

MINUTES

Audit & Governance Committee No. 1

Date: *04/11/2014 (Tuesday)*

Time: *18:00–20:00*

Venue: *Rural Business Centre*

Committee: *Audit and Governance*

Notes: *The meeting will be held in the Rural Business Centre. Refreshments will be available from 5.30pm.*

Present: *Adrian Boreham, Garry Payne, Gerry Corless, Jessica Moore and Jolyon Dodgson (Chairman)*

Attending: *Ann Turner (Principal) and Jennifer Eastham (Deputy Principal)*

Clerks: *Ron Matthews (Clerk) and Susan Whiteside (Deputy Clerk)*

Guests: *Anna Spencer Gray (External Auditor), David Fletcher (Internal Auditor) and Roger Davies (External Auditor)*

Apologies: *Ishwer Tailor (Co-opted Member) and Jean Yates*

Public Minutes

Item number: Item description:
(and category)

01.14 ***Attendance of College Staff***
Decision **Welcome and Farewell**

This was the first meeting of the Audit & Governance Committee. A warm welcome was extended to Adrian Boreham and Jessica Moore who were new to Audit Committee.

At the conclusion of the Audit business the external audit representative, Roger Davies left the meeting. This had been Roger's last meeting at the Committee and with the College. The Audit Committee expressed their thanks to him personally for his standards of professionalism and the good working relationship and wished him well. The sentiment was echoed by Management. Roger responded appropriately.

Attendance of College Staff

Section 8.1 of the current Constitution and Terms of Reference for the Audit & Governance Committee states:

"The Principal or some other senior manager who is responsible for the College's internal control and a representative of the Internal Auditors shall normally attend meetings at the invitation of the Committee, and the Committee shall have the power to invite such other persons to attend meetings as may be desirable or necessary."

Resolved:

That College Management staff and representatives from the Internal Auditors and Financial Statement Auditors attend the meeting.

02.14 ***Apologies for Absence***

Record Apologies had been received from Ishwer Tailor and Jean Yates.

03.14 ***Appointment of Chairman and Vice Chairman of Audit & Governance Committee for the academic year 2014 / 2015***

Decision Following due process it was

Resolved:

- I. **That Jolyon Dodgson be re-appointed Chairman of the Audit Committee for the academic year 2014 / 2015 with immediate effect**
- II. **That Gerry Corless be appointed Vice Chairman of the Audit Committee for the academic year 2014 / 2015 with immediate effect.**

04.14 *Public Minutes of Previous Meetings*

Decision The public minutes of Audit Committee meeting number 89 held on Tuesday 1 July 2014 were confirmed and signed as a true and correct record.

05.14 *Declarations of Interest*

Record There were no declarations made.

06.14 *Financial Statements*

Decision Financial Statements Auditors Report and Financial Statements for the year ended 31 July 2014 and External Audit Findings Report to the Audit & Governance , and Finance & Resources Committees.

The draft Members Report & Financial Accounts for the year ended 31 July 2014 which had been considered by Finance & Resources Committee were submitted to provide supporting information to allow the Committee to make informed judgements.

The representative from Baker Tilly, the College Financial Statements Auditors, spoke to the External Audit Findings Report. He thanked management for the completeness and accuracy of the Financial Statements provided on their arrival and stated that the Audit process had gone smoothly. The DP Finance & Funding commented on the good working relationship that allowed an effective, efficient but robust process. The External Auditor and College Management supported Audit Committee discussions and answered various questions.

Audit minute 31.14 refers, recent changes to the Regularity Audit requirement were clarified and members noted this would be reflected in a wording change in the regularity opinion. The regularity approach would continue to include testing of compliance with the authorising framework and assessing compliance with other rules and regulations that define regularity. The risk assessment areas are limited to assessment of risk of material irregularities and non-compliances and no longer include propriety. The external auditors will not seek to place reliance on the work of the internal auditors. An updated engagement

letter has been issued which reflects the changes to the regularity audit reporting. The regularity audit continues to be a tripartite engagement between the college, the funding body and the auditor.

The Committee was informed that Baker Tilly External Audit would sign the unqualified opinions for the financial statements and regularity audit. The opinions were lodged in the document 'Myerscough College Report and Financial Statement for the year ended 31 July 2014' on pages 24 and 51 respectively.

Section 2 - Audit and accounting issues identified at planning stage - included Funding, Staff Costs, Fire in old laboratories, Going Concern, Accommodation (Capital Plan), FRS 17 'Retirement Benefits', and Regularity and Key Financial Controls Review. Some items were identified to be recorded at section 3 in the report unadjusted / adjusted misstatements. These were an unadjusted journal regarding the final SFA funding reconciliation and an adjusted misstatement to reclassify £61k of assets under construction to prepayments as the assets weren't received until post year end.

The accounting policy disclosure to agree the College as Going Concern was confirmed.

The FRS17 pension deficit had reduced.

The resolution from the Regularity review stated, 'No matters of material significance arose during our work and we anticipate being able to give an unqualified opinion in respect of regularity.'

Section 3 – Unadjusted/adjusted misstatements.

The unadjusted items were not considered to be material to the financial statements therefor an audit adjustment was not proposed.

Section 4 – Deficiencies in internal control - There were none identified during the course of the audit work.

Section 5 - Significant accounting policies disclosures and estimates

Two matters were identified during the course of the audit which had been subsequently addressed in the financial statements.

Fees and Independence – The auditors confirmed their fees and independence.

Letter of representation (financial statements) (page 16)'This representation letter is provided in connection with your audit of the financial statements of the College for the year ended 31 July 2014 for the purpose of expressing an opinion as to whether the financial statements had been prepared in accordance with the applicable financial reporting framework which give a true and fair view.'The letter would be presented to Corporation at its meeting on 16 December 2014

for signing by the Chairman and the Chief Accounting Officer (the Principal).

Letter of representation Regularity Audit year ending 31 July 2014
Expenditure and income were applied for the purposes intended by Parliament and the financial transactions conformed to the authorities which governed them. The letter would be presented to Corporation at its meeting on 16 December 2014 for signing by the Chairman and the Chief Accounting Officer (the Principal).

The Audit Findings report contained details of updated financial reporting developments. The updated SORP which included FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland broadly based on the International Accounting Standards Board's International Financial Reporting Standards had been published. The accounts for year ending July 2016 would be published according to the new arrangements.

Members noted fewer changes to the treatment of capital grants than originally anticipated though deferred capital grant balances would be retained on the balance sheet and reported as a liability rather than show on the funds side potentially resulting in a material reduction to net assets.

Colleges would need to review bank covenants to establish whether the revised treatment would impact the measures used by banks to monitor performance.

Emerging Issues – Audit and Governance Committee noted the information on key issues currently affecting the sector and details of recent developments that may be of relevance to the College. Members commented on recent VAT rulings and in particular the definition of non-business income in relation to VAT relief on new building construction.

The Committee expressed its satisfaction with the Audit Findings Report for the year ended July 2014 and noted that the opinions and letters of representation for the financial statements and regularity could not be confirmed until the accounts had been signed.

Audit Committee thanked Roger Davies for presenting the External Audit Findings Report and expressed its satisfaction with the communication, tone, completeness and presentation of same. They congratulated the DP Finance & Funding for her team's efforts with no matters for management action.

Resolved:

- I. **That the external audit findings report for the year ended 31 July 2014 be commended to the Corporation for approval**

- II. **That the Draft letter of representation (financial statements) be commended to Corporation for approval to be signed by the Chairman of the Corporation and the Principal.**
- III. **That the Draft letter of representation (regularity) be commended to Corporation for approval to be signed by the Chairman of the Corporation and the Principal.**
- IV. **The Auditors Opinions in respect of the Financial Statements Audit and Regularity Audit for 2013/2014 be commended to Corporation for signature by Baker Tilly.**

07.14

Draft Annual Report of the Audit Committee

Decision

Consideration was given to the draft Annual Report of the Audit Committee to the Principal / Chief Executive and the Corporation for the year ended 31 July 2014 prepared by the Clerk. The Clerk spoke to the report and members noted that in accordance with the

Joint Audit Code of Practice the Audit Committee was required to give assurance to the Board. Accordingly the report stated:

‘The Audit Committee is of the view that it has operated effectively and fulfilled its obligations as identified in its Terms of Reference. It is also of the opinion that the College’s audit arrangements, the internal control systems, value for money policy and procedures, financial controls, framework of governance, risk management and control are adequate, operating effectively and its processes secure economy, efficiency and effectiveness and can be relied upon.

The report would be signed by the Chairman of Audit Committee and commended to Corporation for approval and onward transmission to the funding body.

Resolved:

That the draft Annual Report of the Audit Committee to the Principal / Chief Executive and Corporation for the year ended 31 July 2014 be accepted and commended to the Corporation.

08.14

Skills Funding Agency Audit

Information

Audit Committee gave consideration to the two recent Funding Assurance reviews undertaken by the Skills Funding Agency (SFA) concerning the Education Funding Agency (EFA) delivery and the Skills Funding Agency delivery.

The basis of the reviews was to check on evidence of each learners, eligibility, existence and achievement. The audit process was onerous and extremely detailed and involved much staff time. Members noted that error rates were easily within acceptable parameters of below 5 percent. The EFA error rate was 0.53% against a £9.1m allocation and the SFA error rate was 1.01% against a £3.1m allocation. Since the audit ILR data had been amended where necessary and there was no implication to this year's funding allocation though potentially there could be minimal impact to the following years funding allocation with respect to SFA funding.

The Action plans from the audit indicated recommendations that were being acted on by named staff to documented completion dates.

Audit & Governance Committee were satisfied with the explanations to their questions and noted that the process had incurred additional demands on some members of staff at a busy time of year.

Resolved:

That the report on the Skills Funding Audit be received.

09.14

Annual Risk Management Report to the Audit Committee and Corporation for 2013 / 2014

Decision

Consideration was given to the Annual Risk Management Report to the Audit Committee and Corporation for 2013 / 2014.

The report listed the significant areas of risk for 2013 / 2014.

During the year the risk management process was reviewed and the risk scoring was changed from a 3x3 to 5x5 matrix. The risk management plan was a live document that was regularly reviewed, assessed and reported on.

Resolved:

That the Annual Risk Management Report to the Audit Committee and Corporation 2013 / 2014 be accepted and commended to the Corporation as submitted.

10.14

Risk Management Plan (Full) 2013 / 2014

Decision

Consideration was given to the detailed Risk Management Plan for 2013 / 2014 dated October 2014.

Risks were scored according to likelihood and effect using a 5x5 matrix to provide an overall risk factor score. Only risks scored at 6 or above

were reported on in the summary report. A scoring grid was provided depicting the occurrence of risk rating throughout the plan. The highest rated risk was 1a 'Impact of Government Cuts.' The register was a live document updated as situations arose and reviewed by Audit Committee on a quarterly basis.

In response to questions:

Explanations were provided with regard to the scoring grid, 'heat map' depicted on the final page of the report where the risk appetite was shown.

There was a significant increase in student intake with high needs. This had exceeded expectation due to changes in local authority / council practice. As a result numbers exceeded funding allocations. Members were updated on the reasons behind this and the success and attraction of Myerscough as an education provider. The assurance column was due to be populated as Management acted on the unexpected demand through application for funding to local authorities / councils and strengthening of network arrangement. Staff were being recruited and the estimation of student numbers for next year which had to be placed now was increased accordingly.

Members were updated on the lease arrangements at Croxteth and impact on strategic decisions. A few minor typographical errors would be corrected.

Resolved:

That the full Risk Management Plan for 2013 / 2014 be commended to the Corporation.

11.14

Risk Management Policy and Procedure

Decision

Audit Committee gave consideration to the updated Risk Management Policy and Procedure. Audit Committee noted only minor changes and as such it was

Resolved:

That the Risk Management Policy and Procedure be commended to Corporation for approval.

12.14

Internal Audit Progress Report and Summary Report Update

Consultation

The Internal Auditors used the College Risk Management Plan as the basis for the internal audit plan. Consideration was given to the progress

made in respect of the issues raised in the Internal Audit reports from 2013 to 2014 detailed in the Progress Report and the Summary Report.

Of the recommendations made 27 had now been implemented and 7 were on-going, and there were none outstanding. Audit Committee noted some slippage in timescales and received assurance that this slippage did not mask issues. More detailed explanations were provided on the progress with the Human Resources actions where members noted there had been a temporary staff shortage (due to maternity leave) and there was an ongoing wider review of Continuing Professional Development Training in the College.

The internal audit visit commencing 24 November 2014 would dedicate time to follow up on previous audits.

The DP Finance & Funding acknowledged a comment on the layout of the Report and would adapt accordingly.

Resolved:

That Audit Committee accepted and approved the report on progress made in respect of the issues raised in the Internal Audit Reports for 2013 / 2014 in the Progress Report and Summary Report.

13.14
Information

Data Returns Report

The Data Returns Report and verbal update provided assurance that all 2013 / 2014 returns were submitted on time. Audit & Governance Committee commented that for 11 of the 14 submissions there were 'learning Aim errors due to SFA software'. This was a Skills Funding Association national issue and not a Myerscough College issue.

The first return of 2014 / 2015 had been submitted on time.

Resolved:

That the Data Returns Report be received

14.14
Decision

Co-option of Committee Member – Naveed Sharif

GOVERNANCE

Co-option of Committee Member – Naveed Sharif

Audit & Governance Committee gave consideration to the re-appointment of Naveed Sharif as a Co-opted Committee Member of

Quality & Standards Committee. His contributions, attendance and positive comment sent to the meeting from the Chairman of Quality & Standards Committee were taken into consideration. It was noted the maximum period Co-opted members could serve consecutively was eight years which was in line with the 2 four year terms full Board members could serve.

Following due process it was

Resolved:

That Corporation be recommended to approve that Naveed Sharif be re-appointed as a co-opted Committee Member to the Quality & Standards Committee for an seventh one year term of office commencing 1 January 2015.

**15.14
Information**

Co-option of Committee Member – Ishwer Tailor

Corporation minute 36.14 refers

Ishwer Tailor's re-appointment as a Co-opted Member of the Audit Committee for a second one year term of office commencing 1 August 2014 had been approved at Corporation at its meeting on 15 July 2014

**16.14
Consultation**

Skills Audit 2014

Audit & Governance Committee gave consideration to the results of the Skills Audit 2014.

The Skills Audit was a useful tool in identifying the overall make-up of the Board as well as to identify strengths and gaps in skills on the Board for recruitment purposes.

There were explanations around the rating average from the 'survey monkey' responses. Again this was useful and helped identify training needs but it was also noted that a low rating did not necessarily indicate weaknesses as a diverse Board required one or two 'experts' on each specific but overall coverage was required.

The Clerk reminded members that there would be a requirement to recruit two Governors in summer 2015. It was identified that there was a current need to appoint a Governor with skills in the Land-based sector, agriculture. Members were reminded of the facility to appoint up to two co-opted Members to each of the Corporation's

Committees.Governor Recruitment would be reviewed at the next meeting in February 2015.

Resolved:

That the Skills Audit 2014 be received.

17.14

Information

Governance Quality Improvement Plan 2014 / 2015 (QIP)

Audit & Governance Committee gave consideration to the Governance QIP prepared by the Clerk who had referred to the Self-assessment responses in the process. Various items were underway and the upcoming training events and Away Event, January 2015 would be utilised to address matters as well as Management reports to relevant Committees.

Resolved:

That the Governance Quality Improvement Plan 2014 / 2015 be received

18.14

Decision

Annual Review of Decision Making processes of the Corporation

The Provider Financial Assurance (PFA) review of the effectiveness of financial management and governance at Myerscough, undertaken in January 2003, recommended that the Corporation carry out a full review of its decision making processes annually. This requirement arises from the press release issued by Baroness Blackstone in April 1999 which stated that each college must review annually its decision making process and such reviews must be recorded in the Corporation minutes.

The following are the various processes that make up the overall decision making process:-

1. Corporation Structure
2. Scheme of Delegation
- 3 Committee Constitution and Terms of Reference
 - Appeals Committee -
 - Audit and Governance Committee -
 - Finance and Resources Committee -
 - Quality & Standards Committee -
 - Remuneration Committee
4. Standing Orders
5. Code of Conduct
6. Confidentiality Policy

Members were aware that an exercise to review the Corporation Structure was undertaken in March and July which resulted in a review of all of the above documents apart from no. 6, the Confidentiality Policy. These documents therefore, did not require further review. The Confidentiality Policy was reviewed later in the meeting. Audit & Governance Committee expressed its satisfaction that following previous reviews of the above documents, apart from the Confidentiality Policy they remained fit for purpose and required no further amendment.

Resolved:

That the Annual Review of Decision Making processes of the Corporation be noted.

