



CONFIRMED MINUTES OF THE AUDIT COMMITTEE

HELD ON FRIDAY 6 MARCH 2015

IN THE COMMITTEE ROOM AT GREEN LANE

Present

Ian Swain	Independent Governor
Bob Kerr	Independent Governor
Mark Stokeld	Independent Governor
Ian Butchart	Independent Governor / Chair

Also in attendance

Stuart Slorach	Vice Principal Resources
Jackie White	Clerk to the Corporation Board
Lucy Robson	Baker Tilly
Steve Bainbridge	KPMG
Alex Hartshorne	KPMG

<p><u>AC14 015</u> PRIVATE MEETING WITH THE AUDITORS</p> <p>Members held a privately with the auditors prior to the main meeting, this was concluded at 09:45 am.</p> <p><u>AC14 016</u> DECLARATION OF INTEREST</p> <p>There were no declarations of interest.</p> <p><u>AC14 017</u> APOLOGIES FOR ABSENCE</p> <p>Apologies were received from Claire Leece, Baker Tilly.</p> <p><u>AC14 018</u> UNCONFIRMED MINUTES OF THE MEETING HELD ON FRIDA 13 JUNE 2014</p> <p>The minutes of the last meeting were agreed as an accurate record with the following amendments:</p> <p>Page 1 – Min Ref AC14 004, first line, FRIDA to be amended to FRIDAY.</p> <p><u>AC14 019</u> MATTERS ARISING</p> <p>There were no matters arising from the minutes of the last meeting.</p> <p><u>AC14 020</u> INTERNAL AUDIT REPORT – 01-15 HIGH LEVEL FINANCIAL CONTROLS</p> <p>Alex Hartshorne spoke to the previously circulated report which described the outcome of an exercise which was performed to corroborate management responses to a control risk assessment questionnaire. Members noted that 6 areas for inclusion were identified including income and debtors, treasury and cash management, fixed assets, payroll and expenses, financial ledger and expenditure and creditors. Steve identified that the College had identified an overall score of 99% on controls risk self</p>	<p>Action</p>

assessment. When a sample of responses were tested by KPMG this highlighted that the College has achieved a score of 87% when internal audit findings are incorporated into the controls risk self assessment. There were two findings which if addressed will enhance the effectiveness of existing controls and these included the financial regulations and procedures and aged debtors review and reconciliation. The Principal confirmed that the Financial Regulations were due at the Board meeting in March, however due to the meeting being held at Leeds it was proposed to the Audit Committee that the Board receive the updated regulations in May. The Audit Committee approved this recommendation.

Members noted that overall there were no high level risks and an overall internal control of satisfactory.

Ian Butchart questioned 1.10 and why the comment was n/a. The Vice Principal Resources confirmed that the College does not have debt in the same way as other establishments and this is due to the way the College is funded.

Ian also queried 2.15 and the comment – no concerns. KMPG confirmed that this was correct.

Ian went on to discuss that there was a requirement to speak to the Finance team regarding self awareness of the financial controls in place and the Vice Principal and KMPG confirmed that a discussion had been held with the team when the audit was in draft format.

The Committee NOTED the Internal Audit Report

AC14 021 **INTERNAL AUDIT REPORT - 02-15 STUDENT RECRUITMENT**

Steve Bainbridge spoke to the previously circulated report and members noted that in line with the 2014/15 audit plan an audit to review student recruitment was undertaken. Members noted that one high graded risk recommendation had been identified and that the system of internal control was graded as Weak.

Steve highlighted that three findings had been identified including identification and monitoring of student numbers (high risk), recruitment and admissions procedure and student experience.

The Principal noted that there was a need for clarity regarding the target for student numbers. He confirmed that student numbers are monitored very closely all year round and that the result seems very harsh. The numbers may not have been met but the controls for monitoring student numbers have been in place all year. The Principal commented that he felt there was an inference in the weakness to meet the target due to target setting and this was not the case.

Steve commented that in relation to spending restrictions and limited resources affecting the sector there is increased competition across FE organisations. Learner recruitment is

therefore increasingly important in order to promote the College's activities effectively and successfully. The College set student enrolment targets prior to the beginning of the academic year in order to formulate the curriculum plan and to feed into the financial forecasts, and from the audit the College did not meet the targeted student numbers for 2013/14 and are behind for 2014/15. It was also noted that an accurate recruitment target is not in place.

The Principal confirmed that he is comfortable with different targets existing with the College as some areas may have a different target due to them having a recruitment drive.

The Principal highlighted that in terms of recommendation number 2, recruitment and admissions procedure, the Board would not be responsible for approval of this level of Policy due to the levels of delegation.

Ian Butchart questioned the process regarding notifying the Chair of the High risk and clarification of what is expected of the Chair if he had of been notified of the high risk. It was agreed that KMPG would liaise with Clerk and confirm the process.

KPMG /
Clerk

Ian Butchart summarised the lengthy debate regarding this audit and recommended that KMPG and the Principal meet to discuss the issues highlighted before the report being considered again at the next meeting.

KPMG /
Principal

Finally Ian expressed surprise at the high risk recommendation along with other members of the Committee as they confirmed that student numbers are monitored by the Board and information is received at each meeting.

The Committee NOTED the update.

AC14 022 INTERNAL AUDIT PROGRESS REPORT

Steve Bainbridge from KPMG gave a verbal update on progress with the internal audit plan for 2014/15. It was noted that 9 of 24 days had been planned so far. Curriculum planning audit has been organised. 4 reviews are left to deliver including Corporate Governance and Succession Planning.

The Committee NOTED the update.

AC14 022 INTERNAL AUDIT RISK LOG

The Vice Principal Resources spoke to the previously circulated report and highlighted two areas to note. Firstly the political environment and in particular the Labour party policy on tuition fees at HE. Members noted that there is not much clarity around the proposals. The Principal advised members that he had wrote to Ian Wright MP to express his concerns and had received an acknowledgement but not a response.

Secondly members noted the risk with regard to the local growth fund project. Issues were highlighted in terms of student recruitment. Work continues with discussions regarding charges over assets, procedural issues and charges on land. The Principal raised a query regarding granting a legal charge which Baker Tilly confirmed that there wasn't an issue. Finally members noted that due to the size of the programme, a project board would be established to oversee the project.

The Committee NOTED the update.

AC14 023 CORPORATION BOARD MINUTE

The Clerk advised members that the minutes containing approval of the Financial statements was included for information.

AC14 024 RISK MANAGEMENT ISSUES

No further risk management issues were highlighted.

AC14 025 ITEMS TO HIGHLIGHT TO THE CORPORATION BOARD

The Committee recommended the following items be brought to the Boards attention:

Risk Management issues highlighted in the internal audit risk log
Audit report on student recruitment

Clerk

AC14 026 ANY OTHER BUSINESS

There were no further items of business.

AC14 027 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will take place on 12 June 2015, 9.30 am, Middlesbrough Campus.

Signed:

Date: