

1.5 Minutes of the Previous Meeting

It was **RESOLVED** to **APPROVE** the Minutes of the Audit Committee meeting held on 24 March 2015 and for the Minutes to be signed by the Chair.

1.6 Matters Arising

No matters arising.

2 INTERNAL AUDIT SERVICE

2.1 Internal Audit 2014/15

Progress against the plan was noted. The reports relating to the reviews completed to date were presented:

2.1.1 Internal Audit: Assignment Reports

2.1.1a Financial Forecasting, Budget Setting & Control

Members were advised that the focus of the review concerned the evaluation of the adequacy and effectiveness of the College's key controls and processes for the financial forecasting, budget setting and control and the extent to which controls had been applied.

Reporting the overall "substantial" assurance, the conclusions of the review were summarised. Members were advised of four recommendations made, one of which was significant in nature concerning the preparation of a fuller sensitivity analysis and three of which were housekeeping on nature and which it was confirmed had been accepted by management.

The report was noted.

2.1.1b Corporate Governance

Members were advised that the focus of the review concerned the evaluation of the College governance practices using the FE Commissioner's recent letter to colleges setting out the key risks and themes noted from failing colleges to assess the extent to which whether governors were receiving appropriate information.

Reporting an overall "substantial" assurance, the conclusions of the review were summarised. Members were advised of three recommendations made, one of which was significant in nature concerning the monitoring staff costs that management would implement where appropriate; and two recommendations that were housekeeping in nature and which it was confirmed had been accepted by management.

The report was noted.

2.1.1c Business Continuity Planning

In the context of the recognition of the considerable work to be done in this area, members were advised that following consultation with the Committee Chair, the focus of the review had been re-designated as an advisory rather than an assurance report.

The findings of the report were summarised, noting in particular the:

- Two fundamental recommendations about conducting a business impact assessment and the development of a full business continuity plan
- Four significant recommendations regarding the formalising of the business continuity planning management team, ensuring that emergency contact details are in place and the testing the business continuity plan and the obtaining of assurances from key contractors.

The value of the observations and recommendations made was recognised, confirming that they provided a useful focus for action going forward. There was discussion of:

- Progress overall to date in the context of sector practice, which it was confirmed was not dissimilar to colleges elsewhere
- The extent to which there was merit in the introduction of a basic structure in the first instance. Whilst reporting that based on experience to date that matters had been addressed quickly and efficiently, the value in the formalising of contingency arrangements and a communications strategy was acknowledged and would form the subject of management attention.

The report was noted.

2.1.2 External Audit: Financial Statements & Regularity Audit - Planning, Timetable & Arrangements

A report was presented outlining the proposed approach to and timetable for the audit for the year ended 31 July 2015.

The proposed arrangements for the year-end 2014/15 were summarised, reviewing:

- The materiality levels presented
- The intended audit approach, noting that focus would include the College's overall financial position, in the context of the potential acquisition of the Language School, a review of the accounting treatment in this regard and the review of the actuarial valuation disclosure implications and assumptions in respect of pension assets and liabilities

There was particular discussion of the requirement to adopt the new FE SORP and FRS 102 and the potential implications for the College were noting that among other things, the transition arrangements in FRS 102 required colleges to restate their 2014-15 audited financial statements and the opening balance sheet for that year. It was confirmed that the restated information would appear in, and be audited as part of the College's 2015-16 financial statements.

After discussion, the report was noted.

2.2 Strategy & Planning 2015/16

2.2.1 Internal Audit Needs Assessment, Strategy & Plan 2015/16

A report was received about the internal audit arrangements for 2015/16.

Observing that the Internal Audit Needs Assessment, Strategy and Plan for the forthcoming academic year had not been included in the papers for the meeting, members were advised that whilst a meeting with the Internal Audit manager had taken place on 24 April 2015 to discuss proposals, the plan was not received in time for review prior to the Committee's next meeting.

After discussion with the internal audit service the delay in the completion of the Plan, it was:

- **AGREED** for its circulation to members outside of the meeting in order to prevent delaying its consideration and a recommendation to the Corporation concerning its approval.

2.2.2 Governance Arrangements: Audit Committee Membership

A report was presented inviting the Committee to undertake a review of its membership.

It was reported that at its last meeting the Corporation had reviewed observations made in the most recent reports from the Further Education Commissioner. Having noted the observations specifically concerning the strength of the Audit Committee membership, it was noted that it had been requested for the Committee to take the opportunity to reflection on its current arrangements in this context and giving particular consideration to the extent the Corporation would withstand such scrutiny should similar circumstances arise.

Reviewing the current arrangements it was noted that:

- Collectively the skills set of the Committee included audit, finance and governance.

- Membership comprised five members, two independent members a staff governor and a co-opted member.

In the context of the specific observations of the FE Commissioner there was consideration of:

- The overall skills set of the current composition, concluding that there was sufficient expertise within the Committee for the appropriate rigour and challenge to be exercised but emphasising the need for the Committee to always retain at least one appropriately qualified member.
- The overall membership number of five members observing that the Committee would benefit from the recruitment of an additional member.
- The Committee's membership noting that although there was no express prohibition on such membership including a staff member, subject to ensuring such individuals had no significant budgetary responsibilities, it was acknowledged that the potential for conflict existed. It was agreed however that this should not in itself preclude the membership of the staff member as in the event of potential conflict the member instead could be invited to withdraw from discussions.

Following discussion it was **RESOLVED:**

- To **RECOMMEND** for current membership to remain unchanged and for the Corporation to be advised of the Committee's recommendation accordingly; but for the membership number to be increased by an additional member.

3. ITEMS FOR INFORMATION PURPOSES ONLY

3.1 Risk Management: Update Report

The Risk Management Progress Report was received.

It was reported that work remained in progress as a result of the combined effect of recent strategic developments, the consultation relating to redundancies remaining incomplete and the planning for 2015/16 and the related budget yet to be concluded.

It was confirmed that:

- As the various business developments were finalised, the risks would be confirmed, documented and added to the register; and
- In parallel with reviewing the specific business risks, management would remain mindful of the need to ensure sufficient capacity for meeting the competing demands of the emerging business developments, the day-to-day college business and in particular, the management of quality improvement.

The report was noted.

3.2 Implementation of Audit Recommendations: Progress Review

A report was received updating members on progress in the implementation of audit recommendations from the audit services.

After acknowledging those items considered elsewhere on the agenda (Minute 2.1.1 refers), the focus of discussion was the implementation dates concerning the IT related recommendations. Acknowledging the need for conclusion of the outstanding actions to be expedited it was confirmed that dialogues would take place with the IT Manager accordingly.

The report was noted.

4 OTHER BUSINESS & NEXT MEETING

4.1 Any Other Business

None reported.

4.2 Dates of Next Meetings

Tuesday 24 November 2015 at 8.30am - tbc

Confirmed as a correct record

Signed:..... Date:.....