. Mr Wilson then outlined the responsibilities of PwC, the College management and the Audit Committee, the contact details, the fees and finally the audit quality and FRS102.

8.3. The Chairman thanked Mr Wilson for a very comprehensive report but queried the £12k triviality amount as he thought the triviality amount had previously been lower. Although the Chairman stated that he thought £12k was acceptable the Director of Finance and Resources agreed to check out the previous amount and report back to the Chairman.

8.4. Mr Wilson then asked if the Audit Committee had any particular concerns they wanted the auditors to be aware of or look at. The Chairman, on behalf of the Audit Committee reported that there were none.

8.5. The Principal and the Director of Finance and Resources updated the committee and the auditors on the Public Interest disclosure item which had been reported to the Board on the 13th May 2014. Since the original investigation a number of further items of correspondence have been received by the College and the SFA. A more in depth investigation is now taking place. Members were then given details of the actions taken by the College to date.

8.6. Following a discussion a number of questions were raised. The Principal confirmed that the partner company involved in the issue provided apprenticeships in care, business administration and management. To limit any possible financial loss the College had removed as much funding as possible from the company and although at present there is no indication that this action will be required, the College will take the learners back in house if necessary.

Agreed:-

8.7. THAT the Committee approve the External Audit Plan.

9. Annual Review of Financial Regulations

9.1. The Director of Finance and Resources advised Members that although the Financial Regulations remain relevant in most areas there were some changes necessary to procurement limits and wording to bring the College in line with modern procurement practice.

9.2. The Director of Finance and Resources then outlined the changes made to the Financial Regulations

Agreed:-

9.3. THAT the Committee note the content of the report and the changes made to the Financial Regulations

10. Next Meeting Agenda

10.1 Items include:-

- Declaration of Interests
- Minutes/Matters arising
- SFA Audit update
- Report on outstanding audit recommendations
- Risk Register update
- Internal Audit Reports
- Annual Report and Financial Statements
- Final Audit Findings Report
- Annual Internal Audit Report
- Draft Audit Committee Report to the Board and Principal

11. Any Other Business

11.1 There were no items of other business.

The meeting closed at 7.15pm.

Date of Next Meeting

The next meeting of the Audit Committee is 10th November 2014 at 5.30 pm