



**Minutes of a meeting of the
Audit Committee of the Board
of the Corporation**

held on Monday 10th November 2014
at 5.30pm.

Present:

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

Apologies: None

In attendance:

Ms K Redhead (Principal), Mr C Todd (Director of Finance and Resources),
Mr M Sowerby (Clerk to the Corporation), Mr P Church (Internal Audit, Baker Tilly),
Mr A Morton Pricewaterhouse Coopers (PwC), Mr G Wilson (PwC).

The Chair welcomed everyone to the meeting.

1. Declarations of Interest.

1.1 There were no declarations of interest

2. Minutes of a Meeting of the Audit Committee held on 7th July 2014

Matters Arising.

2.1 In relation to Item 2.1. Langley Park. Members were informed that contracts for the sale of the property had been exchanged and the sale has now actually completed.

2.2. In relation to Item 7.4. The Skills Funding Agency (SFA) Audit. Members were informed that the audit had been concluded but the report had only just been received today. Although the report is more robust and contains more comprehensive recommendations, overall it is very similar to the previous SFA audit report. There are some issues to be resolved. The report and actions taken will be presented to the next meeting of the Audit Committee in March 2015.

2.3. In relation to Item 8.3. The triviality (materiality) amount. Members were informed that this featured in a later report. Following a comment from a Member it was confirmed that the materiality amount will be rising because it is linked to the increase in turnover.

Agreed:-

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

3. Risk Register Update.

3.1 The Director of Finance and Resources informed Members that the comments made by Members, following the presentation of the draft Strategic Risk Register in July, had now been incorporated into the Strategic Risk Register. The Senior Management Team (SMT) has also developed a series of actions against each of the key risks with a view to reducing the impact in the event of the risk occurring.

3.2. Members were informed that through the application of the Risk Management Policy and the new risk scoring methodology, three Strategic Risks have been identified as being outside of the College's acceptable risk appetite. Members were then given details of the three risks and the actions to be taken to mitigate the risks.

3.3. Following a question from a Member the Principal explained the background and current position regarding the Director of Quality post and confirmed that in the absence of the post holder the members of the SMT are covering the position.

3.4. The Director of Finance and Resources provided Members with details of the recently introduced Operational Risk Registers. Following questions the Director of Finance and Resources explained how the Operational Risk Registers linked into the Strategic Risk Register.

Agreed:-

3.5. THAT the Committee note the content of the Strategic Risk Register and Risk Heat Map and the actions identified within the Strategic Risk Register to reduce the impact and likelihood of each risk.

4. Internal Audit Reports.

4.1 Mr Church (Baker Tilly) presented the following report:

4.2 Academic Quality Systems: Course Performance and Performance monitoring of Partnerships.

4.2.1 Mr Church informed Members that the review of the systems in place provided substantial (Green) assurance that the controls upon which the College relies to manage this area are suitably designed, consistently applied and effective. One recommendation had been made and this had been accepted by management.

4.2.2. Mr Church then explained the background to the audit and highlighted the control framework, the scope of the audit and the agreed action plan.

4.2.3. Following questions the Director of Finance and Resources and Principal explained in detail the scope of the audit and informed Members that the RAG rating table included in the report was for information only and details of all the partners are to be reported to the Board on a periodic basis, three times per year in future.

Agreed:-

4.2.4. THAT the Committee receive the report.

5. Annual Internal Audit Report.

5.1 Mr Church presented the report and highlighted the assignments delivered and the implications of the Joint Audit Code of Practice (JACOP). Mr Church then outlined the progress made on implementing previous recommendations.

5.2. Following a question regarding outstanding recommendations the Director of Finance and Resources confirmed that progress in implementing the one recommendation still outstanding will be monitored in future by PwC.

Agreed:-

5.3. THAT the Committee receive the report and recommend the approval of the report by the Board of the Corporation.

6. Final Audit Findings Report.

6.1 Mr Wilson (PwC) presented the report and provided comment and further detail in each of the following areas:

- Executive Summary
- Audit Approach

6.2 Members were informed that all detailed work had now been completed and only the SFA report required reconciliation. There had been no unadjusted errors, nothing of any consequence had been found and there were no matters of concern. The audit had been very clean and Mr Wilson thanked the Director of Finance and Resources and his team for their assistance.

6.3. Mr Morton (PwC) then presented the Significant Audit and Accounting Matters section of the report. Members were given details and further explanation in relation to the following two matters:

- SFA creditor for the claw back of funding
- Inclusion of land asset on the balance sheet

6.4. Mr Wilson then outlined all the remaining sections of the report.

6.5. Members were informed that in the following areas, Fraud and management override of controls and Revenue recognition, no significant issues had been found and in relation to Pension schemes – actuarial assumptions, one medium risk control recommendation had been made.

6.6. Mr Wilson stated that the judgements used by the College had been found to sensible and reasonable, no misstatements and no significant control issues had been identified.

6.7. Finally Mr Wilson highlighted each of three appendices – The letter of representation, Sector developments and Supplementary reporting matters

6.8. A Member expressed his concern over the SFA funding situation. The Principal explained the background to the issue, how the College had tried to meet the funding challenge, the advice originally given by the regional SFA and the enforcement of the budget split between non apprenticeship and apprenticeship funding. Mr Wilson confirmed that the situation is not unusual, many colleges are either debtors or creditors and the SFA know that they do not have a perfect funding system.

6.9. The Director of Finance and Resources informed Members that we are still waiting for the SFA to decide how the funding is to be paid back but it is likely that it will be clawed back in three stages. Following a further question the Director of Finance and Resources confirmed that the over payment is in the bank and it is ring fenced awaiting repayment.

Agreed:-

6.10. THAT the Committee receive the report and recommend the approval of the report by the Board of the Corporation.

7. Annual Report and Financial Statements.

7.1 Mr Wilson informed Members that although this was a draft version of the report and further minor amendments may be necessary following the reconciliation of the SFA funding statement, it was expected that an unmodified clean audit opinion would still be given.

7.2. The Director of Finance and Resources informed Members that some word refinement would be necessary before the presentation to the Board but it was unlikely that any further adjustment to the figures will be required. Some changes will be made to the Senior Post holders Emoluments to reflect the breakdown between the past and present Principal payments. A Member commented that it was important to clearly distinguish between the two post holders as the press had misinterpreted payments to Senior Post holders at the College in the past.

7.3. Following a question Mr Wilson and the Director of Finance and Resources confirmed that the introduction of FRS102, the new UK accounting standard, will require some changes to accounting processes and will change the look of the accounts. A report outlining the changes will be presented to the next meeting of the Audit Committee.

7.4. The Director of Finance and Resources thanked the PwC team for the work they had done. The Chairman then expressed his appreciation to everyone who had been involved in producing the report.

Agreed:-

7.5. THAT the Committee accept the report and recommend the approval of the report by the Board of the Corporation.

8. Draft Annual Audit Committee Report to the Board and Principal.

8.1 The Clerk informed Members that the purpose of the Annual Audit Report is to provide assurance to the Board and the Principal that the Committee has fulfilled its responsibilities as set out in the Terms of Reference. The Clerk then briefly summarised the content of the draft report. The Clerk suggested the opening paragraph could be improved by the addition of the following words;

- the framework of governance, risk management and control, the processes for the effective use of resources, the solvency of the institution and the safeguarding of its assets.

Members agreed that the additional wording should be included.

8.2 The Chair stated that in his opinion it was a good report and it identified all the work the Audit Committee had been involved with over the year.

Agreed:-

8.3 THAT the Committee, subject to the above amendment, approve the content of the report.

9. Next Meeting Agenda.

9.1. Items include:-

- Minutes / Matters arising
- Report on outstanding audit recommendations
- Risk Register update
- Internal Audit reports
- Internal Audit Progress Report
- SFA Audit Report

10. Any Other Business.

10.1 Mr Wilson advised Members that it was recognised good practice for the Members of the Audit Committee and auditors to meet in advance of the committee meeting at this time of year. However as there had not been anything to discuss it had not been necessary to have a meeting.

The meeting closed at 6.45pm

Date of Next Meeting.

The next meeting of the Audit Committee is 9th March 2015 at 5.30pm.