

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on Wednesday 23rd November 2016 commencing at 9.15am in the Chadacre Room, Otley campus, Otley, Suffolk

Present

H Rumsey	HR	External Member
R Sheasby	RS	Independent Member
P Thirkettle	PT	Independent Member
J Whyman	JW	Independent Member and Chair

In Attendance

R Robson	RR	Acting Clerk to the Corporation
D Henley	DHe	Principal
M Wilkinson	MW	Director of Finance
D Harris	DH	RSM
S Abbas	SA	RSM
G McLeod	GM	KPMG

Action

1. Private Meeting with Auditors

Members of the Committee held a private meeting with the Internal Auditors (IAs) and External Auditors (EAs) to undertake discussion on matters that any party wished to raise in the absence of College management and staff.

JW raised concerns over the management of risk in terms of the relevant infrastructure being in place within the College; the committee need the reassurance that the necessary activity and attitude to risk is in place IAs confirmed that an advisory review of risk has been commissioned and is timetabled for January 2017.

PT arrived

HR asked how risk management at EOC compared with other colleges. DH noted that that over time a number of individuals at the College had had responsibility for risk, he reflected that the recent move to separate the strategic and operational risks was a positive move. For 2015/16 the IAs opinion on risk was formed by attending the meetings of the Audit Committee and the audits that were carried out that were linked to risk, no direct work on risk management had been undertaken. DH noted that the Committee want assurance moving forward that the processes to support risk management within the College are in place. He confirmed that RSM recently produced a paper setting out the top ten risks in FE Colleges, he confirmed that he would share that with the Committee.

PT noted his concern at the issues raised by the ALS audit. DH confirmed that a control framework was in place but had not been fully tested.

The Committee highlighted the length and volume of papers received. IAs confirmed that this could be reduced by producing reports that contained the outcomes and summaries only.

DHe and MW joined the meeting.

2. Welcome and Apologies for Absence

JW welcomed all to the meeting. Apologies were received from David Redhead, Philip Richardson and Jono West.

3. Declarations of Interest

No declarations were received in relation to items on this Agenda.

4. Timing of Agenda and items of Urgent Business

The Agenda was accepted and no additional items were received.

5. Minutes of the Meeting of 15th June 2016

The minutes of the meeting held on 15th June 2016 were reviewed.

Resolved: to approve the minutes of the meeting held on 15th June 2016 and to be signed by the Chair. Proposed by PT, seconded by HR. All in agreement.

6. Matters Arising

Minute 112 – JW sought confirmation that the enrolment process had worked as anticipated. DHe confirmed that a much better start to the year had been achieved.

Minute 118 – JW enquired how matters were progressing around the apprenticeship levy. DHe confirmed that this was now being led by Rob Storer. The necessary conversations were taking place with employers and work is underway to ensure that EOC is registered and so has access to the levy.

Minute 129 – JW asked how the IA budget was arrived at, he queried the ratio of that budget to income; it was noted that in a benchmarking report the college was in the bottom quartile for relative IA spend. MW confirmed that the amount was related to the days/work required to be completed by the IAs to give an audit opinion at the year end. He also noted that other consultants are engaged to carry out work/reviews of areas of the college, e.g. HE. HR queried if confirmation of such consultancy engagement could be reported to the committee. The merits of this were considered.

7. Audit Action Plans

MW referred members to the audit action plan as distributed. He sought Committee agreement to the removal of the completed actions from the plan.

Discussion took place on the reporting of outstanding actions to the committee moving forward. DH and MW suggested that it would be preferable for the management team to concentrate on the high and medium recommendations received from IAs. JW confirmed that the Committee did not require such a detailed report to be brought but would like access to the detailed report, possibly via the Board IQ reading shelf, and would want reassurance that the structure within the College is working. PT confirmed that this would be acceptable if the Committee had confidence that low risk

recommendations would not be left and allowed to become medium or high risk. HR sought confirmation from IAs on their view. DH suggested that a one page report could be shared with the Committee confirming the number of outstanding recommendations of each category of risk, those recommendations that were still outstanding past their implementation date and report by exception to the Committee. DH also confirmed that low level recommendations will continue to be made and the follow up reports will record whether or not they have been implemented. MW confirmed that the full action plan would be retained for tracking purposes but, in response to a request for clarification from HR, confirmed that the report to the committee would be by exception.

Resolved: to confirm agreement to the removal of the completed actions from the plan and to accept the change of reporting to the Committee to exception reporting. Proposed PT, seconded RS all in agreement.

8. Risk Management

MW referenced that he had now assumed responsibility for risk management and was not happy with the current position. IAs will be commencing an advisory review in January 2017. JW referenced the earlier discussion between the Committee and auditors (Item 1 above); the Committee would want reassurance that a structure was in place beneath the Strategic Risk Register to ensure that operational risks were being dealt with as necessary with sufficient and appropriate inter-departmental challenge. It was noted that the thought moving forward was that the High Level Strategic risks would be linked to the Strategic Plan.

DHe noted that the College was still in a period of transition; that time needed to be spent on identifying and mitigating the high level risks. Those risks should be reviewed annually to ensure that they are the right ones. He referenced the need for happy and successful students and the impact on the College on the achievement of that. The quality of the student experience and the financial performance of the College were paramount in the achieving the priority of a successful college. Discussion on the wording of the existing High Level Risks took place; it was noted that revision was needed to ensure that they accurately reflected the precise nature of each risk.

9. Internal Audit

SA took members through the IA Reports.

Follow up – reasonable progress has been made. It was noted that the de-brief was June so things had moved on in the interim.

Student Journey – this was an advisory report so no opinion was given. 1 medium and 1 low risk recommendations were identified. Examples of further good practice were given for consideration. MW confirmed that these would be considered by Claire Dyble but not all would be implemented.

Additional Learner Support - reasonable assurance was given; a robust control framework is in place but areas where those controls are not being

complied with were identified. 2 high priority, 2 medium and 1 low recommendations were identified. JW enquired whether this report gave cause for concern. MW confirmed that he had requested that the audit be undertaken as he had existing concerns in this area. A member of the finance team has been put in place to support the ALS team to ensure all necessary paperwork was completed and evidence in place to ensure that the funding due would be paid from the County Councils. Problems had arisen with Norfolk County Council initially refusing to make payments to the College, this has now been resolved.

Payroll and HR – reasonable assurance was given with 1 medium and low recommendations identified. JW queried the reasons behind the 195 engagements and 164 departures in the year. DH confirmed it was not possible to identify from the data available how many of these were seasonal appointments. DHe advised the Committee on the recent discussions with Learner Support staff who, although many of whom were employed for in excess of two years and therefore had employment rights, their contracts were temporary. These were now being changed to permanent contracts.

Annual Report – DH highlighted the type of opinions given as set out on page 7 of the Report. The College had received an unqualified (positive) opinion but it was noted that further enhancements were required.

IA KPIs – the Committee reflected on the grades allocated against the KPIs by MW. He confirmed that a very good service was received from the IAs.

Resolved: to approve the IA Reports and the responses to the IA KPIs as received. Proposed HR, seconded PT, all in agreement.

10. Financial Statements 2015/16

GM took members through the Financial Statements and associated papers.

Going Concern – GM advised that this report was necessary for members to understand the basis on which the management team believe it is appropriate to have prepared the accounts on the going concern basis. This Report will also need to go to Corporation prior to the approval of the accounts. The most significant issue is the likely breach of Barclays covenant in 2016/17 but it was noted that management are actively managing the risk of the breach and have cash reserves to meet any potential early repayment.

Audit Highlights Memorandum and Management Letter – GM reviewed the contents with members. DHe queried the 'Financial Position' statement and suggested that this should make reference to the effect of the required treatment of the pension disclosures following the change to FRS102. GM confirmed that he would change the wording of that paragraph to reflect this. **GM** The other changes that come from the change to FRS102 were noted. GM confirmed that the audit work had gone well.

Financial Statements and Annual Accounts 2015/16 – GM confirmed that the accounting policies have been updated to reflect FRS102. MW highlighted to the Committee that the Financial Statements and Accounts were required to

be published, when they were the £3.5million deficit could attract attention. PT confirmed that nothing in the accounts would be a surprise to members of the Corporation as they had been advised throughout 2015/16 of this position.

Management Representation Letter – GM confirmed that this the sector standard wording.

EAs KPIs – MW confirmed that he was very happy with the service received and had reflected this in his responses to the KPIs.

Resolved: to approve for recommendation to Corporation items reviewed under agenda items 10.2 to 10.4 and to approve the responses to the EAs KPIs as received. Proposed PT, seconded HR, all in agreement.

11. Companies Financial Statements 2015/16

The draft accounts for the College Companies were noted by the Committee. Final tax information is awaited. The accounts are to be submitted to the next meeting of the Corporation.

12. Annual Fraud Assessment Report

MW confirmed that all Directors had been asked to complete and return an appropriate disclosure. The Report was noted by the Committee.

13. Audit Committee Terms of Reference

Members noted that there was scope for an additional External Member to join the Committee if this was considered necessary to ensure a continued appropriate collective skills mix. The suggested amendments to the Terms of Reference for 2016/17 to reflect the move to Policy Governance and to ensure all necessary aspects of the JACOP were encompassed were reviewed.

Resolved: to recommend the amendments to the Committee Terms of Reference to the Corporation. Proposed PT, seconded HR, all in agreement.

14. Committee Self-Assessment

It was noted that the Committee Self-Assessment Report was completed by the three continuing members of the Committee. The responses were reviewed with particular attention given to the responses where scores of 3 or below were given. MW queried the response to the question suggesting that a member felt more detail was required in papers brought to the Committee. RR confirmed that she would query this with the member concerned. **RR**

15.

Audit Committee Annual Report

JW referenced the requirement of the Committee to provide an Annual Report to the Corporation and the need for that Report to include the Committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and internal control, and its processes for securing economy, efficiency and effectiveness.

Resolved: to approve the Audit Committee Annual Report for submission to Corporation. Proposed PT, seconded HR, all in agreement.

16.

AOB

DHe updated members on the Area Based Review process.

17.

Date and Time of Meetings in 2016/17

Wednesday 15th March 2017 9.30am at Easton

Wednesday 14th June 2017 9.30am at Otley

The meeting closed at 12 noon