

Minutes
Meeting of the Audit Committee
held on Thursday 27 November 2014 at 8.00am
at Matthew Boulton Campus

Present:

Kathryn James (KJ) Chair
Taher Hussain (TH)

Apologies:

Anthony McCourt

In Attendance:

Andrew Cleaves (AC) Principal and Chief Executive
Bob Pattni (BP) Chief Operating Officer
Richard Bacon (RB) PwC
Ben Conner (BC) PwC
Tony Felthouse (TF) KPMG
Venita Vicary (VV) Baker Tilly
Liam Nevin (LN) Senior Clerk

Apologies & Declarations of Interest

Apologies were received from Anthony McCourt

There were no declarations of interest made save for those already declared in the Register of Interests.

Item 1 - Minutes of the meeting held on 11 June 2014

The Chair invited the Committee to comment on the matters arising and it was agreed that for subsequent meetings these would be dealt with in an action log.

The minutes were thereafter approved as a true and accurate record of the meeting.

Item 2 - External audit reports 2013-14 – Management Letter and Letter of Representation

TF summarised the content of the management letter and advised the Committee that they were now close to completion of their work and that the outstanding matters were not points of concern. The Committee were further advised that the auditors had completed their regulatory audit programme and were satisfied with the outcome but noted that there were two recommendations that were identified in section 3 of the Management Letter.

The Chair questioned whether harmonisation of the financial systems as proposed in the management actions had been completed and BP assured that this had now been done.

The Chair further noted that the summary of financial performance in appendix 2 of the document would be useful for all governors when considering the financial statements at the Corporation Board.

Having considered the Management Letter the Chair invited consideration of the draft Letter of Representation and having examined the proposed wording the Committee were satisfied that its content was fair and accurate.

Accordingly it was

RESOLVED:

- (i) That the Committee recommend the Management Letter and Letter of Representation to the Corporation Board for approval.

Item 3 - Internal Audit Annual Report 2013 - 14

RB introduced the report and drew the Committee's attention to the audit opinion at page two of the report. This confirmed that Birmingham Metropolitan College Group has adequate and effective risk management, control and governance processes to manage its achievement of the college group's objectives. He further advised that weaknesses had been identified in the internal controls in relation to both payroll and purchasing systems and these required the Executive's attention.

The Chair noted that the report was a key component of assurance to the Board and the Committee were keen to see early resolution of the control issues identified, noting that the issue would be examined further under item 7 of the agenda.

Accordingly it was

RESOLVED:

- (i) That the Committee endorse the Internal Audit Annual Report 2013-14 and recommend it to the Corporation Board for approval

Item 4 - Audit Committee Annual Report 2013-14

LN introduced the report and explained that it was the Committee's own assessment of its operation over the last twelve months and its views on the control environment within the College. Having considered the report the Committee were satisfied that its content was fair and accurate.

Accordingly it was

RESOLVED:

- (i) That the Audit Committee Annual Report for 2013-14 be approved.

Item 5 - Internal Audit Plan 2014-15

RB introduced the report and advised the Committee that PwC had considered the inherent risk rating set out on page 10 of the plan in identifying the potential areas for audit. The Chair confirmed that she was comfortable with the detailed risk assessment methodology but asked for reflection on whether the control scores were accurate, particularly in relation to "management information" and "IT general controls"

The Committee went on to consider the Indicative Strategic Audit Plan and the Chair questioned whether Apprenticeship Management should be subject to further provision in the plan in addition to the proposed audit in 2014/15. RB suggested that this would depend upon the outcome of the audit in 2014/15 and the risk profile that was then attributed to this area. It was agreed that the issue could be reconsidered at that time.

The Chair questioned whether budget setting and monitoring should be earlier in the plan than the current proposal for 2016/17. The Principal, noting that this was a key issue, advised that the proposal was to run the new arrangements in 2015/16 and review efficacy in 2016/17.

The Chair then invited comments on the detailed plan and whilst it was noted that there was limited contingency in the plan, the resource allocation was appropriate.

The Committee considered whether there was anything in the external auditor's management letter that needed to be addressed in the internal audit plan and were satisfied that there was not.

It was noted that as part of the review of the risk management arrangements there was an opportunity to make a clearer linkage between the strategic risk register and the internal audit plan.

Accordingly it was

RESOLVED

That the internal audit plan for 2014/15 be approved.

Item 6 Internal Audit Reports – (i) Purchasing and Procurement (ii) IT Risk Diagnostics

BC introduced the reports. In relation to purchasing and procurement, the Committee were advised that there were three medium and two low risk recommendations.

The Chair questioned whether the audit findings were evidence of a risk to the integrity of the purchasing cycle. BC advised that an automated system with a single point of entry would increase control.

The Chair, noting the agreed management actions, observed that, particularly in relation to the "purchasing portal" the date for completion of management actions was imminent. BP advised that nearly all training had now been completed and that all orders were now processed through the portal.

The Chair noted that purchasing and payroll were the two functions that drive the College's cost base and these audits had identified significant corrective actions. The Committee were therefore looking to the Executive for assurance that the processes were now sufficiently robust. The Principal agreed with the analysis and assured the Committee of his commitment to resolve any outstanding issues.

BC then introduced the IT diagnostics report and advised that PwC had worked with the College's IT team to carry out a self-assessment. The conclusions suggested that the College considered its IT controls to be relatively strong overall but its operational security processes, disaster recovery, and system and data quality were areas for improvement.

The Principal advised that these were useful indicators to guide the focus of the Executive.

Accordingly it was

RESOLVED

- (i) That the internal audit reports for purchasing and procurement and IT risk diagnostics be noted.

Item 7- Internal Audit Reports 2013-14 Management Actions

The chair introduced this report noting that it was designed to assist the Committee in reviewing the implementation of management actions to address acknowledged control weaknesses. She noted that a number of management actions were outstanding well beyond the agreed completion date and that urgent action needed to be taken to provide assurance to the Committee as to when these actions would be implemented.

The Principal agreed that the outstanding actions were not acceptable but the reporting disciplines that he was overseeing were designed to ensure transparency and this report was an example of how such information was being volunteered. He undertook to ensure that the outstanding actions were aligned to the risk register that the Executive were now finalizing.

Accordingly it was

RESOLVED:

- (i) That the report be noted and that the outstanding management actions from the 2013-14 internal audit programme be addressed as part of the work being undertaken by the Executive on the strategic risk register.

Item 8 - Risk Register Update

BP introduced this report and advised the Committee of each of the strategic risks identified by the Executive with the support of PwC and the process for completion of risk templates.

The Chair questioned whether the focus should be entirely on "downside" risks, for example there were opportunity risks of the College failing to take advantage of positive possibilities.

The Principal acknowledged that further consideration needed to be given by the Executive as to how this was captured, in relation to issues such as technology, HS2 and the potential up-turn in the regional economy.

The Chair questioned whether the Executive would be involving managers within the College in the design of the risk strategy and the Principal confirmed that this would be the case but that it was important to have a robust proposal for them to test.

Accordingly it was

RESOLVED:

- (i) That the report be noted

Item 9 - Review of Committee Terms of Reference

The Committee considered amendments to the Terms of Reference proposed by the Senior Clerk. These were approved with the Chair noting that consideration now needed to be given to refreshing the membership of the committee with suitably experienced governors.

Accordingly it was:

RESOLVED:

- (i) That the proposed terms of reference of the Committee be endorsed and recommended to the Corporation

Item 10 - Annual Work Programme

The Committee received the draft annual work programme for 2014-15, and noting that the programme would be helpful in planning the workload across the year agreed to endorse it.

Accordingly it was:

RESOLVED:

- (i) That the annual work programme for 2014-15 be approved.

Item 11 - Insurance Summary Report 2013-14

VV of Baker Tilly addressed the Committee and advised on the successful negotiations with Zurich Insurance leading to a long term agreement that would expire in 2018. There had been substantial savings in the premium and the liaison arrangements in relation to liability claims had also improved.

It was noted that the College did not now have the benefit of terrorism insurance cover but since this decision had been taken this risk had increased. The Chair asked the Executive to consider whether it remained comfortable with not insuring against this risk.

Item 12 - Any Other Business

There being no other business the Chairman closed the meeting.

Date of next meeting: Thursday 12 March 2015

Signed.....
Chair

Date.....12th March 2015.....