

MINUTES

Audit & Governance Committee No 5

Date: *03/11/2015 (Tuesday)*

Time: *18:00–20:00*

Venue: *Rural Business Centre*

Committee: *Audit and Governance*

Notes: *Refreshments will be available from 5.30pm*

Present: *Adrian Boreham, Garry Payne, Gerry Corless (Vice Chairman), Ishwer Tailor (Co-opted Member), Jean Yates, Jolyon Dodgson (Chairman) and Zoe Jones*

Attending: *Ann Turner (Principal) and Paula Lister (Deputy Principal)*

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

Guests: *Dale Thorpe and David Fletcher (Internal Auditor)*

Public Minutes

Item number: Item description:
(and category)

65.15

Decision

Attendance of College Staff and Audit Representatives

In accordance with the current Constitution and Terms of Reference for the Audit & Governance Committee, the Committee is asked to confirm whether or not it wishes the College Management staff, and representatives from the Internal Auditors and Financial Statements Auditors to attend the meeting. The Deputy Principal Finance & Corporate Services and Student Governor, Zoe Jones were warmly welcomed to their first meeting of Audit & Governance Committee.

Resolved:

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

66.15

Record

Apologies for Absence

All members of the Committee were in attendance at the meeting

67.15

Decision

Appointment of Chair and Vice Chair of the Audit and Governance Committee

The previous Chair Jolyon Dodgson had indicated he did not wish to stand again due to his impending retirement from the Corporation as his term of office would conclude on 31 December 2015 and this would be his final meeting of the Audit & Governance Committee. The current Vice Chair was nominated to take the position and Garry Payne was proposed for the Vice Chair position.

Audit & Governance wished to formally register its appreciation to Jolyon Dodgson for his service and noted the exemplary manner in which tasks were undertaken.

Following due process it was

Resolved:

- i. **That Gerry Corless be appointed Chair of Audit & Governance Committee for the academic year 2015 / 2016.**
- ii. **That Garry Payne be appointed as Vice Chair of Audit & Governance Committee for the academic year 2015 / 2016.**

68.15 *Minutes of the Previous Meeting*

Decision

The public minutes of Audit & Governance meeting number 4, published on the Extranet, held on Tuesday 30 June 2015 were signed and agreed as a true and correct record of the meeting.

69.15 *Declarations of Interest*

Record

There were no declarations of interest in respect of items on the public agenda.

70.15 *Financial Statements Auditors Report & Findings Statements and External Audit Findings Report for the Year Ended 31 July 2015*

Decision

The draft Report and Financial Statements for the year ended 31 July 2015 had been included to provide supporting information and would be considered at the Finance and Resources Committee meeting on 24 November 2015. Subsequently both documents would be presented to Corporation for its meeting on 15 December 2015 together with the recommendations from both Committees.

The Audit and Governance Committee gave consideration to the Audit Findings Report for the year ended 31 July 2015. Dale Thorpe, Audit Partner from the College Financial Statements Auditors RSM presented the report and responded to member questions.

The audit plan Addendum had been added to the report to notify members of the changes to the scope of the regularity assurance engagement following the publication of the Joint Audit Code of Practice (JACOP) in August 2015 which was after the Audit Plan had been approved. This had not affected the assurance approach but the level of assurance changes from reasonable to limited and gives a conclusion addressed to the College and the Skills Funding Agency rather than an opinion. The engagement letter will be updated prior to the signing of the accounts to reflect the changes.

The auditor confirmed RSM would sign the Opinion on the Financial Statements stating: 'In our view the Financial Statements: 'give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended, and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice'

The Auditor confirmed RSM would sign the regularity conclusion, ' In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and the income received during the period 1 August 2014 to 31 July 2015 has not been

applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.' Both statements were lodged within the 'Myerscough College Report and Financial Statements for the year ended 31 July 2015'.

Audit & Governance Committee made comment on various aspects of the report as they considered it section by section. In the section, 'Audit and accounting issues identified during audit work', they commented on the recent audit on the withdrawals of apprentices requested by management after inaccuracies had been noted. The report concluded that the over-claim made was not material to the financial statements. Audit & Governance Committee sought further clarity on the matter and noted that College had proposed a manual adjustment which was rejected following external advice from RSM Funding Team. Errors had been corrected in-year before the submission of the September return and preparative of pre-audit accounts. Further context was provided through reference to the surplus recorded in the accounts evidencing the over-claim was too low a percentage to be material, therefore the Corporation statement on the College's regularity, propriety and compliance with the funding bodies terms and conditions of funding was positive. Amendments to the report were agreed prior to submission to Corporation for final approval.

In the section, 'Unadjusted, Adjusted Misstatements', three adjustments were made which were reclassifications on the balance sheet, concerning the apprenticeship numbers, capital grant, and building work in progress at the year end. None had any impact on the income expenditure report and all had been raised by management.

In the section, 'Internal Control Matters' four recommendations were made concerning, corporation tax, closure of an unused bank account, the IT server firmware and the register of related parties. The first matter would be referred to the Finance & Resources Committee.

The Audit representative responded to member questions regarding the formal opinion the Audit & Governance Committee was required to give to Corporation where it states it will have met its function according to the JACOP to 'assess and provide the Corporation with an opinion on the adequacy and effectiveness of the college corporations assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, of the institution and the safeguarding of its assets.' He confirmed the Committees Annual Audit Report had the necessary scope.

Audit Committee thanked Dale Thorpe from RSM for presenting the reports and expressed its satisfaction with the findings noting that there

were no changes to the accounts required and the final year outcome was in accordance with the pre-audit accounts. In turn Dale Thorpe commented on a clean audit and a smooth process and passed compliment to the finance team which was endorsed by the Committee.

Resolved:

- i. **That the External Audit Findings Report for the year ended 31 July 2015 be commended to Corporation for approval subject to the agreed amendments.**
- ii. **That the Auditors Opinion in respect of the Financial Statements Audit and Conclusion in respect of the Regularity Audit for 2014 / 2015 be commended to Corporation for approval and signatures.**
- iii. **That the Letters of Representation be commended to Corporation for signature by the Chair and Principal subject to agreed amendments.**

71.15

Draft Annual Report of the Audit Committee to the Principal / Chief Executive and Corporation for the year 2014 / 2015

Decision

Audit and Governance Committee gave consideration to the draft Annual Report of the Audit Committee to the Principal/Chief Executive and the Corporation for the year 2014 / 2015.

The Clerk spoke to the report and members noted that in accordance with the Joint Audit Code of Practice the Audit & Governance Committee was required to give assurance to the Board. Members referred back to the discussions at the previous item, minute 70.15 and noted that the report stated:

'The Audit & Governance 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 Clerk informed the Committee that the Code of Good Governance had been adopted by Corporation in July 2015 and as such a Search (Governor recruitment) Annual Report was required. As Audit & Governance Committee provided the Search function those activities were included in the report so fulfilling that requirement.

The report would be signed by the outgoing and incoming Chairs of Audit & Governance Committee and commended to Corporation for approval and onward transmission to the funding body.

Some minor amendments to ensure accuracy and correct typographical errors would be made before submission to Corporation and onward transmission to the Skills Funding Agency.

Resolved:

That the draft Annual Report of the Audit & Governance Committee to the Principal / Chief Executive and Corporation for the year ended 31 July 2015 be accepted and commended to the Corporation.

72.15

Decision

Annual Risk Management Report 2014 / 2015

Consideration was given to the Annual Risk Management Report to the Audit Committee and Corporation for 2014 / 2015. The report listed the significant areas of risk for 2014 / 2015. 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 2014 / 2015 be accepted and commended to the Corporation as submitted.

73.15

Decision

Risk Management Plan (Full) 2015 / 2016

Consideration was given to the Risk Management Plan for 2015 / 2016. Risks were scored according to likelihood and effect using a 5x5 matrix to provide an overall risk factor score. 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: It was confirmed Area Reviews was included as a separate risk and meetings to discuss this were arranged with the Board and would continue at the Away Event in January 2016 where the Board and Management would consider the strategic direction of the College. Members commented on various risks from which discussions and an amendment was agreed.

Resolved:

That the full Risk Management Plan for 2015 / 2016 be commended to the Corporation.

74.15

Consultation

Internal Audit Progress Report and Summary Report Update

Audit and Governance Committee considered the progress made in respect of the issues raised in the Internal Audit reports.

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 2014 to 2015 detailed in the Progress Report and the Summary Report. Of the recommendations made 17 (68%) had now been implemented and 7 were on-going, 1 was no longer applicable and none were outstanding.

Resolved:

That Audit Committee accepted and approved the report on progress made in respect of the issues raised in the Internal Audit Reports for 2014 / 2015 in the Progress Report and Summary Report.

**75.15
Information**

Data Returns Report

Audit and Governance Committee is asked to receive the attached report which lists the completion and timing of statutory returns required by the relevant funding bodies.

The Data Returns Report provided assurance that all 2014 / 2015 and the first return of 2015 / 2016 had been submitted on time.

Resolved:

That the Data Returns Report be received.

**76.15
Decision**

Draft Governance Self-Assessment Report

Audit & Governance Committee gave consideration to the Draft Governance Self-Assessment Report. Governance had self-assessed as a Grade 2 which had remained unchanged following the College validation process. 95% of the Governor responses indicated 'Outstanding' or 'Good'. Areas for improvement were documented in the Governance Quality Improvement Plan. Those responses expressing a lower score than Good would be examined at the Away Event. Members engaged in discussions around the self-assessment and agreed it contained a high level of detail with Governors setting themselves high expectations.

Resolved:

That the Governance Self-Assessment Report 2014 / 2015 and Quality Improvement Plan 2015 / 2016 be approved for inclusion in the overall College Self-Assessment Report.

77.15

Corporation Vacancies

Decision

Audit & Governance Committee gave consideration to the interview panel's report. Audit & Governance Committee concurred with the findings of the interview panel and noted that should Corporation make the recommended appointments there would still remain a vacancy for a full member of Corporation with a vacancy on the Finance & Resources Committee.

Resolved:

- i. **Corporation be recommended to appoint Jane Booker as a full member of Corporation to join Audit & Governance Committee commencing 1 January 2016**
- ii. **Corporation be recommended to appoint Richard Furnival as a Co-opted Committee Member of Finance & Resources Committee commencing 1 January 2016**

78.15

Co-opted Committee Member Appointments

Decision

There was provision for appointment of 2 Co-opted Committee members on the Audit & Governance, Finance & Resources, and Quality & Standards Committees. The term of office for Naveed Sharif as a Co-opted Member of the Quality and Standards Committee expires on 31 December 2015 at which time he would have completed seven one year terms of office. Co-opted Committee members are appointed for 1 year terms and may serve up to 8 one year terms. The Committee gave consideration to the position and taking into account Naveed's current leave of absence decided not to recommend re-appointment and leave the position vacant. Members were appreciative of Naveed's contributions, involvement and service to the College.

Resolved:

That on conclusion of Naveed' Sharif's one year term of office on 31 December 2015 Corporation be recommended to leave the position vacant.

79.15

Skills Audit 2015

Consultation

Audit & Governance Committee gave consideration to the results of the Skills Audit 2015. 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 and training purposes. The report matched responses to questions depicted in graphical form and illustrated a strong and diverse Board.

Resolved:

That the Skills Audit 2015 be received.

80.15 *Annual Review of Decision Making processes of the Corporation*
Decision 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 from the decision making process were considered:

Corporation Structure

Standing Orders

Code of Conduct

Members agreed that the above documents remained fit for purpose.

In accordance with the Code of Good Governance the Terms of Reference of individual Committees would be reviewed at the next meeting of each relevant Committee.

Resolved:

The Committee expressed its satisfaction with the above documents and that they remained fit for purpose.

81.15 *Governor Training*
Consultation The Governor Workshop on Area Reviews had taken place prior to the meeting with good attendance and had built a good foundation for continuation at the next meeting on Area Reviews to be held on 8 December 2015. Training was planned as: 1 December 2015 - 6.00pm Governor Workshop – College Self-Assessment report. Buffet from 5.30pm

8 December 2015 – 2.00pm Governor Workshop – Area Review.

15 December 2015 – 4.30pm Prevent Training – Prior to Corporation meeting

Resolved:

That the training update be received.

82.15 *Home Office Inspection - Tier4 Visa*
Information Audit & Governance Committee was informed that an unscheduled inspection by the Home Office regarding the Tier4 Visa had taken place. The visit may have been prompted by an increase in students from an area outside the European Union. No formal correspondence

had been received since the visit but no concerns were raised during the visit.

Resolved:

That the Home Office Inspection concerning the Tier4 Visa be noted.

83.15

Decision

Terms of Reference

In line with the Code of Good Governance Audit and Governance Committee reviewed their Terms of Reference to ensure that they remained fit for purpose and the Committee was fulfilling its responsibilities.

Resolved:

That the Audit and Governance Committee terms of reference be approved as submitted

