

MINUTES

Audit and Governance Committee No 8

Date: *02/11/2016 (Wednesday)*

Time: *18:30–20:00*

Venue: *Rural Business Centre*

Committee: *Audit and Governance*

Notes: *Refreshments will be available from 6.00pm.*

Present: *Garry Payne (Vice Chairman), Gerry Corless (Chairman) and Marion Nuttall*

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

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

Guests: *Angus Osborne-White (Internal Auditor), Dale Thorpe (External Auditor) and Jude Bickerton (Internal Auditor)*

Apologies: *Adrian Boreham, Grace Power, Ishwer Tailor (Co-opted Member), Jane Booker and Lisa Randall (Internal Auditor)*

Public Minutes

Item number: Item description:
(and category)

48.16

Attendance of College Staff and Audit Representatives

Decision

In accordance with the current Constitution and Terms of Reference for the Audit & Governance Committee, the Committee confirmed it wished the College Management staff, and representatives from the Internal Auditors and Financial Statements Auditors to attend the meeting.

Jude Bickerton and Angus Osborne-White from RSM internal audit were in attendance. Jude introduced Angus, Internal Audit Assistant Manager to the Committee. Dale Thorpe from RSM external Audit was in attendance to present the External Audit Findings Report. A warm welcome was extended to all and the Committee wished to record their thanks and best wishes to Jude who was soon to commence her maternity leave.

Resolved:

That College staff and the audit representatives attend the meeting.

49.16

Apologies for Absence

Record

Apologies had been received from Adrian Boreham, Jane Booker, Grace Power and Ishwer Tailor.

50.16

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

Decision

The outgoing Chair and Vice Chair were eligible for re-election and the Committee proposed they serve for a second year in office. Following due process it was

Resolved:

- i. **That Gerry Corless be re-appointed Chair of Audit & Governance Committee for the academic year 2016 / 2017.**
- ii. **That Garry Payne be re-appointed as Vice Chair of Audit & Governance Committee for the academic year 2016 / 2017.**

- 51.16** *Minutes of the Previous Meeting*
Decision The public minutes of Audit & Governance meeting number 7, published on the Extranet, held on Tuesday 28 June 2016 were signed and agreed as a true and correct record of the meeting.
- 52.16** *Declarations of Interest*
Record There were no declarations of interest in respect of items on the public agenda.
- 53.16** *Financial Statements Auditors Report & Findings Statements and External Audit Findings Report for the Year Ended 31 July 2016*
Decision The draft Report and Financial Statements for the year ended 31 July 2016 prepared under the new F & HE Accounting Standard, had been included to provide supporting information and would be considered at the Finance and Resources Committee meeting on 22 November 2016. Members noted disclosure of Corporation performance, a new requirement, was stated in the section, 'Statement of Corporate Governance and Internal Control' The income and expenditure account was now known as the statement of comprehensive income. There were subtle changes in headings and wordings. The cash flow showed strong operational performance of the College. Subsequently both documents would be presented to Corporation for its meeting on 13 December 2016 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 2016. Dale Thorpe, Audit Partner 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 2016 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 2015 to 31 July 2016 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 2016", pages 26 and 53.

Corporation noted that RSM had provided an independent reasonable assurance report in connection with the Teachers' Pensions Contributions for the year ended 31 March 2016 which had been submitted to the Skills Funding Agency (SFA) in September according to the required 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

- For the first time the financial statements had been prepared under the new FE & HE SORP 2015. Comparative figures for year ended July 2015 had been re-stated and accounting policies had been reviewed and decisions made in compliance with the SORP which were documented in Finance & Resources Committee and Corporation minutes. Government grants were now shown as liabilities. As both the internal and external audit provision is from RSM, the external auditor cannot rely on the work of internal audit and has undertaken the key financial controls assurance work with no issues.

There was considerable capital expenditure, an unadjusted error was noted for £15k to accelerate the depreciation of the dairy heifer building. Members noted that subject to receipt of the final funding claim reconciliation from the SFA there was potentially an over accrual of 15K due to prudent estimation of under delivery in adult apprenticeships.

The pension liability is significant, disclosures were in line with the FRS 102 accounting standard.

In Section 3, Audit and accounting issues identified during audit

work, there was a re-allocation of marketing costs and exam fees from teaching to non teaching of £245k.

An accrual for rent to Liverpool City Council for Croxteth Hall was included in the accounts. an amount of £7k was included in unadjusted misstatements.

In Section 4, Unadjusted, Adjusted Misstatements

, three adjustments were made which were reclassifications on the balance sheet, concerning a transfer of marketing costs and exam fees from teaching to non teaching, and a reallocation of non-funding body grant release. None were material to the accounts.

In Section 5, "Internal Control Matters" the four recommendations from the previous year had been actioned and there were no recommendations made for the current year.

Fees for the additional works involved in checking the re-stated accounts for the year end 31 July 2015 would be within the agreed parameter.

Audit Committee thanked Dale Thorpe 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 Dale Thorpe 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 of the outstanding professionalism, dedication and diligence of Janet Whiteside, College Accountant, and asked that their appreciation be forwarded to her.

Resolved:

- i. **That the External Audit Findings Report for the year ended 31 July 2016 be commended to Corporation for approval.**
- ii. **That the Auditors Opinion in respect of the Financial Statements Audit and Conclusion in respect of the Regularity Audit for 2015 / 2016 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.**

54.16

Decision

Draft Annual Report Audit & Governance Committee 2015 / 2016

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 2015 / 2016.

The Clerk spoke to the report. Audit & Governance Committee noted that the report had been expanded to reflect 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.

Some minor amendments would be made before submission to Corporation and onward transmission to the Skills Funding Agency.

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

Resolved:

- i. **That the draft Annual Report of the Audit & Governance Committee to the Principal / Chief Executive and Corporation for the year ended 31 July 2016 be accepted and commended to the Corporation.**
- ii. **That the Audit & Governance Committee Constitution and Terms of Reference remained fit for purpose.**

55.16

Annual Risk Management Report 2015 / 2016

Decision

Consideration was given to the Annual Risk Management Report to the Audit Committee and Corporation for 2015 / 2016.

The report listed the significant areas of risk for 2015 / 2016. The risk management plan was a live document that was regularly reviewed, assessed and reported on. A minor amendment to wording was agreed.

Resolved:

That the Annual Risk Management report to the Audit Committee and Corporation 2015 / 2016 be accepted and commended to the Corporation.

56.16

Risk Management Plan (Full) 2016 / 2017

Decision

Consideration was given to the full Risk Management Plan for 2016 / 2017.

The Deputy Principal Finance & Corporate Services had been working on a revised approach to risk, details of which were included later in the meeting, minute 57.16 refers.

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.

Resolved:

That the full Risk Management Plan for 2016 / 2017 be commended to the Corporation.

57.16

Consultation

Revised Strategic Register

Audit & Governance Committee gave consideration to the Revised Strategic Risk Register, prepared by the Deputy Principal Finance & Corporate Services.

Those present were asked to comment on the style and content of the report and agree the key strategic risks faced by the College.

The report referenced all key risks to the College strategic objectives and members expressed satisfaction with the content. Risks had been scored pre mitigation actions, "inherent" and post mitigation actions, "residual". The risks had been derived from discussions from the last Committee meeting, best practice as observed in the College sector by RSM and from the Deputy Principal's personal experience of other educational institutions.

Those present engaged in discussion noting the 5x5 scoring system would be retained. Opinion from internal audit was requested and valued throughout discussions. The approach was endorsed with internal audit recommending that the next stage to the approach would be to add assurances to show the process was being managed. The structure would allow strategic risks to be managed at Board level and other risks to be managed at operational level. The proposal being that each Committee would consider the risks relevant to its function. Audit & Governance Committee had responsibility for overall management of risk. Reporting back mechanisms would be considered.

Audit & Governance Committee endorsed the approach and agreed the key strategic risks and commended the report to Corporation.

Resolved:

That the revised Strategic Risk Register be commended to Corporation.

58.16

Decision

Internal Audit Progress Report and Summary Report Update

Audit and Governance Committee gave consideration to 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.

Of the recommendations made 30 (91%) had now been implemented and 3 were on-going and there were none outstanding.

Resolved:

That the report on progress made in respect of the issues raised in the Internal Audit Reports for 2015 / 2016 be received.

59.16

Information

Data Returns Report

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 2014 / 2015 returns had been submitted on time.

The first return of 2015 / 2016, RO2 had been submitted late due to a technical fault with UNIT-e in College. CAPITA had been working on the system to resolve issues, the SFA were informed and supportive to the College over the delay.

Resolved:

That the Data Returns Report be received.

60.16

Consultation

Draft Governance Self-Assessment Report

The College self-assessment process had been accelerated for this year to support preparations for the Lancashire Area Review process and a potential Ofsted inspection. The Governance self-assessment report had been considered at Corporation in September 2016 where its findings were endorsed. It was referred back to Audit & Governance Committee to provide opportunity for additional comment should members wish to discuss further.

Governance had self-assessed as a Grade 2 which had remained unchanged following the College validation process.

From 15 returns for 2015 / 2016 against 33 questions responses of 'Outstanding' registered 294, 'Good' 200 and 'Requires Improvement' 1 and none were recorded as 'Inadequate'.

Areas for improvement would be documented in the Governance Quality Improvement Plan which would be submitted to a future meeting.

Overall the report was considered a strong Grade 2. Responses indicated improved performance on the previous year indicating a high level of Governor confidence in Board ability. Responses from the College staff internal communication survey were up on the previous year though governor visibility requires improvement. Members commented favourably on the Governor engagement programme.

Audit & Governance Committee reflected on its Committee performance and noted a lower score than other Committees. It would pursue methods of addressing this and raising its profile to the Board.

Resolved:

That the Governance SAR 2015 / 16 be received and Grade of 'Good' noted.

61.16

Consultation

Skills Audit

The Skills Audit had been considered by Corporation at its meeting on 27 September 2016. Overall the report indicated a strong Board with a good spread of skills. It had been identified that it would be desirable to appoint a Governor with knowledge and a skill set relevant to land-based industries.

Resolved:

That the Skills Audit be received.

62.16

Decision

Corporation Vacancies

Marion Nuttall - Audit & Governance Committee noted that Marion Nuttall would be retiring from the Board on 31 December 2016. This was Marion's last meeting of the Audit & Governance Committee and members wished to acknowledge her valuable contributions to the Committee over her period of 8 plus years as a Governor which included some as a co-opted Committee Member. They also mentioned her outstanding support to the College, commitment to the Governor Engagement programme, Charing of the Quality & Standards Committee and exemplary attendance.

Corporation Vacancies

Marion's retirement leaves a vacancy on the Board. The Clerk had recently received an expression of interest from a lady who wished to join the Board and subsequently an application which evidenced knowledge and experience of working in the College FE sector.

The Clerk would arrange an interview panel and interview date prior to Corporation meeting on 13 December 2016. The panel would be selected from the availability of the Chair or Vice Chair of Corporation and Chair and Vice Chair of Audit & Governance Committee and Jane Booker and would make recommendation to Corporation.

Co-opted Appointments

Audit & Governance Committee was pleased that contact was being arranged with some potential candidates from the land-based industries. Should timely interest be received candidates would be invited to interview. It was agreed Audit & Governance Committee would be strengthened through appointment of a co-opted member with audit experience. The Clerk would investigate.

Resolved:

- i. **That an interview panel be convened and interview/s arranged.**
- ii. **That the update on vacancies be noted.**

63.16

Decision

Governor Training

Due to the number of additional meetings required as part of the Area Review process no additional Governor training had been planned for the near future apart from the event scheduled for 6 December 2016 to review the College Self-Assessment Report.

A Strategic Planning "Away event" would normally be held in mid January but as the area review process would not conclude until February this was deferred.

The Committee confirmed this approach.

It was recommended that Governors attend events from the Governor Engagement programme as a good way to meet staff and students and find out more about the College.

Resolved:

That the update on Governor Training be received.

64.16

Decision

Annual Review of Decision Making processes of the Corporation

The Provider Financial Assurance (PFA) review of the effectiveness of financial management and governance 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

The Corporation Structure would be amended to include the Deputy Principal Finance & Corporate Services as the executive link for the Audit & Governance Committee. 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.