



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
TUESDAY 25 NOVEMBER 2014 AT 9.30 AM IN THE BOARD ROOM
AT THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Jonathan McCluskey

In attendance: Richard Eaton (*MIS Director*)
Lesley Hatton (*Financial Controller*)
Richard Lee (*Interim FD*)
Heather Simcox (*Clerk*)
Mandie Stravino (*Chief Executive*)
Sitna Kanar, *KPMG*
Mike Rowley, *KPMG*
Will Simpson, *Grant Thornton*

Prior to commencing formal business, Governors met in private with the representatives from Grant Thornton and KPMG.

	Action	Date
01/14-15 Apologies for absence There were no apologies for absence.		
02/14-15 Declaration of Interests and Eligibility and Quorum No new declarations had been received, all members were eligible and the meeting was confirmed to be quorate.		
03/14-15 Minutes of the last meeting The minutes of the meeting held on 18 June 2014 were approved and signed as a true record.		
04/14-15 Matters arising		
17/13-14.2 Space Utilisation: Richard Lee would pick up on this one.	FD	03.15
29/13-14.3 Draft Assurance Plan for 2014-15: Actions had taken place and would be covered throughout today's meeting.		
05/14-15 Skills Funding Agency: Funding Assurance Review 2013-14 Richard Eaton explained the background to the funding assurance audit. There were no issues identified within the EFA section of the audit, and some points were raised on the adult skills section. Richard confirmed all adjustments were completed prior to ILR submission on 15 October 2014. Richard presented summary of the issues raised, and drew attention to the point in relation to ES, reporting that the issue raised was one for the sector as a whole. Members were assured no inappropriate claims had been made.		

06/14-15 Teaching Observations Update

The CEO reminded members of the findings of Ofsted in terms of accurately assessing standards of teaching in the College. The CEO explained what steps had taken place since the inspection, in terms of external support for assessing the College's internal observation team in terms of accuracy. Nine dual observations had taken place, and there was correlation between the internal and external team, and there will still a small number to be carried out. The CEO would provide summary of overall findings once dual observations had been completed in December via electronic communication to members. This would provide external assurance for the Committee in terms of accuracy of grading teaching standards.

The CEO provided overview of steps that had taken since the Ofsted inspection to provide holistic assessment, via the scorecard that had now been rolled out across college.

Members noted current dispute announcement issued by UCU.

The CEO informed members of wider support actions in place to improve teaching, including new CPD developments tailored specifically to the different teams across College.

CEO 12.14

07/14-15 2013-14 Internal Audit Report: IT Strategy

Will Simpson presented final review from the 2013-14 audit plan and explained background to the review, and confirmed the strategy was relevant. Overall assessment was positive outcome, with 4 low and 1 medium recommendations were made.

The CEO provided information in terms of changes that had been made as a result of the consultation that had taken place in arriving at the College's Corporate Strategy for 2014-17. Heather Simcox added that she welcomed the findings of the report and confirmed actions agreed had taken place.

08/14-15 2013-14 Internal Audit Annual Report

Will presented final version of the report, which had been discussed at the meeting June 2014. Will confirmed GT were in a position to provide an opinion for 2013-14 year based on the reviews undertaken, as detailed in section 1.3 of the report. All reviews undertaken in the year received a Green rating. During the year 19 recommendations were made, 12 medium and 7 low. Will summarised each section of the report.

In response to a question from the Chair, Will confirmed the Audit Committee had responsibility to provide opinion to the Corporation based upon all sources of assurance received during the year. The Committee should be able to provide assurance the college has appropriate frameworks in place, the Committee assesses its own performance and the performance of the audit providers. The Committee should also provide assurance that control, risk management and governance are operating effectively. GT confirmed their report was only part of the Committee's assurance, and cannot absolve the Committee of its responsibility.

The Chair asked where key areas of risk were deemed by GT. Will believed these were financial, and there needed to be strength in managing costs, recognising risks, and ensuring measures were in place to support funding reductions via accessing other funding or by reducing costs.

Rosslyn said she felt the need to understanding more the key risks and Jonathan felt the Committee should receive forecasts.

Mike Rowley summarised the key areas that he believed the Committee should review, and added that already, through the Ofsted of May and the SFA Audit of 2013-14, provided additional assurance for the Committee had been received.

The CEO confirmed processes were in place to support forecasting, and would share with members a copy of the business planning process.

CEO

ASAP

The Interim FD outlined some of his initial views which were good in terms of key financial controls, such as transaction processing. Risk was around moving forward in terms of achievement of budget and felt there was a need to improve the quality of reporting. He recommended greater sensitivity analysis takes place as part of the business planning process, which would highlight new income opportunities or cost reduction opportunities.

The Interim FD highlighted what he felt was a risk in the finance function and this related to the role of the Financial Controller and the pressures on this individual. The Chair echoed concerns and requested this be reviewed and appropriate levels of support were in place for this post holder.

FD

ASAP

09/14-15 2014-15 Internal Audit Plan, including additional proposal

Will presented updated Plan for 2014-15 following on from the meeting in June 2014, and a further meeting in October 2014, which incorporated changes requested and contained core internal plan of 20 days. Will presented proposal for additional reviews, outlined in section 2 of the paper.

The Chair confirmed members were still considering wider options, and questioned core proposal. He queried days allowed for payroll and corporate cards which was suggested at 11 days in total. Will confirmed the scope for the review may change the number of days. The Financial Controller requested days were reviewed as the focus in March may disrupt operations. Will would liaise with the Financial Controller separately.

Members approved core days as discussed, subject to agreement in terms of days made directly between the Financial Controller and GT.

Will briefly outlined additional proposals and members agreed to consider.

10/14-15 2013-14 External Audit:

- **Management Letter**
- **Representation Letter and College Accounts (Draft)**
- **Representation Letter and MBS Accounts (Draft)**

Mike Rowley introduced the management letter and confirmed the audit was almost complete, and was just awaiting final statement from the SFA. Mike thanked the team and confirmed positive outcome, with a clean audit and management letter. One small technical adjustment in terms of JWC land was made and there was also discussion around merger funding.

A draft property valuation had been received. In terms of FRS102, Mike indicated possible impacts on property valuation. Mike responded to questions raised.

No issues were raised in connection with MBS Limited.

The Chair would work with the Interim FD and Clerk to finalise accounts and presentation to the Corporation, and would copy members in.

FD/
CLERK

ASAP

11/14-15 Monitoring Activity

- **Review of Internal and External Audit Recommendations**

The Interim FD presented the report which did not contain any recommendations in relation to external audit. Resulting from internal audit, three recommendations were outstanding, two in relation to the SU and one for Invoice Review. Invoice Review had been completed. The Clerk outlined plans underway to reconstitute the SU. The Interim FD repeated the earlier discussions in relation to the IT Review, which had addressed recommendations made.

12/14-15 Policy Review

- **Risk Management**
- **Fraud, Irregularity and Whistleblowing**
- **Public Interest Disclosure (Whistleblowing)**

The Interim FD confirmed he had reviewed policies upon his arrival at the College and noted that there was a need for some amends as a result of structural changes internally. The FD agreed to undertake review and make amends, and communicate with members prior to the next meeting with a view to gaining approval.

FD

ASAP

13/14-15 Audit Committee Business

- **Audit Committee Annual report 2013-14 to the Corporation**
- **Audit Committee Self-Assessment for 2013-14 and Terms of Reference Review**

The Chair and the Clerk had considered the format and content for the report, which was in the process of being finalised. As soon as final version was complete, the Clerk would circulate to members prior to submission to the Corporation in December.

CLERK

ASAP

Members noted the outcome from the self-assessment they had undertaken for 2013-14. The Clerk had already resolved two items raised by Rosslyn and a training plan was in hand.

At this point, the audit firms left the meeting. The meeting closed after confidential discussion at 12.10 pm.