



**MINUTES**  
**of the Audit Committee**  
**held on Monday 13 June 2016**

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

In attendance: - Mr Edward Gwillim (Director of Finance)  
Mr Nick Harrison (Finance Manager)  
Mrs Linda Watkins (Clerk to the Corporation)  
Ms Louise Tweedie (RSM)  
Mrs Lynne Baber (PricewaterhouseCoopers)  
Ms Sally Cassels (Staff Governor)

The meeting was quorate as three members were present.

	<b>Action</b>
<p>5. <b>Apologies for Absence</b> Mr Simon Bennett</p>	
<p>6. <b>Declarations of Interest</b> Risk register: Cllr Bowen risk register risk E3. Sally Cassels: HLC employee.</p>	
<p>7. <b>I. Approval of the Minutes of the Meeting</b> The Chair signed the minutes of the meeting held on 21 March 2016 as a true and accurate record.</p>	
<p><b>II. Matters Arising</b></p> <p>A. The Internal Auditors confirmed that no additional risk areas had been identified which needed to be considered by the Committee, added to the risk register or internal audit strategy.</p> <p>B. The Finance Manager had costed purchasing Pro-achieve software which was £9,000 with £2,500 support fee each year. He had discussed benefits with the Deputy Principal who would review the Compass suite in the future.</p> <p>C. The Internal Auditors reported on the observation sample reported at the last meeting had appeared skewed. This was random judgmental based on prior investigations.</p> <p>D. The Director of Finance would identify specific aspects of risk E5 relating to the planning application for Hereford Campus.</p> <p>E. 4Audit access had been provided for Members.</p>	E Gwillim

The Committee agreed: -

- To approve the minutes

## 8. Internal Audit Reports

Louise Tweedie, RSM, presented the reports:

- I. **Progress Report:** All internal audit work had been completed to the audit plan. Appendix A provided a follow up of medium priority actions from 2015/16 which had also informed the audit strategy for 2016/17. Some of the implementation dates were September 2016 and had not yet been achieved.

Completion of registers was discussed. The process to set up registers would be reviewed to ensure students are listed on the correct register. MIS and timetabling systems are different. The next audit would focus on the process whereas this audit had focused on funding compliance. Spreadsheets are used at Ludlow College instead of CELCAT which is not considered as effective there. This would be included in the next audit.

An informative client briefing on emerging issues in Further Education colleges was presented.

- II. **Key Financial Controls: Payroll:** This report was given reasonable assurance rated 'amber green', a positive opinion. Medium rated recommendations were discussed. Finalisation of payroll procedures was required following the recent change to a new payroll provider. A second authorised signature was required to commit the payroll provided by someone with separate duties to payroll; this would be addressed. One form in a sample of expense forms tested had been signed by a team leader and not budget holder. Members challenged if this risk should be downgraded to a low risk which compared similarly to 2.1. This would be amended. PWC confirmed it would place reliance on the audit report.

- III. **Follow up:** This reviewed recommendations from 2014/15 concluding that good progress had been made by management to implement actions. 14 recommendations were followed up, 8 had been implemented and 1 was being implemented, 1 not implemented and 4 superseded.

- IV. **Benchmarking Report:** This showed comparisons with similar colleges as requested at the last meeting placing the College in a strong position. This information would be reported in next year's benchmarking report.

- V. **Internal Audit Strategy 2016/17-2018/19:** The 3-year strategy had been prepared in discussion with the

L Tweedie

Director of Finance and Finance Manager. This linked to the College's strategic plan and the risk register. Specific areas for 2016/17 were outlined covering estates and capital management, key financial controls (general ledger, cash banking and treasury management and fixed assets), learner number systems (apprenticeships), risk management (a Faculty and business support area), electronic registers and timetabling. Indicative plans for the following years were discussed; however, these were likely to change. Members suggested the IT audit be addressed as a priority early in 2017/18.

L Tweedie

The Committee agreed: -

- To note the internal auditor's reports
- To recommend the Board endorse the Internal Audit Strategy 2016/17-2018/19

**9. External Auditor's Annual Plan 2015/16**

Lynne Baber presented the audit plan which was risk-based and covered materiality levels based on the previous year. The auditing standards had not changed despite the accounting framework changing this year as a result of FRS102. The scope of the audit and Auditor's independence was outlined to provide the standard service including the Teachers' Pension Scheme audit and electronic tagging of Keith St Peters Ltd accounts.

Materiality levels were £310,000, (2% of College income) which would enable the auditors to provide reasonable assurance.

Risk assessment including fraud and irregularities, revenue and expenditure recognition and accounting treatment of funding would be tested. A Member asked if the College had whistleblowing procedures and this was confirmed. Members were requested to notify auditors of any potential risks.

The audit would focus on transition to FRS102 and the new SORP, (the Finance Manager had commenced work on this), the new finance system implemented in August 2015, IT controls and transfer of data, and Keith St Peters' goodwill valuation which would incur a year-end deficit. KSP is a separate legal entity. It would be timely to consider if it should continue to operate or be wound up. The Director of Finance would investigate further and present a strategy to the Board in October for decision. The audit would also review disposal of land at Holme Lacy Campus and the merger with County Training.

E Gwillim

The purpose of electronic tagging was discussed which was a requirement by HMRC to use software to read tags electronically to assess tax compliance. In the event that KSP was wound up the electronic tagging fee would be removed.

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 2015/16

#### 10. Risk Management Register

High scoring risks were discussed.

A2: FE, HE and work based learning funding not achieved. Actions taken to address this were noted. The Curriculum Resource Model (CRM) process would ensure prudent estimates of enrolments and costs. Enrolments would be confirmed in October. £500,000 provision had been sub contracted which would be likely to be increased in 2016/17 as a shortfall against funding was anticipated. Members agreed that it was crucial that robust procedures and reporting on sub contracting was established; this was confirmed.

A12: Operating costs at County Training not reduced. County Training had been included in the CRM budget process to prepare the 2016/17 budget and ensure it made a reasonable contribution. Staff restructuring had commenced with further detail being reported to the F&E Committee. The Chair raised reputational risk noting that there had not been any reputational risk to Ludlow College at the time of its merger which had similar numbers of staff to County Training. Reputational risk would be considered which could cover impact in several areas, such as Ofsted, student results or a health and safety incident.

E Gwillim

B9: Progress of leases at Ludlow College. This had been re-categorised as an amber risk; draft leases had been prepared which are being reviewed by the Foundation's Solicitor.

A13: Unfavourable outcome of Area Review. This was a positive outcome for the College and had been re-categorised 'green'.

The Director of Finance was requested to re-word risk A8 and the response to C8b: Cuts in funding impact on non-pay expenditure and provide more detail on actions taken. B7 key mitigations would also be changed.

E Gwillim

The Committee agreed: -

- To note the risk register and subsequent actions

#### 11. Annual Items for Committee

- I. Election of Chair 2016/17: 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. A note would be added to 2E to record that Sally Cassels is a member of staff but not part of executive team.

L Watkins

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 2016/17
- The Committee was effective and adequately met the requirements of its terms of reference
- No changes were required to the terms of reference

**12. Any Other Business**

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

The next meeting of the Audit Committee was arranged for Monday 21 November 2016 commencing at 3.15 pm.

**Signed as a true record of proceedings**

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