

**Minutes of the Meeting of the Audit Committee held on
Wednesday 11 May 2016 at 9.00 am in the ETC Conference Room, at Flemingate, Beverley**

Committee Members: Lesley Archer, Business Member
 Alex Denholm, Local Community Member
 Neil Waterhouse, Business Member (Chair)
 John Winepress, Local Community Member

Also in Attendance: Derek Branton, Principal
 John Doris, Vice Principal, Finance & Resources
 Judi Smith, Finance Manager
 Helen Wooldridge, Director of Learner Services, Planning and Development
 Lesley Hill, East Coast Audit Consortium
 Benita Jones, East Coast Audit Consortium
 Graham Nunns, Grant Thornton UK LLP
 John Ward, Grant Thornton UK LLP
 Janice Sunderland, Secretary to the Corporation

Min. No.	ACTION by whom	DATE by when
<p>1042 <u>APOLOGIES FOR ABSENCE</u></p> <p>Apologies had been received from Elizabeth Johnson.</p>		
<p>1043 <u>DECLARATION OF INTEREST IN ANY OF THE ITEMS ON THIS AGENDA</u></p> <p>The Chair reminded members of the Committee to declare at the start of the meeting interests held in any matters to be discussed.</p> <p>No interests were declared.</p>		
<p>1044 <u>MINUTES OF THE MEETING HELD ON 11 NOVEMBER 2015</u></p> <p>The minutes of the meeting held on Wednesday 11 November 2015 were confirmed as an accurate record and signed by the Chair.</p>		
<p>1045 <u>MATTERS ARISING</u></p> <p><u>Item 1037 – Audit Findings - Completeness of Creditors</u> The Finance Manager confirmed that the longest aged creditor was one month at the time the audit was undertaken.</p> <p><u>Item 1037 – Audit Findings – Pensions</u> The Finance Manager confirmed that she had investigated the concerns regarding a discrepancy in percentage figures regarding pensions. It was confirmed that the new scheme cap of 10.9% only applied to new members of the pension scheme.</p> <p><u>Item 1037 – Draft Financial Statements for Year Ended 31 July 2015</u></p>		

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A query had been raised in response to Grant Thornton stating that comparative information for the consolidation for the year end 31 July 2014 was unaudited. It was confirmed that the unaudited statement was permissible and compliant.

ADMINISTRATIVE ITEMS

1046 REPORT FROM THE MEETING OF THE BOARD OF THE CORPORATION HELD ON 9 DECEMBER 2015 AND 22 MARCH 2016

The Secretary reported that the Audit Committee Annual Report for 2014-15 and the unconfirmed minutes of the meeting held 11 November 2015 were presented to the Board of the Corporation at its meeting on 9 December 2015. No audit reports were received at the March 2016 meeting of the Corporation.

1047 COMMITTEE SELF-ASSESSMENT – REVIEW OF PERFORMANCE AND TERMS OF REFERENCE

The Secretary presented 5 minor revisions to the Terms of Reference to remove some detailed referencing and footnotes. The Committee AGREED to the proposed changes to the Terms of Reference and recommended them to the Corporation for approval.

Members returned their committee self-assessment forms.

Secretary

13 July
2015

AUDIT REPORTS

1048 INTERNAL AUDIT

Final Reports

SFA Sub-Contracting Controls Audit

A new requirement for Colleges to commission an independent report on the system and controls in place to manage SFA funded sub-contracted provision (over the value of £100k) had been introduced. In response, the College had commissioned East Coast Audit Consortium to provide an assurance report within the internal audit plan for 2015/16.

The Committee NOTED the audit report which provided **substantial assurance** on the controls in place and noted no recommendations were deemed necessary as a result of the review.

It was further NOTED that the certificate had been received and forwarded to the SFA within the required timescale.

14-16 Partnership Provision

The internal audit report relating to College procedures in place to manage the provision delivered on behalf of partner schools or the Local Authority to 14-16 year olds was presented. In 2015/16 5 partnership arrangements had been in place.

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The Committee NOTED the audit report which provided **substantial assurance** that adequate procedures were in place and that no recommendations were deemed necessary as a result of the review.

Risk Management Processes

An internal audit review had been undertaken to provide an assurance on the adequacy of risk management arrangements. It was confirmed that, as part of the review, a workshop with College managers had taken place at which all risks identified were able to be mapped to the strategic risks. The process had helped to provide triangulation and confidence that the risk management process was embedded within the organisation.

The Committee NOTED the audit report which provided **substantial assurance** that the College continued to apply its risk management framework in line with the established policy. It was also noted that no recommendations were deemed necessary as a result of the review.

IT Operational Management

An internal audit assessment had been undertaken to test the key operational and management arrangements in place to maintain confidentiality, integrity and availability of the College network and information assets. It was confirmed that the auditor appointed to undertake the review was an experienced IT specialist. Some weaknesses in control were outlined to enhance existing controls and it was confirmed actions were being taken to progress the recommendations.

The Committee requested assurance from Internal Audit that they were confident with the management responses who confirmed this to be the case.

Assurance was requested from the Committee that the College was taking suitable precautions to protect the security of the College systems. The Vice Principal Finance and Resources confirmed that the college continued to take a proportionate view of the risks and had appropriate systems in place.

The Committee NOTED that, overall, the assessment had found there to be a general sound system of control and provided **substantial assurance**.

Follow Ups

An internal audit review had been undertaken to ascertain the progress made in implementing previous audit recommendations.

The Committee NOTED good progress with 33 recommendations made, 28 had been fully implemented, 3 partially implemented and 2 were outstanding. Those outstanding had dates and timescales identified and would be revisited as part of the 2015/16 follow up process.

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Internal Audit Progress Report to 11 May 2016

Ms Hill briefly outlined progress against the 2015-16 internal audit plan and reported that there were three reviews yet to be concluded during May 2016 which would be presented to the next meeting of the Audit Committee.

A proposal to change the use of some days within the Internal Audit Plan was presented and the Committee AGREED the suggested revisions would make the most beneficial use of the time allocated.

The Committee NOTED the outcome of the completed audit reviews and the progress against the 2015/16 internal audit plan to-date.

Action Plans from Previous Audits – Rolling Update

The Finance Manager presented the rolling update on actions required from previous audits. The Committee NOTED that only one action remained open.

1049 FUNDING AUDIT (ILR)

Verification of Student Records Data – Termly Report

The Director for Learning Services, Planning and Diversity outlined the findings from the termly Diagnostic Self-Assessment Tool (DSAT) which provided validation of the Individual Learning Record (ILR) against the EFA/SFA funding rules and the ILR specification. The DLS, P&D assured the Committee that although there had been a small increase in the number of reports with potential issues for investigation, almost half of the DSAT reports aimed at identifying potential errors had no records and that accurate data entry and internal validation checks had been fully effective in relation to specific funding rules. Where errors were reported it was noted they were minor data input errors rather than underlying issues. The DLS, P&D reported that the level of errors had reduced in comparison with previous years and reflected that internal checks were working well.

The Committee sought Auditors' views on whether the level of exception was normal for the sector. Both internal and external audit confirmed the level of exceptions was normal/low for the sector and commended the College for continuing to report on the verification of student records data at the Audit Committee, noting this was not routinely the case in other Colleges.

The Committee NOTED the findings of the DSAT's review and the corrective actions identified.

Quality Planning Schedule – Reporting of Data Return Deadlines

The Director for Learning Services, Planning and Diversity confirmed that all data return deadlines since the last meeting had been met and assured the Committee that the deadlines due before the next Committee meeting in September would also be achieved. As a result of timely returns on Apprenticeship data the College had been able to

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submit a business case for additional growth income, the outcome of which was awaited.

The contents of the report were NOTED.

1050 FINANCIAL STATEMENTS AUDIT

Financial Statements 2015/16 Audit Strategy

Mr Ward presented highlights from the Audit Plan for the College and its subsidiary for the year ending 31st July 2016 and confirmed a risk based approach had been taken to developing the plan.

The Committee discussed the risk associated with the College forecasting to be in breach of one of its bank covenants and noted that the Vice Principal Finance and Resources continued to progress actions to mitigate the risk. The Vice Principal Finance and Resources confirmed that Barclays had assigned its business support team to the College who would be reviewing the position in the near future. It was noted that the College was reasonably confident the covenant would be waived for 1 year but that it was critical to receive a formal waiver from Barclays by 31 July 2016 to avoid the debt moving from the long term to being short term. It was agreed that progress on this issue would be presented to the Remuneration, Finance and Human Resources Committee and the Corporation in June and July 2016 respectively.

VP F&R

22 June 16
13 July 16

The Committee queried why the audits listed at Appendix A had no planned control reliance. Following discussions it was concluded that the Audit Committee had assurance that Internal Audit reports continued to provide assurance on systems and controls and that whilst External Audit would focus on a level of "testing" at a particular point in time, any weaknesses in controls would also be reported.

The Committee queried whether the subsidiary controls could be audited as part of the College audit and questioned the fee associated with preparing the subsidiary accounts which had been capped at £3k. Mr Nunns confirmed the reasoning behind the fee and said that the charge would be assessed in relation to the amount of work and at a maximum of £3k. It was agreed that this was an acceptable approach given that subsidiary payment transactions had continued into 2015-16.

The contents of the Audit Plan 2015-16 were NOTED.

RISK MANAGEMENT ITEMS

1051 TERMLY REPORT ON RISK MANAGEMENT – SPRING TERM 2015/2016

The Vice Principal, Finance & Resources reported that the Risk Register had been fully reviewed with a single significant change relating to downgrading the ranking of the risk associated with an

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adverse Ofsted inspection following the recent successful inspection in February 2016. It was confirmed that the top ranking risks which remained were generally regarding threats to income levels, both funding and earned income.

The Committee NOTED the report.

POLICY AND STRATEGIC ITEMS

1052 ICT DISASTER RECOVERY POLICY

The Vice Principal, Finance and Resources presented the revised ICT Disaster Recovery Policy which had minor revisions to include the Microsoft Lync Voice over IP telephony system which had been introduced. There were no substantive changes to the policy.

The Committee APPROVED the revised policy.

1053 SUB-CONTRACTOR ACTIVITY POLICY

The Vice Principal, Finance and Resources presented the revised Sub-Contractor Activity Policy including the proposal to rename the policy from the Partnership Activity Policy which better reflected the commercial nature of the relationships. Minor changes to the policy were considered.

The Committee agreed to RECOMMEND approval of the revised policy to the Corporation in July 2016 and, as requested, to seek delegated powers for the future approval of the policy via the Audit Committee.

VPF&R

13 July
2016

ITEMS FOR INFORMATION

1054 ACCOUNTABILITY REVIEW – ANNUAL REVIEW

The Vice Principal, Finance and Resources reminded members of the purpose of the accountability review and presented the annual update to the Accountability Review Assurance Map.

The Committee noted that the College had updated processes in place against all of the risk categories identified by the SFA and did not expect to be placed on an accountability review schedule.

Members NOTED the paper and the updated Assurance Map.

1055 UPDATE ON THE ALIGNMENT OF INTERNATIONAL AND UK ACCOUNTING STANDARDS FRS102 AND THE IMPACT ON FINANCIAL STATEMENTS

The Finance Manager outlined progress being made against the action plan for transition to the new single accounting standard FRS102. It was confirmed that templates had been released to assist in the conversion of the 2014/15 financial statements and that the Accounts Direction Handbook had been released. The Finance Manager confirmed she would be working closely with Grant Thornton

