

PRESENT: Craig O'Donnell (Chair)
Caroline Allen
Shachi Patel
Matt Sims

ALSO ATTENDING: Dominic Blythe (Baker Tilly External Auditors)
Jo Bland (Director of HR)
Slivana D'Apollo (Director of MIS)
Melissa Drayson (Clerk Desigate)
Keith Oxspring (Interim Chief Operating Officer -COO)
Jane Stroud (Clerk to the Governors)
Pauline Tiller (BDO – incoming Internal Auditors)
Frances Wadsworth (Principal)
Richard Weighell (BDO – incoming Internal Auditors)

APOLOGIES Kene Ibezi and Stephan John
Baker Tilly - outgoing Internal Auditors

1 PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE

The Chair opened the discussion by asking the auditors if they had perceived any issues due either to the transition of internal auditors or the transition of key staff. Both sets of auditors confirmed they had had meetings with officers and had no concerns to date. It was noted that there would be more change when a permanent Chief Operating Officer was appointed.

Members asked the auditors what they considered to be the major challenges facing the college. Mr Blythe of Baker Tilly asked if members had any concerns about potential fraud. Members did not have any concerns but acknowledged the need for care in the management of the change process that the College was undergoing within financial constraints, and the need for it to be smooth and transparent. Members also commented on the need for good controls around strategic decision making, in order to ensure sufficient attention to the core business while addressing financial constraints.

The Clerk emphasised the need to ensure that the transfer of internal auditors did not leave the Committee exposed when they had to give assurances to the Board for the Financial Statements. Mr Weighell for BDO stated that assurances would be received from Baker Tilly for the period to 31 March, and that an exercise would be carried out by BDO on financial controls. The Chair said that the Committee would have to decide when to address the risk of fraud.

(Clerk's note: this was a confidential discussion but the Chair has designated the minutes as non-confidential).

2 APOLOGIES FOR ABSENCE

Apologies were noted as above.

The Clerk announced that Ben Geeson had left the College and so was no longer a governor. Fresh elections for a staff governor would take place in the autumn term.

Unconfirmed

3 DECLARATION OF INTEREST

There were no new declarations.

4 MINUTES OF THE MEETING HELD ON 12 MARCH 2014

The minutes were **agreed** and **signed** as a true record.

Matters Arising

4.1 Matters Arising - Pursuit of debt from individuals

The Chair asked about progress with this and requested that it be put on the risk register and reported to Finance & Resources Committee. The COO undertook to do this. He informed members that bad debt provision had been increased by £52k and said that he would check the Debt Collection Policy.

6.1 Learner Number Systems

The Principal requested that Silvana D'Apollo, Director of MIS attend meetings of the Committee on a regular basis. The Chair agreed and welcomed her to the meeting.

9 Update on Audit Committee Development Plan

The first college approached with a request to attend and observe an audit committee meeting had not felt able to comply with the request at this time.

It was noted that there was an error with some milestone dates in the plan where March 2013 had been incorrectly inserted, which should read March 2014.

5 STANDING ITEM: VERBAL PROGRESS REPORT ON OUTSTANDING AUDIT RECOMMENDATIONS – BY EXCEPTION ONLY

A verbal progress report was **RECEIVED** from the COO-who said that all issues were moving in the right direction. This was confirmed by both the Director of MIS and the Director of HR.

6 FINANCIAL STATEMENTS AUDIT - PLANNING

The reports were **RECEIVED** from Dominic Blythe of Baker Tilly. The audit of the Financial Statements and the timetable would be similar to previous years. The new SORP was not expected to make an impact for two years. Reliance would be placed on BDO's audit of key financial controls for the regularity work. The audit would address key risks identified in the national framework: income recognition, funding and bad debt; going concern; and management override of controls. The last was a practical issue where there were changes in personnel. In terms of Fixed Assets, the College could rely on the full valuation carried out last year, except for an investment property which would need valuing again as it was subject to a different accounting standard. The treatment of the Tower Block sale would depend on when the sale occurred and if it was conditional at year end.

The Principal updated members that there had been some delays in the sale process, as a result of delays in achieving planning approval. A variation to the contract was being agreed. The transaction might be fully completed by 31 July, or if not should be completed by 30 September.

Mr Blythe went on to say that there might be some changes to the regularity work needed, and that a decision was expected by the end of the month.

Unconfirmed

In answer to a question officers confirmed the following:

1. No clawback of income was expected in the current year. Monthly returns had been submitted and partnership provision had been reviewed weekly and managed carefully to ensure targets were met.
2. If the transaction to dispose of the Tower Block was not included in the financial year to 31 July 2014 then the COO advised that he did not think the College was likely to be in breach of its bank covenants. However, the College was continuing to liaise with Barclays Bank on this matter as the position was rather complex. The SFA were also being kept fully informed of developments with the Tower Block. It was very unlikely that the sale would not go ahead but the College was undertaking contingency planning.

Mr Blythe pointed out that the bigger issue with the College's bank was the evidence of ongoing support for the College as a going concern.

Members emphasised the need to plan for future years, and to conserve core business in the face of funding reductions. The Principal confirmed that a broader piece of work would be undertaken to ensure a sustainable college going forward, and that this would take into consideration the merits or otherwise of disposing of Fixed Assets.

**7 CONFIRMATION OF INTERNAL AUDIT SERVICE APPOINTMENT,
HANDOVER PLAN AND ACTIVITIES TO DATE, AND SETTING OF
PERFORMANCE INDICATORS /**

8 INTERNAL AUDIT PLAN FOR PERIOD TO JULY 2014

The Clerk reported that BDO had been appointed as the Internal Audit Service using Chair's Action.

A verbal report was **RECEIVED** from the COO. A telephone meeting had been held with BDO and Baker Tilly Internal Auditors to discuss the handover. An outstanding action list was to be passed to BDO, and he had discussed priorities for the new team. BDO was to undertake work on Financial Controls and the Risk Register over the next few months. A piece of work on Fraud was awaited from Baker Tilly Internal Audit.

A report was **RECEIVED** from Mr Weighell for BDO. He stated Baker Tilly Internal Auditors would provide assurance to 31 March. BDO would provide the assurance on financial controls that needed to feed into the external audit process. Baker Tilly Internal Audit would continue to audit learner numbers. The Chair requested that the auditors work with officers to decide who would carry out the necessary work.

Mr Weighell drew the attention of the Committee to the Summary of the report: 'The Audit Committee was requested to note the proposed approach and flag any areas of priority for consideration in the development of an internal audit strategy'. The next step would be to meet the management team as a whole and get feedback about priorities. If the Committee had any views on what should be covered that would be helpful. BDO would then produce a three year plan. This would give the outline and scope of the audits followed by more detailed scoping with management.

Members asked that MIS be linked with sustainability, and also that MyProgress Tracker be validated at some point as this was an important tool. In answer to a question Mr Weighell confirmed that the information flow from the management team had been good to date.

Unconfirmed

Mr Weighell suggested that the Committee and the Internal Auditors adopt the performance indicators for internal auditors in the Audit Charter in section 3 of his report.

It was **RESOLVED** to (i) accept the performance indicators proposed by BDO the new Internal Audit Service, and (ii) to recommend to the Governing Body that BDO carry out an audit of Financial Controls before the year-end accounts are audited and that Baker Tilly (Internal Audit) continue to audit learner numbers.

9 POLICY ON ENGAGEMENT OF EXTERNAL AUDITORS TO SUPPLY SERVICES OTHER THAN FINANCIAL STATEMENTS AUDIT AND REGULARITY AUDIT

The proposed policy was **RECEIVED** from the Clerk. It had been produced to enable the College to sign up to the Audit and Accountability Annex if it chose to do so in the future. Baker Tilly pointed out that they also carry out an internal risk assessment to ensure objectivity. Members asked that an additional sentence be added to the policy stating that if there were time constraints then the Chair of the Governing Body plus the Chair of Audit Committee could be the appointing authority for the engagement of the external auditors for other services.

It was **RESOLVED** to recommend the policy for approval by the Governing Body with the above addition.

10 RISK MANAGEMENT PLAN / PLAN

The report was **RECEIVED** from the COO. The proposed changes included in the report had not yet been approved by the Risk Management Group. The proposed changes reduced risks due to the favourable OFSTED report and QAA review. Members said that they were interested in the sections in red. These linked to the sustainability issue. It was assumed by members that the Learning and Quality Committee and the Finance & Resources Committee were dealing with the red risks which were allocated to them.

The Principal said that in spite of the favourable effects of the OFSTED report, QAA review and Queens Award for Volunteering, it would not be possible in the short term to reduce some of the risks from red., The Chair welcomed initiatives that the Principal outlined to undertake research regarding strategy from externals but queried whether risk OP1, failure to achieve key targets, should be delegated or should stay with the Board, and asked for an updated commentary in the remedial action column in order to be assured that the risks were being effectively managed.

11 REVIEW OF TERMS OF REFERENCE

The report was **RECEIVED** from the Clerk who recommended one very small change to the Committee's terms of reference given that they had been changed the previous October.

It was **RESOLVED** to recommend a change to the Audit Committee's Terms of Reference that the minutes, but not the agendas of the Committee be placed on the College's website.

Unconfirmed

12 DATES AND AGENDA PLANNING FOR NEXT YEAR

The report was **RECEIVED** from the Clerk proposing dates for next year, including an additional meeting in September to pick up issues arising from the mid-year change in Internal Audit Service, and also a proposed agenda plan for the year.

It was **RESOLVED** to approve the dates and agenda plan.

13 ANY OTHER BUSINESS: PART A OF THE AGENDA

There was none.

The meeting then ended at 5.50pm.