

## AUDIT COMMITTEE

17<sup>th</sup> June 2015

### MINUTES

Present: Mr S Carter  
Mrs J Lancaster  
Dr C Thomas  
Mr A Wilkins

In attendance: Mr N Duncan (Principal)  
Mrs J Eayrs (Clerk)  
Mr L Newman (Mazars)  
Mrs L Palmer (Director of Curriculum BRC)  
Mr S Dingsdale (AP/MD CEMAST)  
Mr M Ramji (Grant Thornton)  
Mrs J Robinson (Head of Finance)  
Mr C Whinney, (Head of IS)

#### **12/15 Private pre-meeting with Internal Audit Service Provider**

Members of the Audit Committee met privately with the Internal Audit Service Provider without the Executive Management being present. Mr Newman, Mazars, confirmed that all had gone well with the audit, all staff had engaged with the process and all the necessary information had been provided. He sought clarification on the key point of contact going forward following the change in role of Mr Marsh, Deputy Principal and this was clarified by the Principal when he joined the meeting.

*Executive officers joined the meeting at this point and the Chair provided a summary of the discussions which had taken place.*

#### **13/15 Presentation on Student Retention Strategy**

Members of the Committee received a presentation on student retention from Leah Palmer, Director Curriculum (BRC) and Steve Dingsdale, Assistant Principal/Managing Director CEMAST.

The slides used for the presentations are **Appendices** to these minutes.

Members noted the actions in train to address any retention issues at CEMAST and BRC as follows:

##### **CEMAST:**

- The appointment of a new Senior Lecturer (Automotive) at CEMAST;
- In-year progression tests to be completed to establish suitability for Level 1 and 2 progressing students;
- Improved IAG and the introduction of theoretical and practical tests to assess level of entry and progression options for the future;

##### **BRC:**

- Initiation of the Careers and Personal Development Centre (52 students studied on this programme in 2014/2015);

- The development of cross-college attendance incentives by the Director of Students and Recruitment;
- The reduction of large gaps in timetables and limiting lunch breaks to 30 minutes to avoid students leaving the campus and not returning for afternoon sessions;
- The establishment of common breaks to facilitate more community spirit in social spaces;
- The creation of a consistent and effective study programme package across both campuses;
- The introduction of a new 4 day Study Programme model to accommodate the increased attendance and achievement in Maths and English;
- Ensuring effective timetabling and extending the working day to twilight and evening classes where appropriate.

The Chair thanked Mr Dingsdale and Mrs Palmer for their presentations and they left the meeting.

#### **14/15 Annual Election of Chair**

Members elected Mr Carter as Chair to serve until the first meeting after the 1<sup>st</sup> April 2016 in accordance with the Corporation's own Standing Orders.

#### **15/15 Declaration of Interests**

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting. No interests were declared.

#### **16/15 Apologies for absence**

Apologies for absence were received and accepted from Mr Spires.

#### **17/15 Minutes of the meeting held on the 16<sup>th</sup> March 2015**

The minutes of the meeting held on the 16<sup>th</sup> March 2015 were agreed as a true and accurate record and were signed by the Chair, with the exception of one typographical error on page 1. There were no matters arising from them which were not covered elsewhere on the agenda.

#### **18/15 Correspondence**

There was no correspondence.

#### **19/15 Termly Update on Risk Management – June 2015**

Members of the Committee received the College Risk Register (including Health and Safety risks) which provided an update of the College's current risk exposure, provided assurance that risks had been evaluated and which outlined the mitigation that had been put in place to reduce the risks identified.

The Principal spoke to the paper and drew the following to members' attention:

- **H&S Risk 11: Perceived risk of Ebola from staff and/or students** – The Principal confirmed that this risk had now been considered 'closed' and no longer warranted inclusion on the H&S Risk Register;
- **H&S Risk 10: Out of Hours Evacuation** – Members noted that a duty manager out of hours booklet had been produced to communicate to key staff on out of hours evacuation. Members also discussed the process to initiate a 'lock down' procedure in the event of a significant threat being posed on campus. The Principal confirmed that this was still under development;

- **College Risk 9: Resources – Serious IT Failure** – The Principal outlined a number of IT challenges which continued to be an issue. In particular, members discussed the introduction/roll-out of Office 365 across the College and the difficulties being experienced. The Principal confirmed that an IT consultant had been contracted to review the current infrastructure. The Chair explained that Office 365 had been implemented across the University within a 3 month timescale and he offered the services of Paul Colbran, the Director of ICT, at Solent if required;
- **College Risk 10: Cuts in Funding** – There was a brief discussion about the Government Budget due to be announced on the 8<sup>th</sup> July 2015. The Chair sought clarification on whether funding for Apprenticeships would be ring-fenced/protected. The Principal confirmed that £200k had already been ‘clawed back’ from the College by the SFA pending the Budget outcome;
- **Failure to recruit sufficient students** – The Principal confirmed that this risk was being carefully managed with increased targeted marketing activity. The BRC works were being used to publicise the new College facilities and improved performance, collaborative partnerships and better use of the student voice were also being used to increase recruitment.

**Members of the Committee reviewed and noted the contents of the paper and the mitigation in place to reduce the risks identified.**

#### **20/15 Internal Audit Report – Learner Number Systems (visit 1)**

*Mr Whinney, Head of Information Services, joined the meeting for this item.*

Members of the Committee received the Internal Audit Report for June 2015. Mr Newman spoke to the report and provided members with an overview of the Learner Number Systems audit. He explained that the audit had included a review of the College’s key controls and processes to ensure the accuracy and integrity of the learner number data. He referred members to the Introduction and Background on page 1 of the report and highlighted the following key points:

- In 2013/2014 the previous internal auditors had made nine recommendations related to this area (5 high risk and 4 medium risk). Members were advised that progress on the implementation of these recommendations had been considered as part of the review;
- Key Findings: Members noted that 2 ‘significant’ and 7 ‘housekeeping’ recommendations had been made;
- In conducting their review Mazars had confirmed that eight of the nine recommendations arising from work conducted by the College’s previous internal auditors in 2013/2014 had been implemented;
- The one remaining follow-up recommendation (related to issuing learner agreements prior to funding reference point) had been partly implemented and had been classified as ‘in progress’ and priority 2 (significant) rather than ‘high’ as classified by the previous auditors;
- Mazars identified that the College had not included any explicit risks related to the accuracy and integrity of learner numbers as part of its Risk Register but acknowledged the fact that this was implicit in a number of risks;
- Sample testing of 16 PDSATS reports identified ILR data and funding errors in 6 reports involving 14 learners. Members were advised that these errors had already been identified by the College as part of the routine PDSAT testing and the appropriate corrective action taken. No recommendations were made.

Members of the Committee reviewed each of the recommendations which had been made (pages 4 to 8 of the report) and noted the management responses, the deadlines and the actions in train to address the issues raised by the internal audit report.

**Members of the Committee reviewed and noted the contents of the June 2015 Internal Audit Report, the recommendations which had been made and the management responses to address the issues identified by the audit visit.**

*Mr Whiney left the meeting at the end of this item.*

#### **21/15 Risk Management – Assurance Mapping**

Members of the Committee received a report from Mazars on a Risk Management-Assurance Mapping exercise which had been completed. Mr Newman, Mazars, spoke to the report and drew the following to members' attention:

- The Assurance mapping process had been developed through the 'three lines of defence' model;
- The Internal Auditor had met with the risk owners of the top 15 risks on the College Risk Register;
- The assurance mapping process provided the following benefits:
  - escalation of risk and control issues;
  - identified assurance gaps;
  - identified multiple sources of assurance which did not necessarily represent best use of resources;
  - the provision of clear supporting evidence for the Annual Report;
- The College currently had 33 risks on the Risk Register (average in the region reported as 32);
- The College's risks were considered against the 'top 10' of 17 other colleges in the south region. The results were provided at Appendix A2;
- There were 4 risks which had not been covered by the College in its top 10 risks which included:
  - Breaches in Health and Safety;
  - Poor quality of partnership delivery;
  - Inadequate access to reliable and timely MIS reports;
  - Insufficient buildings (it was acknowledged that this may not be relevant in view of the capital build projects currently in progress).
- Instances where 'overlapping' of issues had taken place had also been identified and summarised in Section 4 of the Report;
- The College's Risk Register should continue to be regularly maintained with the Assurance Map running in parallel with it. It was acknowledged that the Assurance Map would assist the Committee in directing the Audit Plan, identifying any areas of low assurance and assurance gaps. Members accepted that the Assurance Map process should be completed on an annual basis;
- Having met with each of the SMT members who had ownership of the top 15 risks within the College Risk Register, an indicative Assurance Map had been developed and was provided at Appendix A3 to the report. Members of the Committee were asked to consider whether, in their view, sufficient assurance was in place to enable an overall assurance opinion to be provided to the Corporation;

**Members reviewed and discussed Appendix A3. Members acknowledged that the Assurance Map would be a useful annual process to direct the Committee's attention to low assurance areas. Members requested that the document be circulated to the Committee once the management responses had been completed.**

#### **22/15 Grant Thornton – Audit Plan for the year ending 31 July 2015**

Members of the Committee received the Grant Thornton Audit Plan for the year ending 31 July 2015. Mr Ramji, Engagement Leader GT, drew to members' attention GT's understanding of the principal business issues related to the College as follows:

- **Financial Position** – The College was on target to deliver a surplus in the current year and forecast results slightly ahead of budget. There had been no breaches of loan covenants during the year and none were expected at the year-end. Members were aware that a possible technical non-compliance with the 2015/2016 debt service cover existed due to a large LEP capital loan repayment of £575k during the year. Mrs Robinson confirmed that Santander had, on the 1<sup>st</sup> June 2015, formally agreed a waiver from this covenant during 2015/2016;
- **Completion of CEMAST** – The building had been in use since August 2014. Therefore, the building was to be transferred from assets under the course of construction to land and buildings and a depreciation charge for the year to be recorded;
- **Bishopsfield Road Campus** – The redevelopment work was, largely, due to be completed by the end of the year with a target opening date of September 2015. Therefore, deferred capital grants on the balance sheet were expected, the building would be held as assets under the course of construction and no depreciation charge for the year would be recorded. Members briefly discussed the definition of ‘in use’;
- **Demolition of Buildings (BRC south)** – The demolition costs had been identified as a risk of being over budget due to the presence of asbestos which would need to be cleared. The management (and PSG) continued to monitor the situation and were confident that sufficient headroom on the long-term finance facility existed to cover any additional expense;
- **Ongoing educational activity** – GT to perform their normal audit work on the ongoing activities of the College;
- **Valuation of the pensions assets and liabilities** – Members noted that the College would use the services of a professional actuary to carry out a valuation of the pension fund using assumptions agreed with management;
- **Going concern** – Members noted that GT would perform a review of budgets and cash flow forecasts prepared by management for a period of at least 12 months from the date of approval of the financial statements.

Mr Ramji invited comments/points of clarification from members.

There was a brief discussion about the forthcoming emergency budget on the 8<sup>th</sup> July 2015 and the concerns regarding in-year growth for the 2015/2016 year.

**Members of the Audit Committee reviewed and noted the contents of the Audit Plan for the year ending 31 July 2015.**

### **23/15 International Financial Reporting Standards – FRS102**

Members of the Committee received a briefing paper on International Financial Reporting Standards – FRS102 which outlined the impact on the College and the time frame within which to comply with the new FRS102 standards. Mrs Robinson confirmed that she was due to attend an FRS102 conference in London the next day. The content of the report was reviewed and noted by members and endorsed by the External Audit Service Provider.

**Members of the Committee reviewed and noted the contents of the paper.**

### **24/15 Annual Review of Whistle Blowing Policy**

Members of the Committee received a paper on the Annual Review of Whistle Blowing Policy and Bribery Policy. Members proposed an amendment to the Bribery Policy to include a process to be followed once suspicion of an act of bribery had been reported to the Head of Finance (para 3.3 of the policy refers). In addition, members requested an annual report on incidents raised during the year to include a status update (live or closed) on each incident recorded.

**Members of the Committee reviewed and noted the contents of the paper. In addition, members proposed amendments to the Bribery Policy and requested an annual report on incidents raised during the year.**

#### **25/15 Operation of the Audit Committee**

The Committee received a paper on the Operation of the Audit Committee for members' consideration. Members had previously agreed to review these arrangements on an annual basis and had acknowledged that it was seen as 'good practice' to meet privately with the External Auditors when considering the Statutory Accounts at the autumn term meeting each year. In addition, the Committee had previously agreed to reserve the right to meet privately with the Internal Auditors at the spring and summer term meetings if required.

**Members considered the contents of the paper and agreed to continue with the existing operating arrangements for the Committee as outlined above.**

#### **26/15 Review of Internal Audit Recommendations**

Members of the Committee received the Internal Audit recommendations as part of the 'tracking' system which had been established to monitor progress.

Members reviewed the position update for Action Plan 1 – Business Continuity and noted that a disaster recovery exercise was planned for the Autumn term 2015. In addition, members noted that the Principal would take the lead on this going forward following the change in role of Mr Marsh, Deputy Principal.

**Members of the Committee reviewed and noted the contents of the paper.**

#### **27/15 Annual Review of Performance for Committees of the Corporation 2014/2015**

Members of the Committee received a paper on Annual Review of Performance for Committees of the Corporation. Members were reminded that formal annual targets for committees of the Corporation had been established in 2006. Members reviewed the performance indicators and evidence sources outlined in the paper and considered the performance of the Audit Committee during the 2014/2015 year.

In addition, members had developed a specific Audit Committee self-assessment and evaluation checklist which had been adapted and which was due to be reviewed under agenda item 10(v).

**Governors reviewed the performance indicators and considered the work undertaken by the Committee during the 2014/2015 year. Members reviewed the evidence sources and concluded that the work of the Audit Committee had added value to the work of the full Corporation.**

#### **28/15 Audit Committee Evaluation Checklist 2014/2015**

Members of the Committee were aware that the establishment of an audit specific self-assessment questionnaire had previously been endorsed to be completed as part of the annual review and evaluation process.

The Clerk to the Corporation had completed the questionnaire and the outcomes of the review were provided in Appendix A of the paper for the Committee to review. Members noted that no significant

issues of concern had been raised as part of the review but requested that the financial reporting 'induction pack' previously established be reinstated in response to question 4.4 on the questionnaire.

**Members of the Committee reviewed and noted the outcomes of the specific Audit Committee self-assessment for 2013/2014.**

#### **29/15 Annual Review of Audit Committee Terms of Reference and Annual Cycle of Business**

Members of the Committee undertook an annual review of the Committee Terms of Reference and Annual Cycle of Business. Two minor cosmetic changes were proposed related to job titles and the inclusion of an Annual Report on Whistleblowing and Bribery incidents raised during the year.

**Members of the Committee agreed to recommend the updated Terms of Reference and Annual Cycle of Business for formal approval by the full Corporation at its meeting on the 24<sup>th</sup> June 2015.**

#### **30/15 Review of Performance of the Internal Audit Provider and Contract for Internal Audit Services 2015/2016**

Members of the Committee received a paper on the Contract for Internal Audit Services. Members were aware that, traditionally, the review of the performance of the IA Provider and consideration of the contract renewal was undertaken at the summer term meeting of the Committee. However, in view of the fact that Mazars had only been appointed in December 2014, it was agreed to defer these items to the autumn term 2015 meeting from this point forward.

#### **31/15 Dates of meetings in the 2015/2016 Academic year**

The following dates for the 2015/2016 academic year were agreed with all meetings to start at 5.30 pm:

- 25<sup>th</sup> November 2015;
- 16<sup>th</sup> March 2016;
- 15<sup>th</sup> June 2016.