

## Minutes of the meeting of the Audit Committee held on 17<sup>th</sup> November 2015

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

**In attendance:** Jane Barton, Richard Bott (Items 1-17), Rav Garcha, Neil Hookway, Susan Lewry and Karen Williams (Items 1-17).

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

1.1 Apologies for absence were received from Andrew Chapple, Diane Dimond and Eirene Williams.

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

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

2.2 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, is 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 1<sup>st</sup> July 2015 were confirmed and signed.

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

6.1 Item 14 – Engage 4 Life – Governors were asked to note that NCS Trust have advised that enquiries are still ongoing but matters are expected to be concluded shortly.

6.2 Governors noted that provision has been made in the 2014/15 accounts in case of clawback but it was thought to be unlikely. The Acting Director for Finance and Funding will provide a further update to the next meeting of the Committee.

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

7.1 Governors were advised that the DWP would be undertaking an audit of two areas of the College's project work - JET Devon (reducing NEETS activity) and the Flexible Fund for the Unemployed, both ESF projects. The audits are

scheduled to take place on 7<sup>th</sup> and 8<sup>th</sup> December 2015. The outcomes will be reported to a future meeting of the Audit Committee.

## **8. College Audit Monitoring Report**

- 8.1 Received and considered the above report from the Acting Director for Finance and Funding.
- 8.2 Governors raised a number of questions and were advised:
- Estates action 'follow up' (Action 3.5.1) – it was reported that although the completion date for this action had extended, it was an internal systems problem and a low risk.
  - Long Term Planning (Action 8.2b) – the need for HR specialist skills. It was reported that posts have been advertised for four HR positions, with either CIPD qualification or working towards. Governors were also advised that two members of the team already had CIPD qualifications. Governors noted that, until the vacancies are filled, there is still a risk to the depth of HR specialism in the team.
  - Business Continuity 'follow up' (Action 3.7.2) – Governors requested that the language used be re-visited to make it more accessible to Governors for monitoring. Governors were not clear whether the management comments answered the action point and asked that this be clarified.

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

- 9.1 Received and considered the Strategic Risk Management and Board Assurance Report and Dashboard for consideration.
- 9.2 The Acting Director for Finance and Funding outlined the rationale for the matrix report and Governors noted that it was still 'work in progress' and it was hoped to transfer this to an on-line system in due course.
- 9.3 Following discussion, it was agreed that the full report would be discussed termly by Audit Committee, the Executive Management Team and the wider Senior Management Team, and the Dashboard would be reported to the full Governing Body. Governors also agreed two risks which would be considered by the Board at their January meeting (risk 2 (curriculum related) and risk 3 (IT infrastructure related)) from the schedule. The Board would be asked to consider the assessment of the risk, the internal controls in place to mitigate and the level of assurance given (the inherent and residual risk).
- 9.4 Governors were advised that an internal audit on Board Assurance was scheduled to take place in January and the scope, when available, would be shared with the Chair of the Audit Committee.

**Action:** Clerk to schedule a discussion on the two identified strategic risks for the January Governing Body.

## **10. Risk appetite**

- 10.1 Following on from the approval of the Risk Management and Board Assurance Policy at the Governing Body meeting in July 2015, the Committee received and considered proposals for setting risk appetite.

- 10.2 Governors discussed the proposals in detail and made the following suggestions for consideration:
- Whether 'Customers – learners, employers and stakeholders' should be separated out to better reflect the tensions between, for example, new curriculum appetite and decisions made on curriculum which are based on a financial business case.
  - Whether Health and Safety, Compliance and Regularity is captured sufficiently.
- 10.3 Governors discussed how the appetite relates to the risk map and, going forward, how risk management, risk assurance and risk appetite would be captured in proposals for the Governing Body.
- 10.4 It was agreed that, following consideration by College Management, of the comments made, the risk appetite would be presented to the Board for consideration and approval at their December meeting.

## **11. Internal Audit Reports**

11.1 Karen Williams from RSM presented the following internal audit reports to Governors.

### 11.2 (a) Payroll

Governors were pleased to note a 'Green' audit opinion with two low risk recommendations being made. Governors noted that the Board can take substantial assurance that the controls upon which the College relies to manage this area are suitably designed, consistently applied and operating effectively.

### 11.3 (b) Human Resources – Performance Monitoring

Governors noted an 'Amber/Green' audit opinion with one medium and three low recommendations being made. It was reported that the Board can take reasonable assurance that the controls upon which the College relies to manage this risk are suitably designed and consistently applied.

11.4 Governors discussed the identified issues which the IAS recommended needed to be addressed and sought clarification and assurance from the Director for Resources that these matters were being rectified.

## **12. Internal Audit – progress report**

12.1 Received and noted a report from the Internal Auditors on progress against the 2015/2016 Audit Plan.

## **13. Annual Internal Audit Report for 2014/2015**

13.1 Received and considered the Annual Internal Audit Report, which summarised the work of the Internal Auditors for the year, and which was presented by Karen Williams from RSM. 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 internal control arrangements.

#### **14. Audit of the 2014/2015 Financial Statements and Report on Regularity (Audit Completion Report) - Confidential**

- 14.1 Richard Bott from Mazars reported to Governors on the Audit of the 2014/2015 Financial Statements and Report on Regularity.
- 14.2 Governors were advised that there were some outstanding matters which were being discussed with management (re clawback and the advance payment bond).
- 14.3 Governors were advised of the significant matters raised in the report and, in particular, Richard Bott appraised Governors of his discussions with management with regard to the advance payment bond. Governors referred to the comments on re-employment of staff and the Acting Director for Finance and Funding reported on the numbers this matter related to.
- 14.4 Governors were advised that only two low level internal control recommendations were made and that all previous internal control points had been actioned.
- 14.5 It was confirmed that no significant issues were identified in the Audit and an unqualified opinion would be given.
- 14.6 The Committee were pleased to note the positive comments made by the Financial Statement Auditors and wished to record their thanks the finance team for their work on the Accounts.
- 14.7 The Audit Committee recommend the report and the draft management representation letter to the Board.

#### **15. Audited 2014/2015 Financial Accounts and Annual Report**

- 15.1 The Committee received and considered the draft audited 2014/2015 Financial Accounts.
- 15.2 The Interim Director for Finance asked Governors to note:
- the financial health of the College has remained as 'Good';
  - the surplus increased to £531k before FRS17 adjustment;
  - non-pay costs were below budget;
  - the net current assets improved; and
  - overall, there had been good financial performance during the year.
- 15.3 In response to a question from Governors, the Interim Director for Finance and Funding advised that a report on local financial benchmarking would be available for the Governors' Awayday in January. Governors also discussed the pay costs as a percentage of income and were advised that reports were being prepared for discussion at the HR Working Group to be scheduled in January.
- 15.4 The Accounts will be presented to the full Governing Body on 9<sup>th</sup> December for approval.

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

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

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

17.1 The responses to the questionnaire were agreed at the meeting, and a copy is available from the Clerk for inspection. The Terms of Reference for the Committee were agreed.

17.2 Governors discussed and agreed that, going forward, they would have an annual private meeting with both the external and the internal auditors prior to the November Audit Committee.

17.3 Governors also agreed that there was a need to identify an Accountant as an additional co-opted member to the committee, the Clerk was asked to progress this.

**18. Performance of the Financial Statement Auditors 2014/2015**

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

**19. Performance of the Internal Audit Service 2014/2015**

19.1 Reviewed the completed Performance Indicator form for the Internal Audit Service and endorsed the ratings given.

19.2 It was agreed not to re-tender for the Internal Audit Service in the current climate, with an impending Area Review, and it is recommended that RSM continue to provide this service to the College going forward.

The meeting ended at 6.30pm

**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.**