

1 PRIVATE MEETINGS

1.1 Private Meeting with the Principal

Advising members of the Principal's unavailability it was reported by the Committee Chair that a private meeting had taken place at an earlier date and that:

1.1.1 The Principal reported positively on the experience and reporting on the latest audit reviews undertaken with the College's new Internal Audit Service, TIAA, which were to be the subject of presentation and discussion at the meeting (Minute 3.1 refers); and

1.1.2 The outcome of the recent external audit tendering was welcomed, forming the subject of discussion elsewhere on the agenda (Minute 4.1 refers)

1.2 Private meeting with the Auditors

The audit services joined the meeting at this point.

The:

1.2.1 Internal Audit Service advised that its first year of the audit had been completed, reporting very positively on the relationship established with the College

1.2.2 The External Audit (Financial Statements) Service reported its delight in being re-appointed and advised of the intention to commence early preparations for activities to be undertaken in-line with College requirements.

2 PRELIMINARY PROCEDURAL MATTERS

2.1 Attendance, Apologies for Absence, Welcome & Introductions

Membership: Tracey Critchley
David Dipple
Mark Eastwood (Chair)

In Attendance: Judith Abbott (From Item 2.1)
Jayne Chaplin (Clerk)
Steve Lake (TIAA)
Ben Stapleton (KPMG)

Apologies: Ketan Sheth

2.2 Declarations Of Interest

There were none.

2.3 Minutes of Previous Meeting

The Minutes of the Meetings held on 3 December 2014 were confirmed as a correct record and were signed by the Chair.

2.4 Agenda & Items of Other Business

Nothing reported.

2.5 Matters Arising

There were no matters arising.

3 IN-YEAR MONITORING: 2014/15 AUDIT

3.1 Internal Audit Service (IAS): Audit Plan 2014/15 – Assignment Report (April 2015)

In accordance with the Audit Plan for the year, the first of the Internal Audit Reports for 2014/15 was presented covering the reviews of:

3.1.1 Budgetary Control and Reporting

3.1.2 Treasury Management

3.1.3 Learner Numbers

3.1.4 Follow-up

Reporting that with exception of the audit follow-up review, the purpose of the reviews had been to assess the effectiveness of the internal control arrangements mitigating against risk, the reviews were considered, in particular:

3.1.5 Welcoming the Substantial Assurance provided following the reviews of Budgetary Control and Reporting and Treasury Management

3.1.6 Noting the Reasonable Assurance provided upon conclusion of the review of Learner Numbers. After discussing the audit findings and observations it was confirmed that recommendations made had been accepted by management, advising members of instances where actions recommended had already been identified by the College with implementation underway.

After commending the quality of the reviews, the report was noted

3.2 External Audit Service (EAS): Financial Statements Year-ended 31 July 2015 – Audit Strategy & Planning Memorandum

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 and highlighting:

3.2.1 The materiality levels presented, the risks and intended audit approach, noting that of particular focus would be:

- The proposed treatment of the capital spend
- Going concern considerations and covenant compliance; and
- The accounting for the asset disposal

3.2.2 The requirement to adopt the new FE SORP and FRS 102 for the 2015/16 accounts the potential implications for the College were considered, noting that the 2014/15 year-end position would need to be re-stated in order to provide a comparator year.

Discussing further the new FE SORP and FRS 102 requirements, members were advised that KPMG had indicated they would review the impact with management, alongside the 2014/15 audit. In response to questioning it was confirmed that this would form the subject of further report at the next meeting. Following consideration, it was requested for:

3.2.3 The report to provide an overview of the implications for the College

3.2.4 A separate report to be provided presenting the options available and the auditor's recommendations regarding the best options for the College

3.2.5 For appropriate time would be set aside at the next meeting to ensure sufficient discussion to inform decision-making and recommendations to the Corporation accordingly.

After discussion, the report was noted.

4 2015/16 AUDIT ARRANGEMENTS & PLANNING

4.1 External Audit Service Arrangements: Appointment & Tendering of Audit Services

A report was presented reporting on the outcome of tendering process for the engagement of External Audit of Audit Services and presenting the recommendation of the Presentation Panel (The Panel).

After summarising the process adopted and the outcome of the presentations members were advised of the Panel's recommendation for the award of the contract to the present incumbents, KPMG, based on:

4.1.1 A good presentation from the KPMG director and audit senior

4.1.2 Relevant sector experience with questions answered capably and confident

4.1.3 A good understanding of the College and its needs

4.1.4 A good proposal of measures that will add value above the external audit itself

4.1.5 A competitive daily rate and overall fee proposal.

The recommendation was reviewed and in response to questioning it was noted both that a fixed price fee for 3 years had been offered, of £23,500 excluding VAT; and that whilst not the lowest priced tendered, it remained very competitive.

Following discussion it was **RESOLVED** to **RECOMMEND** for the Corporation to **APPROVE**:

4.1.6 The appointment of KPMG as the College's external auditors commencing on 1 August 2015 for a further period of 3 years with the option to extend for 2 further years beyond that.

4.2 Internal Audit strategy & 2015/16 Audit Plan

The Internal Audit Strategy and Audit Plan for 2015/16 were presented.

Summarising the Plan for the year, planned to take account of the current key College and sector risks, there was consideration of the areas prioritised for review and the planned allocation of activity for the year, discussing in particular:

4.2.1 The proposed content of the Strategic Planning review, noting confirmation that a detailed audit planning document would be issued and agreed with management in advance of the review.

4.2.2 The extent to which the Plan would remain flexibility and sensitive to in-year developments welcoming confirmation that this would form the subject of further dialogues with management early in the new academic year.

After discussion, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

4.2.3 **APPROVE** the Internal Audit Strategy and Plan for 2015/16.

4.3 Governance Arrangements: Audit Committee

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, giving particular consideration to the extent the Corporation would withstand such scrutiny should similar circumstances arise.

Reviewing the current arrangements it was noted that:

4.3.1 Collectively the skills set of the Committee included audit, law and governance.

4.3.2 Membership comprised four 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:

4.3.3 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

4.3.4 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 comment existed. It was agreed however

that the perspective of the staff member could and had provided valuable insight to discussion.

Following discussion it was **RESOLVED:**

4.3.5 For current membership to remain unchanged and for the Corporation to be advised of the Committee's recommendation accordingly.

5 RISK MANAGEMENT

5.1 Risk Management Update

The risk management update was received.

After confirming that most risks remained stable in terms of potential severity, the key changes highlighted were reviewed:

5.1.1 Noting that although risk 10.10, *Failure to provide a safe environment*, was considered to be increasing, the conclusion had been based on and was reflective of the increasing influence of the "PREVENT" agenda and associated risks for College students, and that one student had been the subject of a recent knife incident in close vicinity of College.

5.1.2 Reporting that Risk 10.4, *Failure to manage cash flow*, had been largely mitigated for 2014/15 by high cash balances from capital grants received in advance of related expenditure. It was acknowledged however this was a temporary situation as a consequence of which the severity remained unchanged.

5.1.3 Discussing Risk 1, *Failure to generate an operating surplus and re-build reserves*, and the extent to which it remained realistic as currently presented observing that such a failure was not necessarily catastrophic. After noting the rationale for and pragmatic approach in the presentation of the risk in its current form some re-phrasing of the risk for clarification purposes was suggested in order to more accurately reflect the need to ensure a longer-term sustainable financial position

After discussion the report was noted.

6 OTHER BUSINESS & MEETING EVALUATION

6.1 Any other Business

There was no other business

6.2 Date of next meeting

Wednesday tbc

6.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.