

## Minutes of the meeting of the Audit Committee held on 1<sup>st</sup> July 2015

**Present:** Martyn Gimber (Chair), Jeff Andrew, Andrew Pierce and Eirene Williams.

**In attendance:** Jane Barton, Richard Bott, Alastair Campbell, Diane Dimond, Neil Hookway, Susan Lewry and Karen Williams.

### 1. Apologies for Absence

1.1 Apologies for absence were received from Andrew Chapple.

### 2. Confidential Items

2.1 It was agreed that part of the report in Item 7(a) – Long Term Planning; Item 14 - Engage 4 Life Project and Item 16 – Brannams report would remain confidential to the Governing Body for the time being.

### 3. Declaration of Interests

3.1 No declarations of pecuniary or non-pecuniary interests were made in respect of the items which follow.

### 4. Minutes

4.1 The minutes of the meetings of the Audit Committee held on 3<sup>rd</sup> March 2015 were confirmed and signed.

### 5. Matters arising from the Minutes

5.1 **Item 14** – it was noted that re-tendering of the Internal Audit Service had been postponed in view of the strategic review currently being undertaken.

### 6. Business Brought Forward by Direction of the Chair

6.1 There was no business brought forward by direction of the Chair.

### 7. Internal Audit Reports

7.1 Alastair Campbell and Karen Williams from Baker Tilly presented the following reports to Governors.

7.2 (a) Long Term Planning and review of decision making

This was an advisory report with the scope set by the Governing Body, rather than management, as an outcome action of the review of the Brannams lease. It was acknowledged that many of the findings had been superseded by subsequent events, but that there were a number of recommendations, which had been accepted by management and

governors, and which were being action planned with their progress monitored.

### 7.3 (b) Finance Systems – post-implementation key control review

Governors were pleased to note a 'Green' audit with no recommendations being made. Governors noted that the Board can take substantial assurance that the controls upon which the College relies to manage this risk are suitably designed and consistently applied.

### 7.4 (c) HE Funding

Governors were pleased to note a 'Green' audit opinion with one medium and three low recommendations being made. It was noted that the Board can take substantial assurance that the controls upon which the College relies to manage this risk are suitably designed and consistently applied.

### 7.5 (d) Board Assurance Framework

As this is a developing process for the College, this was an advisory report. Five recommendations had been made in an Action Plan in the report. In particular, it was noted that the Audit Committee needs to plan what it wants assurances on for the audit plan next year. In this regard, a revised Strategic Risk monitoring and Board Assurance framework was scheduled for discussion on the agenda for this meeting.

### 7.6 (e) Funding Assurance

Governors were advised that the format undertaken for this audit followed the process used by the EFA/SFA in their audits.

7.7 Governors were pleased to note the 'Green' audit opinion given, with one medium and one low recommendation made. Governors were advised that this benchmarked very highly in comparison to other colleges.

## **8. Internal Audit Service – follow up report**

8.1 Received the Internal Audit Service follow up report on previous internal audit recommendations.

8.2 Alastair Campbell reported that adequate progress had been made with 13 out of 21 recommendations having been implemented but 8 low recommendations still outstanding, for various reasons, but there were no items of concern.

## **9. Internal Audit Progress Report**

9.1 Received a report from the Internal Auditors on progress against the 2014/2015 Audit Plan. Governors were advised that all planned work had been completed with the exception of the MIS audit, which had been put on hold by the College, but that the days scheduled for this work would be allocated to other audits going forward.

- 9.2 Governors attention was brought to the emerging issues and financial reporting for FE colleges summary report provided by Baker Tilly.
- 9.3 Governors were also asked to note that Baker Tilly would be adopting the RSM global brand name with effect from 26<sup>th</sup> October 2015. It was stressed that this is not a change in ownership and it will be business as usual with the existing team.

## **10. Internal Audit Plan 2015/16**

- 10.1 Considered the Internal Audit Plan 2015/2016.
- 10.2 Governors discussed the proposed plan, as set out in Appendix A in the report. In response to a question raised about a teaching and learning focus, it was confirmed that the audits focus on the risk areas for the College for the forthcoming year. It was reported that, as the areas identified for review were of a higher level, appropriate staff would be identified by the auditors to undertake the work.
- 10.3 It was agreed to recommend the Internal Audit Plan for 2015/2016 to the full Governing Body for adoption.

## **11. External Audit Strategy**

- 11.1 Richard Bott of Mazars, the External Auditors, took members through the External Audit Strategy for the audit of Petroc for the year ended 31<sup>st</sup> July 2015. Richard highlighted the areas of risk that they would pay particular attention to: restructuring; going concern; overriding controls; income recognition; capital expenditure; onerous lease; clawbacks and FRS17.
- 11.2 Governors noted the FRS102 briefing in Appendix D – the new financial reporting framework – and that a report from college management would be received at this meeting today.
- 11.3 Governors also noted that revisions had been made to the Joint Audit Code of Practice (JACOP) with regard to regularity and that a consultation document had been issued last Friday, with a close of the consultation on 18<sup>th</sup> July and implementation from 2015/6 academic year. Boards would now need to be clearer what evidence for assurance they are basing their opinions on as limited assurance would now be given by the auditors.
- 11.4 Governors thanked Richard Bott and accepted the terms of engagement and approved the strategy for the external audit.

## **12. Accounting Policies**

- 12.1 Considered the Financial Accounting Policies, which had been minimally amended to note the Accounts Direction for 2014-15 and agreed that they be approved for the financial statements for the year ended 31<sup>st</sup> July 2015.

### **13. FRS 102**

- 13.1 Received and considered a report from the Acting Principal regarding the new accounting standard FRS 102.
- 13.2 It was reported that the College would need to consider the policies it wished to apply for next year but that two decisions need to be made before the 2015/6 commences:
- Treatment of capital grants – it is recommended that the College continues using the accrual method, particularly as there are no opportunities for new grants in the foreseeable future. This would also avoid large income and expenditure and contribution to overheads variations.
  - One off valuation of property, plant and equipment – it is recommended that this option is not implemented due to the effect on depreciation if the value is higher.
- 13.3 The acting Principal advised that she had held talks with both Lloyds and Barclays and that Barclays have asked for a model of how the Accounts would look in the new accounting standard. It was agreed that in the Autumn term the 2014/15 Accounts would be restated to see what difference FRS 102 makes.
- 13.4 Richard Bott reported that colleges can pick parts of FRS 102 to adopt, so suggested it could be used to a college's advantage.
- 13.5 It was agreed that the recommendations above are presented to the Governing Body meeting on 13<sup>th</sup> July 2015 for consideration.

### **14. Engage 4 Life - confidential**

- 14.1 Received and considered a report from Acting Director of Finance and Funding following an audit by the NCS Trust of the above project. Governors noted the report and that, as far as the NCS Trust is concerned, the matter is now closed.

### **15. Risk Management and Board Assurance**

- 15.1 Received and considered the Risk Management and Board Assurance Policy, which has been updated to remove the operational sections and to focus more closely on Board Assurance, strategic risks, high level assessed risks from the operational register and the College's risk appetite. Governors also received a framework for considering the college's risk appetite and a draft template for monitoring risks associated with the Strategic Plan and a Board Assurance framework for monitoring and assessing these risks.
- 15.2 Governors approved the refocused approach to monitoring risk, and the taking of a 'top-down' approach and, as previously agreed, the discussion scheduled for the full Governing Body on 13<sup>th</sup> July would be to debate how risk monitoring will be effected going forward.
- 15.3 Governors acknowledged that the framework was in the early stage of development, with work to be undertaken over the next few months to

triangulate the impact of risks on all areas of the college, e.g. the impact on the finances, curriculum, resources, our customers and growth. It was agreed that a 'key' to categorisation used would be beneficial, and this will be available for future reports.

- 15.4 It was agreed that the policy and draft framework would be recommended to the Governing Body for approval. It was also agreed that the Chair of the Audit Committee would lead the discussion at the Board.

## **16. Brannams**

- 16.1 Received and considered a report updating on progress with the actions arising from the recommendations agreed at the Governing Body meeting on 16<sup>th</sup> June 2014. This paper was considered by the Strategic Investment Working Group in their meeting earlier this afternoon and they will be making some recommendations to the Governing Body to move forward with this matter.
- 16.2 Governors noted the update and that a report would be made to the Governing Body meeting on 13<sup>th</sup> July 2015.

## **17. Financial Statement Auditors – additional work**

- 17.1 The committee noted the additional work that had been undertaken by the Financial Statement Auditors with regard to a remote audit of a Study Programme Best Practice project.

## **18. Performance Indicators – Internal Audit Service and Financial Statement Auditors**

- 18.1 Reviewed the current performance indicators for the Internal Audit Service and the Financial Statement Auditors and agreed that they remain appropriate for 2015/2015.

## **19. Committee's Operation and Effectiveness**

- 19.1 Agreed that the Clerk would collate the individual responses from the Members and bring a collated report to the meeting in the Autumn Term.

## **20. Internal Audit 2015/16**

- 20.1 It was formally noted that, in the light of the strategic review currently being undertaken, Baker Tilly are to continue providing the Internal Audit Service for 2015/16.
- 20.2 Karen Williams (Baker Tilly) advised the Committee that David Taylor had moved on from Baker Tilly and that Karen was now the Head of Internal Audit.

The meeting ended at 6.00pm

**The above minutes are subject to confirmation at the next meeting of the Committee. In the meantime, however, action can, and should, be taken on the decisions made.**