

MINUTES

Audit & Governance Committee No 11

Date: *07/11/2017*
(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, David Hall, Garry Payne (Vice Chairman), Gerry Corless (Chairman), Jane Booker and Sydney Barwick*

Attending: *Ann Turner (Principal) and Janet Whiteside*

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

Guests: *Anna Spencer Gray (External Auditor) and Michael Harding (Internal Auditor)*

Public Minutes

Item number:
(and category)

Item description:

38.17
Decision

Attendance of College Staff and Audit Representatives

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

"The Principal or any other senior manager who is responsible for the College's internal control and representatives of the External and 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 and necessary".

A warm welcome was extended to Sydney Barwick, Student Governor and Richard Morris who would be taking up his position as Deputy Principal Finance & Corporate Services in the new year. Both were attending their first meeting of the Committee.

Audit & Governance Committee confirmed the attendance of College Management staff, the External and Internal Audit representatives and the Vice Principal elect attend the meeting.

39.17
Decision

Apologies for Absence

There was full attendance the meeting.

40.17
Decision

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

The outgoing Chair and Vice Chair were eligible for re-election and the Committee proposed they serve for a third year in office.

Following due process it was

Resolved:

- 1. That Gerry Corless be re-appointed Chair of Audit & Governance Committee for the academic year 2017 / 2018.**
- 2. That Garry Payne be re-appointed as Vice Chair of Audit & Governance Committee for the academic year 2017 / 2018.**
- 3.**

41.17 *Minutes of the Previous Meeting*

Decision

The public minutes of the Audit and Governance Committee meeting number 7 held on Tuesday 27 June 2017, published on the Extranet, were signed and agreed as a true and correct record.

42.17 *Declarations of Interest*

Record

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

43.17 *External Audit Engagement Letter*

Information

The Committee considered the External Audit Engagement Letter which had previously been signed by the Chair of the Corporation.

The letter outline the terms and basis on which RSM would undertake the audit.

Resolved:

That the External Audit Engagement Letter be noted.

44.17 *Financial Statements Auditors Report & Findings Statements and External Audit Findings Report for the Year Ended 31 July 2017*

Decision

The draft Report and Financial Statements for the year ended 31 July 2017 prepared under the F & HE Accounting Standard, had been included to provide supporting information and would be considered at the Finance and Resources Committee meeting on 21 November 2017. Members noted disclosure of Corporation performance, a new requirement introduced in the previous year, was stated in the section, 'Statement of Corporate Governance and Internal Control'

College generated a surplus in year of £131k after a loss on the disposal of assets of £4k. The surplus before pension movements or actual trading surplus was £1.24m. The impact of the local government pension scheme was a charge of £1,106k to the statement of comprehensive income. The cash flow showed the strong operational performance of the College.

The Audit and Governance Committee gave consideration to the Audit Findings Report for the year ended 31 July 2017. The Audit Director, Anna Spencer-Gray, from the College Financial Statements Auditors RSM presented the report and responded to member questions.

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 2017 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".

According to the Joint Audit Code of Practice (JACOP) 2015 the level of assurance is classed as limited and gives a conclusion addressed to the College and the Skills Funding Agency rather than an opinion.

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 2016 to 31 July 2017 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 2017.

Corporation noted that RSM had provided an independent reasonable assurance report in connection with the Teachers' Pensions Contributions for the year ended 31 March 2017 which had been submitted to the ESFA in accordance with their time frame.

Audit & Governance Committee made comment on various aspects of the report as they considered it section by section.

Section 2 Audit, Accounting and Regularity Issues identified at Planning Stage

As both the internal and external audit provision is from RSM, the external auditor cannot rely on the work of internal audit and had undertaken the key financial controls assurance work with no issues identified.

There was considerable capital expenditure, an amount was over accrued by £53k This was a movement on the balance sheet, had no impact on financial performance and as such no adjustment was made or required.

The accounting treatment concerning the donation of the long leasehold land for the Croxteth site was reasonable though a variation in the independent valuation of land between verbal and full report had resulted in a £45k difference which had been adjusted in the financial statements.

The pension liability had increased in the year now totalling £13,756k.

In Section 3, Audit and accounting issues identified during audit work, there were no issues to report.

In Section 4, Unadjusted, Adjusted Misstatements, two adjustments were made which related to additional value of Croxteth land and correction of accrued capital costs on the FFIT Centre.

In Section 5, Potential Impropriety issues identified - there were no recommendations made for the current year.

In section 6 Significant deficiencies in internal control - There was nothing to report.

In section 7 Significant findings from the audit - A narrative was added concerning coding of expenses between teaching and non teaching costs. The financial instruments note was updated to be in line with FRS 102.

Audit Committee thanked Anna Spencer Gray from RSM for presenting the reports and expressed its satisfaction with the findings noting that there were no material changes to the accounts required, no issues raised and the final year outcome was in accordance with the pre-audit accounts. The Chair also commented on a well presented, clear and informative document. In turn Anna Spencer Gray commented on a clean audit and a smooth process and passed compliment to the finance team which was endorsed by the Committee. All present wished to record their appreciation to Janet Whiteside, College Accountant and team.

Both documents would be presented to Corporation for its meeting on 12 December 2017 together with the recommendations from both Committees.

Resolved:

1. **That the External Audit Findings Report for the year ended 31 July 2017 be commended to Corporation for approval.**
2. **That the Auditors Opinion in respect of the Financial Statements Audit and Conclusion in respect of the Regularity Audit for 2016 / 2017 be commended to Corporation for approval and signatures.**
3. **That the Letters of Representation be commended to Corporation for signature by the Chair and Principal.**

45.17
Decision

Internal Audit Reports

Audit & Governance Committee gave consideration to the following Internal Audit Reports:

Disaster Recovery & Contingency Planning

Effective disaster recovery and contingency planning is designed to ensure the continued operation of critical operational activities in the event of various levels of a disaster scenario. These can be localised short term incidents, or longer-term building / site wide issues, which require changes to the expected delivery of the College's operations.

The audit was designed to examine the procedures and controls in place at the

College in relation to its business continuity arrangements, including the planning and testing of potential scenarios and strategic leadership arrangements

Five low level actions were identified. Two were made with regard to formalising frequency of review of the Emergency Manual and regular review of the IT Business Continuity Plan.

A further action was to include a College-wide Business Continuity Plan to the Emergency Manual to support continued operational delivery and subsequent return to business as usual.

The fourth low level action related to record keeping of percentage completion rates for students with regard to the Run, Hide and Tell training.

The fifth recommendation concerned update of the IT Business Continuity Plan to reflect current practice and how the plan was tested.

Members engaged in discussion over the risk scoring but agreed it remain low due to underpinning work being in place.

Following discussion the Auditors would make minor amendments to the wording in the report.

Annual Summary Report for 2016 - 2017

The audit assignments were one of the elements of the College's assurance framework and supported management to inform and update the organisation's risk profile.

The report provided a summary of work delivered during the year. The work had been planned and delivered as a series of 'agreed upon procedures', delivering reviews and testing in areas at the request of management and the Audit and Governance Committee.

The auditors confirmed that 14 of the 15 management actions had been fully implemented. The one outstanding management action was 'low' priority and was in the process of being implemented at time of the visit.

The Internal Audit Plan would be presented at the February meeting to ensure it matched priorities.

Resolved:

That the Internal Audit Reports be received.

46.17 *Decision*

Internal Audit Progress Report and Summary Report 2016-2017 & 2017-2018

Audit and Governance Committee gave consideration to the progress made in respect of the issues raised in the Internal Audit reports.

All 2016/17 and previous recommendations, which totalled 34 had been

implemented with the exception of 1 which was no longer applicable.

The 2017/2018 recommendations were in progress.

Resolved:

That the Internal Audit Progress Report and Summary Reports 2016 / 17 and 2017 / 18 be received.

47.17
Decision

Annual Risk Management Report 2016/2017

Consideration was given to the Annual Risk Management Report to the Audit & Governance Committee and Corporation for 2016 / 2017.

The report listed the significant areas of risk for 2016 / 2017. 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 & Governance Committee and Corporation 2016 / 2017 be accepted and commended to the Corporation.

48.17
Decision

Risk Management Plan (Full) 2017 / 2018

Consideration was given to the full Risk Management Plan for 2017 / 2018.

Risks were scored according to likelihood and effect using a 5x5 matrix to provide an overall risk factor score. The report indicated current practice and changes were highlighted. This would be commended to Corporation and supports the assurance statement required that all risks are considered.

The highest level risks would appear at each Corporation meeting.

Resolved:

That the full Risk Management Plan for 2017 / 2018 be commended to the Corporation.

49.17
Decision

Student Union Constitution and Terms of Reference

Audit & Governance Committee gave consideration to the the Student Union Constitution and Terms of Reference and found the document presented to be fit for purpose.

Resolved:

That the Student Union Constitution and Terms of Reference be approved.

50.17
Decision

Draft Annual Report of the Audit & Governance Committee to the Principal/Chief Executive and the Corporation for the year 2016/2017

Members gave consideration to the draft Annual Report of the Audit & Governance Committee to the Principal & Chief Executive and the Corporation for the year 2016 / 2017.

The Clerk spoke to the report. Audit & Governance Committee noted that the report reflected Governance matters according to its terms of reference.

In accordance with the Joint Audit Code of Practice the Audit & Governance Committee was required to give assurance to the Board. Members 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 report would be signed by the Chair of Audit & Governance Committee and commended to Corporation for approval and onward transmission to the funding body.

Members gave consideration to the Audit & Governance Committee terms of reference and agreed they remained fit for purpose.

Resolved:

- 1. That the draft Annual Report of the Audit & Governance Committee to the Principal / Chief Executive and Corporation for the year ended 31 July 2017 be accepted and commended to the Corporation.**
- 2. That the Audit & Governance Committee Constitution and Terms of Reference remained fit for purpose.**

51.17
Decision

Data Returns Reports 2016-2017 & 2017-2018

Audit and Governance Committee gave consideration to the data returns report which listed details of statutory returns required by the relevant funding bodies.

The Data Returns Report provided assurance that all 2016 / 2017 returns had been submitted on time with the exception of one where the deadline was extended due to problems with the SFA's data system.

The first returns of 2017 / 2018 had been submitted on time.

Resolved:

That the Data Returns Report be received.

52.17
Decision

Governance Quality Improvement Plan 2017 - 2018

Members gave consideration to the Governance Quality Improvement Plan for 2017 / 2018.

Attention would be given to:

- Governors awareness of the curriculum offer, financial plan and CPD
- Greater involvement of Governors in the activities of the College
- More understanding by Governors of external stakeholder engagement
- Recruitment of Governors
- Recruitment of Student Governors
- Governors extranet provides additional information beyond meetings dates and papers

Resolved:

That the Governance Quality Improvement Plan 2017 / 2018 be received

53.17
Decision

Skills Audit 2017

The Skills Audit had been circulated to members for completion.

The Clerk updated members on progress. There were still some responses due, 7 out of 15 had been received. The Skills Audit was used to identify Board strengths and skills gaps and was referred to in governor recruitment.

The completed Skills Audit would be reported to the February 2018 Audit & Governance Committee.

Resolved:

That the update on the Governor Skills Audit be noted.

54.17
Decision

Corporation Vacancies

The Clerk updated members on Corporation vacancies and progress towards appointing new members.

A vacancy would occur due to the upcoming retirement of Clare Platt, whose term of office ceased 31 December 2017.

A cost effective, online advert had been released and resulted in a number

of enquiries. The aim was to interview late November or early December so any recommendations could be ratified at the December Board meeting. The Clerk would liaise with members to appoint an interview panel which would include the Chair of the Board and a Student Governor.

Members noted the option to appoint up to 2 Co-opted members to Committees for one year terms and recommended this as a means of offering positions to those candidates who met the needs of the Board as a means to upskill Committees and progression route to full membership of the Board.

Resolved:

That the update and procedure to form an interview panel be agreed.

55.17
Decision

Annual Review of the Decision Making Process 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 processes within the overall decision making process:

Corporation Structure
Standing Orders
Code of Conduct

During this cycle of meetings all Committees were asked to consider their Terms of Reference to ensure they remained fit for purpose. The Terms of Reference for the Audit and Governance Committee appeared as part of the Annual Report considered earlier in the meeting and had been deemed fit for purpose.

There were no proposed changes to the identified documents which had therefore not been included in the agenda.

Resolved:

The Committee expressed its satisfaction with the above and agreed that the documents attached to the decision making processes remained fit for purpose.

56.17
Decision

Governor Training

The Clerk updated members on future Governor Training activities.

The 'Away Day' training event would take place in April 2018, later than in previous years due to new senior post holder appointments.

SAR training was scheduled for 28 November 2017.

The Clerk was planning training workshops with a suggested time frame of 4pm to 5.30pm to examine specific topics of interest.

Resolved:

That the Governor Training Update be received.