

Minutes of the meeting of the Audit Committee held on 8th March 2016

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

In attendance: Alastair Campbell (RSM), Jane Barton, Diane Dimond, Neil Hookway, Susan Lewry and Ian Parkin (Items 1-7 and 14).

1. Apologies for Absence

1.1 Apologies for absence were received from Jeff Andrew.

2. Confidential Items

2.1 It was agreed that the paper related to Item 10 (DWP audit) and the discussion related to Item 11 (E4L project) were to be regarded as 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 meeting of the Audit Committee held on 17th November 2015 were confirmed and signed.

5. Matters arising from the Minutes

5.1 There were no matters arising.

6. Business Brought Forward by Direction of the Chair

6.1 At a previous meeting of the Audit Committee, Governors discussed identifying another accountant for co-option to the committee. The Clerk reported that Mark Tibbert from Thomas Westcott, Chartered Accountants, had been approached and has indicated that he is interested in being co-opted to the committee. It was agreed that Mark would be invited to the next meeting of the committee, in June, with a view to possibly joining the committee with effect from September 2016, subject to Board approval.

7. College Audit Monitoring Report

7.1 Received and considered the College Audit Monitoring Report from the acting Director for Finance and Funding.

- 7.2 Governors commented on the report as follows:
- Action 1.12 – Appraisals - Governors suggested that the timeliness of appraisals for lecturing staff, not the lesson observations, should be the driver for the process. The Director for Resources confirmed that a lesson observation grade should be in place before an appraisal can take place. In response to a question, Governors were advised that appraisals currently show an 81% completion rate.
 - Governors asked whether future internal audit advisory reports could specifically indicate if something was identified to be a high risk. RSM agreed to look at this for future reports.
 - Action 3.72 – Back-up system – Governors were advised that the previous back-up system had been replaced and the procedures for the back-up system are in the new data centre.
 - It was noted that the external audit recommendations are to be added to the report.
- 7.3 Governors asked that proposed completion dates were more specific in future reports.

8. Strategic Risk Management / Board Assurance

- 8.1 Received and considered the monitoring report from the acting Director for Finance and Funding on strategic risks. Governors noted the amendments to the report, as discussed at the last meeting, where information on cause and effect and inherent and residual risk had been added. Governors noted that it is intended to progress to an on-line system of monitoring in due course.
- 8.2 In response to a question raised, Governors were advised that the report is regularly considered by the Executive Management Team, and, whilst it has been considered by the Senior Management Team, consideration is being given as to how best to consolidate this into their decision-making.
- 8.3 As agreed by the Board, a small number of strategic risks would be considered in detail throughout the year. It was agreed that Risk 13 – ‘Failure to sufficiently monitor the utilisation of resources adequately’ and Risk 19 ‘Governance’, should be scheduled for a full Governing Body meeting in the summer term.

9. External Audit Report

- 9.1 Received and considered an advisory external audit report on the college’s sub-contracting controls. Governors noted that the college had passed the specific requirements of the Skills Fund Agency with regard to sub-contracting. It was noted that two low level recommendations were made.

10. DWP Audit

- 10.1 Received and considered a DWP Audit on the JET Devon and the Flexible Fund for the Unemployed programmes.

10.2 Governors were pleased to note that no significant issues were identified, evidencing that the Projects team have good systems in place to monitor this area of work.

10.3 It was suggested that perhaps an overall management summary report would suffice for these types of report going forward.

11. Engage4Life – Confidential

12. Internal Audit Report – CCIF Project Procurement

12.1 Received and considered a report from the Internal Auditors following a review of the process followed for procurement of the kitchen in the new CCIF project Lifestyle building and the change in specification which occurred.

12.2 Alastair Campbell from RSM Tenon advised the committee that it had been difficult to track through some of the processes and therefore not possible to identify who was responsible for the change in the specification. Alastair Campbell brought Governors' attention to the key findings in the report.

12.3 Governors discussed the report in considerable detail and were advised by College management that:

- Whilst the College has robust in-house procedures for project monitoring, and it was acknowledged that previous IA reviews of capital projects had confirmed this, the project management for this build was outsourced and, unusually a proportion of the fixtures, fittings and equipment (FF&E). The acting Director for Finance and Funding would be meeting tomorrow with Mace and Provelio to try to ascertain who had signed off the change to specification and whether there might be an option for re-dress for the College.
- That the worse-case scenario for additional cost was around £80,000.
- The auditors have not been able to establish who signed the purchase order, or locate a purchase order. It was confirmed a purchase order was not raised by the College, but one should have been raised by ISG on the College's authorisation/specification.
- It was confirmed that the College's brief to ISG stated a 700 mm specification for the counter width, so this point needs to be explored with the project managers further.

12.4 Governors were keen to be assured that robust processes for project management, both internally and externally, are in place and are being adhered to, to prevent any further occurrences.

12.5 The report and recommendations made by the Internal Auditors were noted and the committee asked for a report back to the next meeting on the outcome of the discussions being held with the project managers.

13. Internal Audit Service – progress report

13.1 Received and considered a progress report from the Internal Audit Service on the 2015/16 plan. Alastair Campbell (RSM) advised the members that two audits had been deferred to enable the days to be utilised for the CCIF procurement review. In response to a question raised, Governors were advised that the intention this year was to undertake two reviews per term. It was reported that the number of audits undertaken per annum had been reduced, but that it was intended that those audits identified would be undertaken in more depth.

13.2 Governors noted the update report.

14. FRS102

14.1 Received and considered a report from the Capital Accountant on the implementation of the new accounting standard.

14.2 The Capital Accountant outlined the accruals model which the Board had agreed would be adopted and advised that this would result in small changes to the accounts, mainly around presentation. Governors were advised that, in terms of financial health, the pension figures would be excluded from the data. Governors noted that a meeting was being held with the bank on Thursday, but it was not anticipated that there would be any changes to the existing covenant arrangements.

14.3 In response to a question raised about the impact on the finance systems, Governors were advised that the team had been gearing up for the changes so the systems were prepared.

14.4 It was noted that new accountancy processes were anticipated in 2019, which could have an impact on reporting, for example leasing liabilities, and it was agreed that, once more information was available, the Audit Committee would receive a briefing report.

14.5 Ian Parkin was thanked for his comprehensive report to the committee.

For information only items

Governors noted the 'For information only' briefings from Mazars on the Modern Slavery Act and Fraud Alert Fact Sheet. It was reported that the latter document had been circulated to all members of the Finance Team and this topic has been identified for discussion at the forthcoming support staff development day in March.

The meeting ended at 5.45pm