

MINUTES

PRESENT:	Caroline Allen (Chair in absence of Craig O'Donnell) Stephan John Shachi Patel
ALSO ATTENDING:	Internal: Jo Bland (Director of HR) Mike Daykin Keith Oxspring (Chief Operating Officer -COO) Frances Wadsworth (Principal)
	Dominic Blythe (Baker Tilly – External Auditors) Raj Vitish (KPMG – SFA Funding Auditors) Richard Weighell (BDO – Internal Auditors)
CLERK:	Melissa Drayson
APOLOGIES	Craig O'Donnell Matt Sims
QUORUM	The meeting was quorate throughout
TIMING	5.50pm – 7.00pm

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	It was agreed that Caroline Allen should be appointed to Chair this meeting in the absence of Craig O'Donnell	

14.14 Private Discussion – Auditors and the Audit Committee only

Richard Weighell (BDO) reported that the first round of internal audit had gone smoothly, with good co-operation from management. He was impressed with the commitment to improve risk management and the willingness to accept new ideas.

Dominic Blythe (Baker Tilly) was happy with the relationship with senior finance staff. There had been some delays in getting information from the finance team, but these were attributed mainly to staff changes. The Committee noted the work that had been done to stabilise and strengthen the finance team and to bring more precision and clarity to processes. Members were concerned to ensure that, in future, the efficiency of processes were not so reliant on the presence of one member of staff.

It was confirmed that controls issues seemed to have been a recent

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	consequence of staff changes, and that there was no evidence of problems before this point.
	Raj Vitish (KPMG) reported that the funding audit had been straightforward and staff had been very co-operative.
14.15	Apologies for absence
	Apologies were received from Craig O'Donnell and Matt Sims. It was noted that, as a result of Kene Ibezi's departure, there was now a vacancy for an external governor on the Committee.
14.16	Declaration of interests
	No declarations were made in relation to any item on the agenda.
14.17	Minutes of the meeting held on 9 September 2014
	The clerk apologised for submitting a version with tracked changes. There were no amendments and the Minutes were APPROVED as a true and fair record and were signed by the Chair.
14.18	Matters arising from the minutes not covered on the agenda
	<u>P3: Course related trips</u> The action for BDO to check paperwork relating to course-related trips had yet to be completed.
14.19	Report of the Funding Auditor
	<i>Final report tabled (draft circulated previously by email) and presented by Raj Vitish, KPMG.</i>
	The Audit had been straightforward and had produced no issues for concern. Assurance was given that all four areas tested were being delivered in accordance with the Funding agency rules:
	<ul style="list-style-type: none"> • Subcontracting • English and Maths Testing • 24+ Advanced Learning Loans • ESF Match Funding Observations.
	Recommendations related to:
	<ul style="list-style-type: none"> • Checking all enrolment forms and supporting documentation to ensure they are complete and accurate before entry of data onto the Learner Records System • Reconciliation of combined study programme hours on the ILR records to enrolment documentation, planned timetable and subsequent attendance records. Audit findings had resulted in some adjustment of learners from full time to part time, with a funding impact for two learners. • Ensuring that systems and processes are in place to confirm that all 16-19 learner programmes meet the necessary conditionality of funding in 2014-15, especially with regard to English and Maths.

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The committee agreed that the findings provided a good level of reassurance around learner number systems.

14.20 Financial Statements and Regularity Audit

External Audit Report

*Management letter presented by Dominic Blythe, Baker Tilly;
Management response on Deficiencies in Internal Control tabled.*

Changes from the previous audit framework, and issues identified during the audit were summarised.

- There were some changes to regularity audit, although it was broadly the same as previous years. There was no longer a report on propriety, and no longer reliance on the work of the Internal Audit Service.
- There had been no underlying issues with funding data
- Some control issues came to light during the course of the audit work, but none which caused specific concern
- The cashflow outflow from operating activities was high, and would not be sustainable over time. The auditors were satisfied that measures were in place to control operating costs.
- The college had started 2014-15 with a healthy cash position which had been temporarily inflated by the proceeds from the sale of the tower block. This would provide short-term cash headroom
- The adjustment relating to the Fixed Asset revaluation reserve was now clear and appropriate. This had also been discussed in detail by the Finance and Resources Committee
- There was now a robust process which would allow staff numbers to be reflected consistently and accurately as part of the monthly management information included within the management accounts.
- The bad debt provision as at 31 July 2014 was considered to be at a relatively high level, with previous year's provision being somewhat under provided. The debtor profile was being monitored closely by Finance and Resources Committee.
- The Auditors' comment on process reflected that which was reported orally under item 14.14.

Management commented that the audit had gone well, and that the lead partner had been very supportive.

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There was a discussion of the findings relating to Internal Control deficiencies in respect of Teachers' Pension Scheme records. Following the Audit findings that records relating to four staff who had opted out were missing, the HR team had conducted a full review and discovered a total of 19 employees for whom there was no full record. The issue dated back to 2007/8. The College was in ongoing discussions with TPS to rectify the situation.

Financial Statements

Presented by the Chief Operating Officer

The Committee noted that the Finance and Resources Committee had scrutinised the numbers in the accounts and were happy to recommend them to the Board of Governors.

RESOLVED: that the Annual Report and Financial Statements should be recommended to the Board, through a joint resolution with the F&R Committee, for Approval.

14.22 Risk Management

Supporting papers, previously circulated, presented by the Principal

The Principal thanked Richard Weighell, BDO, for his help in refining the draft register. The objective had been to produce a slimmer, crisper document. A short meeting had been held prior to the Committee meeting to establish the relative roles of the Board Committees and the Board. It was confirmed that LQC and F&R would continue to monitor the operational risks relating to their terms of reference. The Board would monitor strategic risk.

The Audit Committee would maintain an overview of the risk management process to ensure that this was still on track, and report any concerns through its Minutes to the Board. The Committee agreed that it would be useful to have the map as well.

The Committee confirmed that it was happy to endorse this approach.

14.23 Audit Committee Annual Report to the Board 2013-14

Draft annual report tabled by the Clerk

Members noted the contents of the report and that some sections would need amending in the light of the final audit reports. It was discussed whether the word 'generally' might be added the wording of the statement of internal control. The external auditor pointed out that statement used standard wording which cross-referred to Statement of Internal Control and Corporate Governance.

AGREED: that BDO would provide definitive advice on revision to the internal control statement to include the word 'generally'

**R
Weighell**

NB: BDO confirmed their advice after their meeting not to include the word 'generally'.

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RESOLVED: that, subject to final revision, the Annual Report of the Audit Committee should be recommended to the Board of Governors for approval.

14.24 Internal Audit 2014-15

i. Financial Control Systems – final report

Supporting paper previously circulated, presented by Richard Weighell, BDO

The report contained further issues to those which had been discussed in full when the interim report was brought to the Committee in September. It was noted that, now end of year reconciliations had been performed, many of the control issues had been resolved.

ii. Internal Audit progress report

Supporting paper previously circulated

The committee noted that all of the planned audit visits so far were on time. Support was given for the format of the report. There was one outstanding recommendation relating to the HR Strategy, which was to be carried forward to the next meeting.

Governance and Financial Management Review

Oral report

The Principal, COO and Clerk had reviewed the value now provided by continuing to complete the old FMCE. It was considered that many of the areas were already covered by other processes and it was proposed that a shorter high-level compliance checklist be developed to replace the document.

AGREED: that a draft Governance and Financial Management checklist be brought to the next Committee meeting for consideration. Clerk

14.26 The date of the next Committee meeting was confirmed as 25 February 2015 at 6pm

14.27 Any Other Business

There was no other business