



**MINUTES**  
**of the Audit Committee**  
**held on Monday 15 June 2015**

Present: - Mr Norman Moon (Chair)  
Mr Simon Bennett  
Cllr Sebastian Bowen  
Mrs Magda Prail

In attendance: - Mr Edward Rehm (Director of Finance)  
Mr Nick Harrison (Finance Manager)  
Mrs Linda Watkins (Clerk to the Corporation)  
Mrs Karen Gentles (Baker Tilly)  
Mrs Lynne Baber (PricewaterhouseCoopers)

The meeting was quorate as four members were present.

- |  | <b>Action</b> |
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| <p>5. <b>Apologies for Absence</b><br/>Mrs Isobel Rollitt-James</p>  |               |
| <p>6. <b>Declarations of Interest</b><br/>Item 20: Norman Moon, appointment of Chair.</p>  |               |
| <p>7. <b>I. Approval of the Minutes of the Meeting</b><br/>The Chair signed the minutes of the meeting held on 23 March 2015 as a true and accurate record.</p> <p><b>II. Matters Arising</b><br/>No matters.</p>  |               |
| <p>8. <b>Internal Audit Reports</b><br/>Karen Gentles presented the reports:</p> <p><b>I. Progress Report:</b> Progress was on target to complete the audit plan 2014/15. A briefing on emerging issues and financial reporting for further education colleges was provided. In October Baker Tilly would be changing its name to RSM; this would not affect the delivery of the service. There was discussion on funding noting that colleges' financial viability was likely to lead to more collaboration, federation and mergers in the sector in the future.</p> <p><b>II. Key Financial Controls:</b> This focused on debtors, creditors and budget control giving substantial assurance with a green opinion. There were three low level and one medium recommendation which were</p> |               |

accepted by management. Members discussed the recommendation about confirmation of purchase orders. For significant amounts, budget holders are notified that they breach the financial regulations which could result in disciplinary action. The Auditor stated that this recommendation was common in colleges. The Chair asked about recommendations from the previous audit which had not been followed up and if these had been resolved. The Finance Manager responded that he had written to the Royal Bank of Scotland although it was difficult to contact them as there was no longer a branch in Hereford. An option was to withdraw all funds and invest in a different bank.

**III. Student Journey/Experience:** This focused on the experience of students with learning difficulties and related College processes. This gave substantial assurance with a green opinion. There were five low level recommendations which were accepted by management. A Member commented that it appeared that the admin function was slack. In response, the Auditor stated that these were ad-hoc issues and it was not an issue if campuses maintain documentation differently. Student Support staff were responsible to address the recommendations.

**IV. Space Utilisation/timetabling:** This gave substantial assurance with a green opinion. It focused on the Faculty of Technology showing no inconsistencies or recommendations. Members agreed it was interesting to see a breakdown of space and costings.

**V. Learner Number Systems:** This gave substantial assurance with a green amber opinion. There were four medium and five low level recommendations, none of which were significant. The report had not been issued in advance, Members agreed to bring the report to the next meeting.

**VI. Follow Up:** Adequate progress had been made with some recommendations reiterated; progress of recommendation was reported: 12 implemented in full, 8 had been progressed, 3 not implemented, 1 superseded by other controls. Progress of these was reported following testing of recommendations. The Chair asked about the timescale to resolve recommendations compared to other colleges. This depended on individuals responsible to implement recommendations noting it was important to set realistic dates. Constantly changing Government policy also impacted on recommendations, e.g. the Prevent Strategy. There was further discussion as to whether long-term recommendations should be added to the risk register. The Auditor confirmed that there were no fundamental recommendations, if there were,

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the Audit Committee would be alerted and these could add to the risk register.

**VII. Internal Audit Strategy 2015/16-2017/18:** The 3-year strategy would be reviewed annually with an option to make changes. This linked to the College's strategic plan and the risk register. Specific areas for 2015/16 were outlined. Members were asked if this covered areas for the Audit Committee to give an opinion to the Board on systems of control including arrangements for risk management control and governance. Sub-contracting provision was discussed noting that this was not significant as it was a small percentage of overall funding and was being managed carefully; this was confirmed by the Auditor. Maths and English provision is a condition of EFA funding equating to £8M and high risk; this was built into the audit plan.

The Committee agreed: -

- To note the internal auditor's reports
- To recommend the Board endorse the Internal Audit Strategy 2015/16-2017/18

**9. External Auditor's Annual Plan 2014/15**

Lynne Baber presented the audit plan which was risk-based and covered materiality levels based on the previous year. The Auditor's independence was outlined enabling them to provide the standard service including the Teachers' Pension Scheme audit and electronic tagging of Keith St Peters Ltd accounts.

Risk assessment was outlined including fraud and irregularities, capital and building programmes (workshops at Holme Lacy Campus), revenue and expenditure recognition, accounting treatment of funding, the in-year new payroll provider and elevated risk resulting from a new financial system to be implemented from 1 August 2015. Members were invited to ask questions which were duly answered giving assurance to recommend the plan for approval by the Board.

The Committee agreed: -

- To recommend the Board approve the external auditor's annual plan 2014/15

**10. Annual Items for Committee**

- I. Election of Chair 2015/16: The Committee agreed to re-appoint Norman Moon as Chair.
- II. Committee's self assessment: Members assessed the Committee's performance against its terms of reference. The Clerk had compiled evidence of effectiveness. This would be used to prepare the Governors' component of the College's self assessment report.
- III. Terms of reference: These were in line with JACOP and reviewed noting no changes were required.

The Committee agreed: -

- To re-appoint Norman Moon as Chair of the Committee for 2015/16
- The Committee was effective and adequately met the requirements of its terms of reference
- No changes were required to the terms of reference

**11. Risk Management Register**

Members noted the risk register with specific discussion on the risks categorised as red.

A2: FE and WBL funding not achieved: In April the Board agreed to franchise £350,000 adult contract this year.

B2 - Operating costs at Ludlow not reduced: Leases for buildings remained outstanding. The Chair of the Corporation and Head of Ludlow College had been appointed as trustees of the Foundation which would ensure that the College and Foundation worked together to support students. The Director of Finance would meet with the College's solicitor to discuss options to progress leases.

C1 – Change in College Management Team: The Assistant Principal for Community Studies had been appointed as Assistant Principal for Land Based Studies in addition to Community Studies. Members wanted assurance that this arrangement was effective. The Director of Finance reassured Members that this would be monitored with additional support provided if necessary.

The Committee agreed: -

- To note the risk register

**12. International Financial Reporting Standards**

This outlined the timescale and implications of the transition to present financial statements under IFRS from 2015/16. It was noted that this would change the College's grade for its financial health; however, this was sector-wide. The Financial Statements Auditor commented that it was encouraging that draft figures were presented to the Committee as this early stage in the year. The Finance Manager would work closely with the Auditors to determine the level of materiality. A Member suggested re-valuing fixed assets to decrease the balance sheet, but noted that this would incur costs for a valuation. The impact on the pension fund was raised noting this would not affect it.

The Committee agreed:

- To note the report and changes anticipated resulting from adoption of IFRS

**13. Sub Contracted Provision**

The Deputy Principal had prepared a paper which would also be presented to the Q&S Committee showing controls. A Member asked if face to face visits and unannounced visits

had been arranged. This was a recommendation which had been reiterated by the Auditors in the follow up audit. The Clerk would follow this up at the Q&S Committee.

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The Committee agreed:

- To note the report prepared by the Deputy Principal evidencing controls had been established to manage sub contracted provision

**14. Any Other Business**

There were no items.

**15. Date and time of next meeting**

The next meeting of the Audit Committee was arranged for Monday 23 November 2015 commencing at 3.15 pm.

**Signed as a true record of proceedings**

**Chair:** ..... **Date:** .....