



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 5 MARCH 2015

Present: Stephen Russell (Chair))
Bill Colley) External
Richard Cox)
Clive Rix)
Roger Fletcher) staff governor

In attendance: John Snow Vice Principal (Corporate Services)
Amjad Ali Baker Tilly (internal auditor)
Ian James Clerk to the Corporation
Brad Poulson Head of Innovation & Systems (minutes 56-64)
Andy Morley IT Services Manager (minutes 56-64)

PRE-MEETING WITH AUDITORS

56 The governors met briefly with the auditor in the absence of College managers. There were no issues that the auditor or governors wished to raise in the absence of management.

APOLOGIES FOR ABSENCE

57 There were no apologies were received (all present).

DECLARATION OF INTERESTS

58 The governors were reminded to declare any interests they may have in items to be discussed at the meeting. No declarations were made.

MINUTES

59 **Resolved** that the minutes of the meeting held on 24 November 2014 be approved as a correct record and signed by the Chair

IT Disaster Recovery Planning (ref: minute 5/6)

60 The Committee had queried the back-up systems used by the College's payroll provider and the Vice Principal had followed this up and was content with the response.

External audit (ref: minute 29-36)

61 The Chair reported that the external auditor had been in touch after the last Audit Committee drawing attention to a bank account of which they were unaware and which they felt should be incorporated into the College's financial statements. This was the Bursary Fund, amounting to about £170k, provided by the SFA. The auditor had taken a pragmatic approach by including the funds as an 'unadjusted error' in the financial statements and he would ensure that the fund was accounted for appropriately during the 2014/15 audit.

INTERNAL AUDIT RECOMMENDATIONS RELATING TO INFORMATION TECHNOLOGY

62 The internal auditor had made a series of recommendations in a review of IT in 2012/13 and 2013/14. Implementation dates had been deferred several times and the Committee had asked for an account of the current position and when the recommendations would be implemented.

63 The Head of Innovation & Systems and the IT Services Manager attended the meeting and provided a detailed account of the major work currently being undertaken to improve the College's IT systems. To avoid substantial disruption to the College's IT systems during term time, the work could only be carried out during holiday periods and the next significant phases of the work were planned for the Easter and summer breaks. The work would encompass the audit recommendations, all of which would be implemented by September.

64 The Committee asked for a progress report at their July meeting and noted that the internal auditor would also assess progress with the implementation of the audit recommendations during the next follow up audit.

INTERNAL AUDIT REPORTS

65 The internal auditor submitted the outcome of four reviews, all of which had been supplied to the Committee members by email in advance of the meeting. The reviews all received positive opinions as follows:

- Governance ('green') – no recommendations
- Key financial controls, strategic financial management and cashflow ('green') – two medium and one low priority recommendations
- Key financial controls, procurement & suppliers ('amber/green') – three medium and three low priority recommendations
- Student retention & achievement ('amber/green') – one high, one medium and one low priority recommendation

66 The auditor had also completed work on an advisory report on Timetabling and room utilisation which was currently in draft form.

INTERNAL AUDIT NEEDS ANALYSIS FOR 2015/16

67 The Committee had asked to be involved at an earlier stage in the process of preparing the Internal Audit Plan and a draft list of areas for review and options to be considered for 2015/16 was submitted. The following points were noted:

- the learner numbers review could include some work on partnership arrangements
- other possible audits to consider including in the Plan were data protection and additional learning support, which could also be part of a learner numbers audit
- on 'estates/merger/collaboration' the internal auditor would look at work his firm had undertaken at other colleges

68 The Committee considered these areas for review and other potential areas prior to a final review of the Plan at the July meeting.

REGULARITY AUDIT SELF ASSESSMENT 2014/15

69 The Vice Principal presented this interim self-assessment which the College had continued to carry out annually although the requirement had been dropped by the former funding body (the LSC) some years ago. The Vice Principal commented that the exercise did not require much effort to complete and was a valuable aide memoire. The Committee found

the report useful and there were no areas of assurance that the governors felt were not covered by controls or where those controls were not evidenced

RISK MANAGEMENT POLICY

70 The Committee received the Risk Management Policy which was due for review and re-approval. The Vice-Principal advised that there were no material changes to the previous version although a new Area of Risk had been added relating to teaching, learning and assessment.

71 **Resolved** that the Board be **RECOMMENDED** to approve the revised version of the Risk Management Policy

RISK MANAGEMENT UPDATE

72 The Vice Principal submitted the risk management update intended to enable the Committee to monitor progress with the College's risk management processes. He commented that numerous changes had been made by the Risk Management Group and the Committee noted that there was generally a worsening trend of the level of risk faced by the College.

73 A new risk had been added "compliance with internal processes and requirements" as the senior management felt that there were a number of areas where compliance could be improved.

FRAUD RISK ASSESSMENT

74 The Committee received the annual fraud risk assessment reviewing areas of potential fraud and indicating preventative action being taken to reduce risk. The Vice Principal advised that there had been a few changes this year to take into account the findings of audit reviews.

RECOMMENDATION TRACKING

75 The Committee received the routine tracking report enabling the governors to monitor the implementation of audit recommendations.

76 The Vice Principal commented that, in addition to the IT area discussed earlier in the meeting, there would be a delay in the implementation of recommendations relating to a review of environment and carbon management. A Sustainability Group had been established which would focus on the recommendations although it was felt at this stage that it might not be practical to implement all of the recommendations.

77 In all other respects, recommendations had been implemented expeditiously.

APPOINTMENT OF INTERNAL AND EXTERNAL AUDITORS

78 The Vice Principal submitted an assessment of the performance of the internal and external auditors with a view to the Committee considering re-appointment for another year. He commented favourably on both audit firms and referred to the success of the new external audit service which had operated for the first time in relation to the 2013/14 accounts.

79 **Resolved** that the Board be **RECOMMENDED** to re-appoint Baker Tilly and Grant Thornton as internal and external auditors respectively

SCHEDULE OF BUSINESS FOR 2015/16

80 The Committee received the proposed schedule of business for 2015/16 and confirmed that the September meeting held in recent years on an ad hoc basis should become a regular feature of the calendar.

DATE OF NEXT MEETING

81 9 July 2015

Chair

Date