

**Minutes of the Meeting of the Audit Committee held on
Wednesday 30 September 2015 at 9.00 am in Room BT28, Flemingate, Beverley**

Committee Members: Lesley Archer, Business Member
 Alex Denholm, Co-opted External Member
 John Winepress, Local Community Member

Also in Attendance: Derek Branton, Principal
 John Doris, Vice Principal, Finance & Resources
 Judi Smith, Finance Manager
 Lesley Hill, East Coast Audit Consortium
 Benita Jones, East Coast Audit Consortium
 Lisa Phillips, Grant Thornton UK LLP
 Joanne Mylrea, Secretary to the Corporation

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1017 APPOINTMENT OF THE CHAIR

It was agreed that Neil Waterhouse, Business Member, serves as Chair for 2015/2016.

As Neil Waterhouse was absent, Lesley Archer served as Chair for the duration of the meeting

1018 APOLOGIES FOR ABSENCE

Apologies had been received from Neil Waterhouse, Business Member; Liz Johnson, Co-opted External Member and; Helen Wooldridge, Director of Learner Services, Planning & Diversity.

1019 DECLARATION OF INTEREST IN ANY OF THE ITEMS ON THIS AGENDA

The Chair reminded members of the Committee to declare at the start of the meeting interests held in any matters to be discussed.

No interests were declared.

1020 MINUTES OF THE MEETING HELD ON 13 MAY 2015

The minutes of the meeting held on Wednesday 13 May 2015 were confirmed as an accurate record and signed by the Chair.

Confidential Minutes of the Meeting held on 13 May 2015

The Secretary noted a typing error under Item 1013, that the year-end budget for partnership delivery was £210,000 and not £210,00.

Subject to the correction above, the confidential minutes of the meeting held on Wednesday 13 May 2015 were confirmed as an accurate record and signed by the Chair

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1021 MATTERS ARISING

Item 1008: Financial Statements Audit

The Vice Principal, Finance and Resources updated members on the on-going insurance claim at the St James centre, with a claim value of circa £450k. In addition to the interim payment of £100k reported at the last meeting a further £100k had been received as an interim payment before the July 31st year-end. A further interim payment has been requested by the end of October if the claim remains unsettled then.

In addition, he noted that the TUPE arrangements regarding OLASS staff had taken place as planned without incident.

There were no matters arising that were not to be dealt with in the business of the meeting.

ADMINISTRATIVE ITEMS

1022 REPORT FROM THE MEETING OF THE BOARD OF THE CORPORATION HELD ON 9 JULY 2014

The Secretary reported that the minutes and confidential minutes of the meeting held on 13 May 2015 were presented to the Board of the Corporation at its meeting on 6 July 2015 where they were approved.

AUDIT REPORTS

1023 INTERNAL AUDIT

Annual Internal Audit Service Report of East Coast Audit Consortium (ECAC) - year ended 31 July 2015

Ms Jones briefly outlined the contents of the report and noted that the College has chosen to continue with an internal audit service.

She reminded members that the work of the internal audit service was to support the governing body in making an informed statement on internal control and forms part of the College's overall assurance framework.

Based on the work carried out at the College, ECAC provided an overall opinion on the adequacy and effectiveness of the College's risk management, control and governance processes of 'substantial'.

She noted that of the 8 reports issued, 2 required no opinion, 5 were awarded 'substantial' assurance and one was awarded 'limited assurance', this being the Staff Single Central Record. She added that whilst a limited grade offered less assurance it does demonstrate good use of the Internal Audit Service.

She drew attention to the levels of assurance awarded over the last three years and noted that of the 36 recommendations followed up

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(34 from 2013/2014 and 2 outstanding from 2012/2013), 31 were fully implemented, 2 partially and 3 outstanding. The client satisfaction survey showed a positive result with 100% of staff 'strongly agreeing' or 'agreeing' to the auditors working positively.

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Internal Audit Strategy 2015/2016

Ms Hill set out the Audit Strategy noting that whilst based on last year's plan some changes had been made. Reference to OLASS provision had been removed as the College no longer delivered this. This had released two days which had been transferred to 'Learner Number Systems'. This supports a two day review of 16-19 Study Programmes and 4 days review of 19+ classroom based provision. The Procurement and Purchase ledger review had been deferred to 2016/2017 with the review of IT Disaster Management being brought forward a year given the recent relocation to Flemingate.

She noted the detailed plan and number of days associated with each planned visit.

The Vice Principal Finance and Resources added that the SFA had just announced a change to its funding contract that requires the College to secure an externally produced annual report on extended partnership activity for the previous year, ie 2014/2015. He asked that the Committee grant leeway to reallocate some days to the IA plan should they be asked to undertake this activity; he would report back to the next committee.

The Committee AGREED to this proposal.

Governors clarified details within the plan including receiving more details on scope of the Learner Number Systems and the Personnel and Payroll reviews. A Member asked if the Staff Single Central Record which received a limited assurance last year could be picked up again.

The Vice Principal Finance and Resources responded that it would be looked at again in the Follow Up activity. The Principal added that the former Vice Principal, Curriculum and Quality had undertaken a further audit to ensure actions had been put in place. The internal report from this work will be emailed to Committee members for information.

It was AGREED to recommend the Internal Audit Strategy 2015/2016 to the Corporation for approval

Action Plans from Previous Audits – Rolling Update

The Finance Manager briefly outlined the progress made noting that the majority of items were now closed. The two items around Insurance Benchmarking had proved difficult to action but the College was expecting to have the summarised policy conditions shortly.

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VP Fin & Res	14.10.15

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1024 **FUNDING AUDIT**

Quality Planning Schedule – Reporting of Data Return Deadlines

The Vice Principal, Finance and Resources reported that all ILR returns and funding claims had been submitted within the EFA/SFA deadlines.

Members NOTED the report.

RISK MANAGEMENT ITEMS

1025 **ANNUAL REVIEW OF RISK MANAGEMENT 2014/2015**

The Vice Principal, Finance and Resources presented the Annual report. He noted that the Risk Management Policy was last reviewed by the Committee in November 2013 and would next be reviewed at the end of 2016.

The approved risk scoring system remained unchanged from previous years. He noted the risk scores over the last five years which showed an increase in the overall residual risk score for the end of 2014/2015. This is largely due to the new area of risk posed by the Area Reviews announced in July 2015. The Vice Principal noted the details of this new risk within the register, adding that a full update on Area Reviews would be provided by the Principal at the Board meeting in October.

The risk associated with the Beverly campus relocation had been removed with the successful move to Flemingate, although he noted that there remained two aspects that will require managing until the end of the year.

There was discussion around the wording of the statement of control and whether this could be altered or amended to provide more narrative. The Vice Principal Finance and Resources clarified that this statement was a condition of funding and they were not in a position to change or challenge it. Ms Phillips noted that she would expect to see a similar statement of internal control in other sectors, for example Higher Education.

The Committee AGREED to defer approval until the completion of the Financial Statements at the next meeting in November.

VP Fin & Res 11.11.2015

POLICY AND STRATEGIC ITEMS

1026 **ERDF GRANT – PROCUREMENT CHECK AND AUDIT**

The Vice Principal, Finance and Resources reminded members that as part of the funding package for the Beverley campus the College was initially awarded a capital grant of £1,007k through the European Regional Development Fund (ERDF). The grant provided for a 46.4% contribution towards the build costs of two physical areas known within the College as the "ETC" (Energy Technology Centre).

The Department of Communities and Local Government (DCLG) undertook an audit of the College's procurement relating to the

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capital grant in January 2015. Two key contracts were investigated: the works contract with Geo Houlton and Son for £7,990k; and a services contract with EC Harris for £431k.

A preliminaries findings letter was issued in May to which the College responded, and a final decision was issued in July. As a result of the delay between tendering and awarding the contract to Geo Houlton and Son, the DCLG has applied a -25% adjustment to the grant. The Vice Principal reminded members of the reasons for the delay as set out in the paper. In addition, in respect to the appointment of EC Harris the DCLG had altered their original adjustment of -25% to -10% due to alleged insufficient evidence provided for the tendering process.

He noted that the grant had therefore been reduced by £193k from £934k to £741k, and whilst disappointing is containable within the overall finances of the College. This makes the overall ERDF contribution towards eligible costs as 34.8%, reduced from 46.4%.

He asked members to note that the College will be subject to other ERDF audits in the future.

Members acknowledged the difficulties in securing and retaining European funding.

Members NOTED the report.

ITEMS FOR INFORMATION

1027 REVISED JOINT AUDIT CODE OF PRACTICE (JACOP)

The Finance Manager brought to the Committee's attention the revised Joint Audit Code of Practice (JACoP) which whilst only just published will be applicable to 2014/2015.

She highlighted the main changes including:

- The level of assurance provided will change from 'reasonable assurance' to 'limited assurance';
- The assurance will be a negative statement, now included as a 'conclusion' that nothing of concern has been brought to light;
- More prominence will be given to the Statement of Regularity, Propriety and Compliance, which will form a separate document to be signed by the Chair of the Corporation and the Principal, as Accounting Officer.

Members NOTED the update.

1028 CLOSE

There being no further business the Chair thanked those present for attending and closed the meeting at 10.00am.

J Mylrea, Secretary to the Corporation

Signed as a correct record on 11/11/15 Date)

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..... (Chair)

