

## Minutes of the meeting of the Audit Committee held on 12<sup>th</sup> November 2014

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

**In attendance:** Richard Bott (Items 1-19), Alastair Campbell (Items 1-19) Diane Dimond, Neil Hookway and Susan Lewry

### **1. Apologies for Absence**

1.1 Apologies for absence were received from Andrew Chapple, David Dodd and Eirene Williams.

### **2. Election of Chair and Vice-Chair**

2.1 Martyn Gimber was confirmed as Chair of the Committee for the ensuing year.

2.2 The Chair wished to pay tribute to Paul Petrides and thank him for his sterling work whilst chairing the Audit Committee for a number of years.

2.3 Jeff Andrew was confirmed as Vice-Chair of the Committee for the ensuing year.

### **3. Confidential Items**

3.1 It was agreed that Item 12, Mazars' Audit Completion Report, Item 17(c) NCS South Gloucestershire and Stroud College final report and Item 19, additional work undertaken by the Internal Auditors, were to be regarded as confidential to the Governing Body for the time being.

### **4. Declaration of Interests**

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

### **5. Minutes**

5.1 The minutes of the meetings of the Audit Committee held on 17<sup>th</sup> June 2014 were confirmed and signed.

### **6. Matters arising from the Minutes**

6.1 There were no matters arising.

### **7. Business Brought Forward by Direction of the Chair**

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

## **8. Risk Management – Strategic Risks**

- 8.1 Received and considered the updated report on the risks identified.
- 8.2 Governors discussed the categorisation of the risk identified for late completion of construction projects, and whether this needed to be re-assessed in the current climate. The Director for Resources updated Governors, following his conversation with the Skills Funding Agency (SFA) after the recent Board meeting, of the mitigations which would be put in place to minimise this risk. Governors were reassured to hear that there would be no strategic impact.
- 8.3 Governors discussed the reporting on strategic risks in general and it was agreed that an item be placed on the full Governing Body agenda to discuss this matter in more detail.

**Action:** Clerk to arrange for a discussion on strategic risks on the Governing Body agenda.

## **9. Internal Audit – follow-up report**

- 9.1 Governors received the report of the Internal Auditors on progress made by the College in implementing previous internal audit recommendations. Governors were pleased to note that 100% of all recommendations had been completed. The Internal Auditor reported that the Vice Principal/Director for Finance had a good internal controls monitoring matrix in place.

## **10. Annual Internal Audit Report for 2013/2014**

- 10.1 Received and considered the Annual Internal Audit Report, which summarised the work of the Internal Auditors for the year, and which was presented by Alastair Campbell from Baker Tilly. The Audit Committee were pleased to note that the Internal Auditors have given a 'Green' opinion regarding the adequacy and effectiveness of the College's governance, risk management and control arrangements, with an upward direction of travel. Governors were advised that the College has a good control framework in operation.
- 10.2 Governors commented on the excellent response from management to the internal audit process.

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

- 11.1 Received and considered the Board Assurance Summary Report from the Vice Principal/Director for Finance and Funding. Governors had, prior to the meeting, received a link to enable them to drill down to the detailed risks, which led to the overall judgements given in the report.
- 11.2 The Vice Principal/Director for Finance and Funding reported that, as this is a new requirement under the Joint Audit Code of Practice, this area of work is developing and would be refined over time, for example, developing the risk identification in some areas such as corporate governance. Governors noted that there could possibly be a change in management responsibility for this area going forward.

11.3 Governors discussed some of the ratings given, in particular the assurance given to IT, and sought assurance from the Director for Resources on the judgement made, particularly following the recent report to the Board on the IT infrastructure.

11.4 It was confirmed the Risk Management and Board Assurance Report would be an item for discussion at the full Governing Body meeting on 8<sup>th</sup> December.

## **12. Audit of the 2013/2014 Financial Statements and Report on Regularity (Audit Completion Report) - Confidential**

12.1 Richard Bott from Mazars reported to Governors on the Audit of the 2013/2014 Financial Statements and Report on Regularity (Management Letter).

12.2 Governors were advised of the significant matters which were discussed with management and, in particular, Richard Bott appraised Governors of his discussions with management with regard to the treatment of the Brannams lease in the Accounts.

12.3 Governors were advised that only two low level internal control recommendations were made and that all previous internal control points had been actioned.

12.4 Governors attention was drawn to Appendix 2 in the report and they were reminded that they need to give consideration as to how the new Statement of Recommended Practice (SORP) 2015 and FRS102 will be taken forward.

12.5 It was confirmed that no significant issues were identified in the Audit and an unqualified opinion would be given.

12.6 The Committee noted the positive report and recommend the report and the draft management representation letter to the Board.

## **13. Audited 2013/2014 Financial Accounts and Annual Report**

13.1 The Committee received and considered the draft audited 2013/2014 Financial Accounts.

13.2 Governors were advised that there were no changes to the draft month 12 Management Accounts, however the format of the financial statements is slightly different and shows an historic cost deficit of £313k . In particular, Governors were asked to note:

- The positive Balance sheet and cashflow position. However, this is mainly due to the 'grant monies in advance' received for the capital projects, which will unravel over 2014/15 and 2015/16 as CCIF completes;
- A further onerous lease adjustment made for Tiverton Way and the Braunton Road leases.

- 13.3 In response to a question from Governors, the Vice Principal/Director for Finance and Funding advised that 84% of the capital expenditure for CCIF needed to be spent by 31<sup>st</sup> March 2015.
- 13.4 Governors discussed the report element of the Accounts and agreed small changes to the wording in some of the text.
- 13.5 Governors discussed the loan covenants and were advised that all covenants were 'passed' for 2014/15, but it would become more challenging to achieve this going forward.
- 13.6 The amended Accounts will be presented to the full Governing Body on 8<sup>th</sup> December for approval.

#### **14. Skills Funding Agency (SFA) full assurance Funding Audit**

- 14.1 Received the draft SFA report following the Funding Assurance Review from the Vice Principal/Director for Finance and Funding. Governors were advised that the report had only just been received and the College are working on the management responses. The final report would be brought to the next meeting of the Committee.
- 14.2 Governors noted the excellent report received and that very few minor recommendations had been made. The Chair of the Committee, on behalf of Governors, wished to record thanks and appreciation to the Vice Principal/Director for Finance and Funding and all her team on this very positive report.

#### **15. Annual Report of the Audit Committee (including the Annual Report on Risk Management)**

- 15.1 Received, considered and approved the Annual Report of the Audit Committee for submission to the Governing Body.

#### **16. College Audit Monitoring Report**

- 16.1 Received and considered the above report from the Vice Principal/Director for Finance and Funding. Governors noted the progress to date and approved the removal of the completed actions from the report.

#### **17. Internal Audit Reports**

##### **a) Business Continuity Planning**

- 17.1 The report was received and considered. Governors noted that substantial assurance had been given that the controls upon which the College relies to manage the area are suitably designed and consistently applied. Governors noted that two low level risks had been identified, which were accepted by College Management.

##### **b) Data Protection Act / Freedom of Information Act**

- 17.2 The report was received and considered. Governors noted that substantial assurance had been given that the controls upon which the College relies

to manage the area are suitably designed and consistently applied. Governors noted that one low level risk had been identified, which was accepted by College Management.

### **c) NCS South Gloucester and Stroud – Final Report - Confidential**

- 17.3 Received and considered the final report of the investigation, commissioned through Baker Tilly, following the matters raised in late 2013.
- 17.4 The Vice Principal/Director for Finance and Funding advised the Committee of the actions that had been taken with regard to this matter. The committee noted the report and accepted that this matter is now closed.

### **18. Risk Management Implementation Plan Progress Report**

- 18.1 Received and noted the progress on the Risk Management Implementation Plan 2014/2015.

### **19. Additional work of the Internal Audit Service - Confidential**

- 19.1 Governors noted and approved the additional work undertaken by the Internal Auditors, on behalf of the College, during 2014/15.

### **20. Committee's Operation and Effectiveness and Review Terms of Reference**

- 20.1 The collated responses to the questionnaire were agreed at the meeting, and a copy is available from the Clerk for inspection.
- 20.2 The Governors agreed the revised Terms of Reference, which were considered at the full Governing Body meeting in September.

### **21. Performance of the Financial Statement Auditors 2013/2014**

- 20.1 Reviewed the completed Performance Indicator form for the Financial Statement Auditors and endorsed the ratings given.

### **22. Performance of the Internal Audit Service 2013/2014**

- 22.1 Reviewed the completed Performance Indicator form for the Internal Audit Service and endorsed the ratings given.
- 22.2 It was noted that the 5 year contract with Baker Tilly has now come to an end. It was agreed that re-tendering of the Internal Audit Service would be an item for the agenda at the next meeting of the committee on 3<sup>rd</sup> March 2015.

The meeting ended at 11.20am

**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.**