



Audit Committee

Agenda

3 March 2015

- 1. Closed session for members and auditors**
- 2. Apologies for absence**
- 3. Declarations of interest**
- 4. Minutes of the meeting held on 4 November 2014**
For approval
- 5. Minutes of the meeting held on 2 December 2014**
For approval
- 6. Matters arising from the minutes**
- 7. Risk register and risk management policy**
To approve the format of the new risk register and the revised risk management policy
Ian Rule
- 8. Outstanding actions from previous audits**
To review progress on recommendations from previous internal and external audits
- 9. Internal Audit reports**
 - Apprenticeships and sub-contracting
 - Teaching and Learning Observation PolicyFor discussion
Ian Rule
- 10. Internal audit progress report**
For information
Ian Rule
- 11. Updated external audit findings report**
For information
Ian Rule
- 12. Date of next meeting**
9 June 2015



Audit and Risk Committee

Minutes of the meeting held on 3 March 2015

Present:

John Litchfield (Chair)
Ade Adebambo
David Dowland
David Wilson (Item 9 onwards)

In attendance

Allison Howe
Jo Lomax
Ian Rule

Also in attendance

Chris Bilsland (observer)

Auditors in attendance

David Barnes, Grant Thornton UK LLP
Angela Mason Bell, Baker Tilly Business Services Ltd

1. Closed session for members and auditors

This was deemed as unnecessary.

2. Apologies for absence

Apologies for lateness were received from David Wilson. Apologies were also received from Mike Cheetham, Baker Tilly and Nick Taylor, Grant Thornton.

3. Declarations of interest

None

4. Minutes of the meeting held on 4 November 2014

The minutes were agreed as a true record.

5. Minutes of the meeting held on 2 December 2014

On page 3, it was noted that while the auditors were concerned about viability of the College, however it was not a going concern risk for 2014/15. The minutes were reflected accordingly.

Subject to the amendment above, the minutes were agreed as a true record.

6. Matters arising from the minutes

In response to a question by a Governor, the Vice Principal Corporate Services explained that the £17.8m deficit last year included £10.8m deficit in

respect of the writing off of Waterloo. The Chair of the Corporation informed the Committee that senior managers anticipated there would be a £5m or £6m deficit at the end of this academic year. The Vice Principal Corporate Services stated that any need to sell assets was dictated by the cash position which was secure for the coming year. There were three possible options to secure the finances of the College, selling off the College land, cutting costs or short term borrowing. The projection for July 2016 was a cash deficit position of £1m. The operating position would be cash positive by the end of that year. It was noted that there were plans for an organisational review and to cut expenditure. The Chair of the Board informed the Committee that the financial position and the capital position were being discussed by the Financial Recovery Board later in the month. However, it was not intended to use any capital receipts for operational activity.

Date of meeting	Minute Number	Action	Responsibility	Date due	Status
18 March 2014	10	Governing Body should discuss what it needs from the Audit Committee to have assurance about the recommendations of the FE Commissioners report.	Allison Howe / Governing Body	26 April 2014	To be discussed at the next Governors away day.
10 June 2014		A risk owner to be called to next meeting and a rota to be devised	Allison Howe	31 July 2014	Vice Principal Curriculum, Quality and Learner Experience to attend 3 March 2015 meeting.
	6	Risk 112 to have further actions put in place and a review date added	Ian Rule	30 Nov 2014	Part of risk register discussion
	6	Vice Principal Corporate Services to ensure risk register is tidied up	Ian Rule	30 Nov 2014	Part of risk register discussion

	6	Risk owners to review risk register at least monthly	Ian Rule		Ongoing
	6	Column to be added to denote movement in risk score	Ian Rule		Part of risk register discussion
	6	A method of tracking the risks to be considered	Ian Rule		Part of risk register discussion

It was noted that Interim Principal and Chief Executive, Jo Lomax was present and would discuss the risks relating to Quality during the discussion of the risk register. Ian Rule had amended the risk register and would update the Committee under the next item.

7. Risk register and risk management policy

The Vice Principal Corporate Services introduced an extract of the risk register which had been updated since the last meeting. It contained the strategic risks, high residual risks and high impact risks. Additionally, two strategic risk updates were provided. The current risk management policy had been amended to reflect roles. There should be some time spent stepping away from the risk register and to spend some time considering the risks and our risk appetite and build a new policy going forward.

The business of managing the College while improving quality and the financial position was consuming the senior team, therefore the rewriting of the risk register had been delayed. There was a query about how frequently the risk register should come to the Committee. The Vice Principal Corporate Services explained that the full risk register would be submitted to the Audit Committee on an annual basis. The content had been updated. A member was concerned about the number of risks where the residual score was as high after mitigating actions as the inherent score. There would need to be substantial commentary on why there was no impact of the score.

A member asked about the effectiveness of mitigating activity tracked. Risk 014, it was expected that health and safety would be complied with, and would impact on the residual risk score. It was believed that the inherent likelihood should be 5 reducing to a 2.

The chair of the Corporation stated that he expected the Audit Committee to be drilling down into 2 or 3 risks at each meeting, to ensure that the risk register reflected the Corporation's appetite.

A member pointed out that risk management was about uncertainty yet failure to achieve income targets was a certainty. A member questioned why there had been no movement in the risk about the Curriculum strategy. The Committee was informed that the College did not have a Curriculum strategy and a great deal of information had been researched to inform it, however it remained incomplete.

The Clerk asked the Committee whether they were comfortable only receiving the full risk register annually given their responsibility for assuring the Board about the risk management framework. Following discussion, It was agreed

the Audit Committee would receive the complete risk register at each meeting in order to be able to undertake its responsibility for providing assurance to the Board (ACTION 1).

It was agreed that the Committee would be renamed the Audit and Risk Committee (ACTION 2).

The Executive Group would discuss the risk register monthly, not fortnightly as in the policy, this would be amended accordingly (ACTION 3), otherwise recommending the risk management policy to the Corporation. It was, however pointed out that the Executive Group spent much of their meetings discussing matters that featured on the risk register.

The Committee considered the risk supporting statements and noted that the Curriculum strategy and estates plan were currently behind schedule.

It was noted that banking services would be put out to tender in the next year. It was likely that there would be better borrowing terms if all services were with one bank. Both HSBC and Lloyds had been contacted and had indicated terms more favourable than current banking providers.

There was a discussion about the terms on which the College might be able to borrow money should the need arise. The Vice Principal Corporate Services answered that if there was a need to borrow, he would bring a paper to the committee.

The Ofsted inspection had taken place. The report was confidential and was in draft. The risk supporting statement would be updated on publication of the report.

The Audit Committee approved the risk management policy subject to amendments above, recommending it to the Corporation for approval (ACTION 4) and noted the content of the remainder of the report.

8. Outstanding actions from previous audits

The Vice Principal Corporate Services reported against outstanding actions from previous audits. The Internal Audit Manager indicated that a follow up report would be forthcoming.

A member raised 3.3 and asked whether the applications were signed. It was noted that there had since been a funding audit which was clean, therefore the Committee could take assurance that this was being done.

The action that risk should be discussed in team meetings and notified to Clerk was not happening. The risk management process had evolved since the recommendation was met.

There were ongoing issues with the relationship with the Unions. A new Director of HR was in place, and the Head of HR was meeting with the Unions on a weekly basis. The Audit Committee were of the view that there was a

need for managers to agree the HR processes for the College. There had been a reluctance to challenge the unions and involve a strike. It was possible to remove conditions of employment, staff had the choice to move elsewhere. There was a need to start from the point of view of what the College wanted to be. However, it was recognised that success rates had to be achieved.

The Audit Committee made a recommendation to the Quality Recovery Board that there was a need to increase momentum on the HR modernisation process for 2015/16 (ACTION 5).

The Audit Committee noted the content of the report.

9. Internal Audit reports

The Internal Audit Manager introduced two internal audit reports. The Teaching and Learning audit had an amber rating and one medium priority rating; The Apprenticeships and sub-contracting of providers had a green rating. It was noted that a great deal of work had been undertaken in respect of apprenticeships.

It was noted that most observations would have concluded by Easter, however there would be some slippage due to Ofsted.

The Committee noted the content of the report.

10. Internal Audit Progress Report

The Internal audit progress report showed that two draft reports (now finalised) had been issued thus far, with three internal audits commencing in April 2015, plus the learner number systems audit and two in May 2015. However the Internal Audit Manager reported that the progress of audits had changed.

There had been a discussion about internal audit doing some work on risk management over the summer with the Executive.

The Committee noted the content of the report and agreed an updated Internal Audit progress report would be circulated to the Committee (ACTION 6).

11. Updated external audit findings report

A draft report had been presented to the meeting on 2 December 2014. At that meeting it had been explained that the report would be adjusted in light of a decision to accrue organisational review costs. The final audit findings report was noted by the meeting.

12. Date of next meeting

9 June 2015.

A risk owner would be invited to the next meeting, the identity of which would be agreed by the Chair and the Clerk (ACTION 7).

Action list

Date of meeting	Action Number	Action	Responsibility	Date due	Status
3 March 2015	1	Audit Committee to receive the complete risk register at each meeting	Vice Principal Corporate Services	9 June 2015	Complete
3 March 2015	2	Committee to be renamed the Audit and Risk Committee	Clerk	Immediately	Complete
3 March 2015	3	Risk policy to be amended to reflect monthly discussion of risk register by Executive Group	Vice Principal Corporate Services	Immediately	Complete
3 March 2015	4	Risk policy to be recommended to Corporation Board for approval	Vice Principal Corporate Services	12 March 2015	Complete
3 March 2015	5	Quality Recovery Board recommended to oversee increased momentum on HR modernisation in 2015/16	Clerk/Interim Director of HR	September 2015	On workplan
3 March 2015	6	An updated Internal Audit progress report would be circulated to the Committee	Baker Tilly	March 2015	Complete
3 March 2015	7	A risk owner to be identified and invited to the next meeting	Chair/Clerk	June 2015	Rob Rees attending