

**Minutes of the Meeting of the Audit Committee  
held on Thursday 1 December 2016 at 8.00am  
In Room 814  
at Matthew Boulton Campus**

<b>Present:</b>	<b>Apologies:</b>
Andrew Madden (AM) (Chair)	Hilary Smyth- Allen
Michele Larmour (ML)	Sheetal Sahdev
Jane Smith (JS)	
<b>In Attendance</b>	
Andrew Cleaves (AC)	
Helen Ainsbury (HA)	
Tim Foster (TF) BDO	
Tony Felthouse (TF) KPMG	
Tim Foster (TFO) BDO	
Glen Spencer (GS) PwC	
Simon Cosson (SC)	
Liam Nevin (LN)	

**Apologies & Declarations of Interest**

Apologies were received from Hilary Smyth-Allen and Sheetal Sahdev

There were no declarations in addition to those recorded on the register of interests.

**Item 1 – Open and confidential Minutes of the meeting held on 12 July 2016**

It was noted that the minutes had been approved by the Corporation at its meeting of the 20<sup>th</sup> July.

**Matters Arising and Action Log**

It was agreed to add to the log that the Executive would report back to the next meeting on the implementation of the mitigating actions around the counter terrorism plan.

**Item 2 – Risk Management Update**

HA introduced the paper and advised that the framework was being developed to align the risks and mitigating actions with the views of corporation members as identified in the survey being undertaken by BDO.

AM questioned how the risks previously reported to the committee would be mapped across to the new framework so that the committee could be assured that no activity was inadvertently lost. It was agreed that a one -off mapping exercise would be completed and reported to the committee to provide this assurance.

HA explained that the new framework would be focused more on strategic corporate risks and that once the Corporation's risk appetite had been assessed the full framework would be reported back to the Committee.

The Principal added that the Operating Plan would deal with operational risks and that the risk register would address strategic risks that would be managed through the Operating Plan.

It was agreed that LN would remind governors of the importance of completing the questionnaire.

The Principal suggested and it was agreed that once the Corporation had established its risk appetite that this was then reviewed annually in light of changing circumstances.

AM suggested and, it was agreed, that in addition to the overview of risk presented to the Committee, that reviews of particular risks be examined at the meeting, allowing a more in depth examination of the management of specific risks.

Accordingly it was

**RESOLVED**

- **That the report be noted**

**Item 3 - Internal Audit Annual Report 2015/16**

GS introduced the report and advised that it summarized the adequacy and effectiveness of the College's risk management, control and governance processes. There had been no critical or high risk findings which was a source of assurance for the College. The medium risk findings made over the course of the year resulted in a modified opinion.

The Principal advised that all but a small number of risks had been effectively mitigated and there was a dramatic improvement in the control environment compared to previous years.

AM summarized that the College had put in place the right policies and procedures but implementation was a work in progress in some areas. Nevertheless, it was a very positive outcome.

Accordingly it was

**RESOLVED**

- **That the report be noted**

**Item 4 – Audit Committee Annual Report 2015/16**

LN introduced the report and advised that the format and content followed the Joint Audit Code of Practice and included details of the SFA investigations that had arisen post completion of the academic year as well as a summary of key matters pertinent to 2015/16.

AM asked LN to check the source of evidence for completion of the implementation of the BDO recommendations as reported in paragraph 9.1 of the report and LN agreed to check and report back on this.

Accordingly it was

**RESOLVED**

- **That the annual report be approved subject to clarification of the matter raised in the preamble to this minute.**



## **Item 5 – Regularity Audit Questionnaire**

SC introduced this report and advised that it was part of the framework by which the Corporation satisfied itself as to the regularity, compliance and propriety of the financial statements.

The Committee reviewed the document and satisfied itself as to the content.

Accordingly it was

### **RESOLVED**

- **That the Committee recommend to the Corporation the signing of the questionnaire by the Chair and Principal.**

## **Item 6 – Draft Management Letter and Letter of Representation**

TF introduced the draft management letter and advised the Committee that the outstanding issues were set out on page four of the document. The most significant of these was a need to address the treatment of the investigations commissioned by the SFA into historic funding claims. It was important to scale the value of potential clawbacks and when these might crystallise. TF advised that, in light of this it was realistic for the College to aim to approve the financial statements in January.

JS queried whether the College had adequate systems in place to ensure that funding claims were properly evidenced and the Principal advised that the SFA funding audit that had just been completed provided a full assurance to the College.

AM asked how, given the uncertainty about the potential liability this this would be reflected in the accounts and when the College had to complete these by.

TF stated that by January it was expected that there would be sufficient clarity to address the matter and that in other respects he did not anticipate any challenges in completing the audit. There was a significant improvement in the outturn position this year and this reflected strong financial management.

AM noted that there were challenges presented to the College in respect of external matters that were beyond its control, in particular the increase in net pension liabilities reflected in appendix 3.

TF advised that there were two medium priority performance observations detailed in Appendix 1 and that all recommendations from 2014-15 had been addressed. Following discussion TF agreed to consider whether the second recommendation "Contract for HE Franchised Activity" should be categorised as a low risk.

The Principal referred the Committee to page 19 and advised that College had only delivered 84% of its SFA funding allocation and that this was not satisfactory and was being addressed with the Executive.

In relation to the letter of representation AM asked SC to explain what the evidence was to support the opinion that the College would recover the book price for CEAC and Longlands disposals and the dilapidation provisions in respect of leases were adequate.

SC briefly explained the progress with the planned disposals and the basis of valuations. In relation to dilapidations the Committee was advised that there were two relevant transactions for which provision was being made. The first was Magnolia House where a sum had been agreed with the Council and in respect of which the matter was close to concluding. The other matter concerned provision for the ATC, where the extent of the

College's liability was more uncertain, but in respect of which the College had made provision for the worst case scenario.

AM summarized the discussion and it was agreed that, given the need for greater certainty around the implications of the funding investigations, at this point the Committee could not make a recommendation to the Corporation in respect of the Management Letter or the Letter of Representation.

Accordingly it was

#### **RESOLVED**

- **That the Committee refer the draft Management Letter and Letter of Representation to the Corporation for discussion.**

#### **Item 7 – Internal Audit Reports**

GS introduced the PwC reports:

##### (i) Progress Report

The College had made good progress on curriculum planning with clear outcomes and good practice around governance controls. There had also been significant progress in relation to risk management although some recommendations had been made in relation to embedding understanding within departments.

##### (ii) Financial Strategy and Planning

The draft report circulated to the Committee had now been approved by management and the recommendations were accepted. SC advised that the documentation and process for monitoring meetings would be formalized but the activities were being undertaken.

##### (iii) Higher Skills and Business Development

This report had been allocated a medium risk.

The Principal advised that he had appointed a Higher Skills Lead and it was intended to review progress with the HE strategy in January. The College's performance in this area was also subject to review by the Academic Standards and Quality Development Committee.

Thereafter TF introduced the Apprenticeship Growth and Income Collection report produced by BDO, advising that both audits had resulted a finding of moderate assurance. SC set out the actions being taken to address the recommendations.

Accordingly it was

#### **RESOLVED**

- **That the internal audit reports be noted**

#### **Item 8 – Internal Audit Reports – Log of Management Actions**

LN presented the report and advised that there were two outstanding actions in relation to marketing, in addition to the recommendations that had been presented to this meeting and which would be added to the log for the March meeting.

AM suggested that consideration be given to running a KIT session on the new website once this action had been completed



Accordingly it was

## **RESOLVED**

- **That the action log be noted.**

### **Item 9 – Health and Safety Performance Report**

SC advised the committee that this report would be a standing item for future meetings in order to provide an overview of the College's Health and Safety performance. In summarizing the data he drew the Committee's attention to the recent RIDOR incident in which a serious injury had been sustained. An investigation into this incident had demonstrated that the equipment had not been properly used and that no formal training record had been found in respect of the employee. The matter had now been reported to the insurers and a claim had been made. The matter had also been reported to the HSE.

AM stated that it was important to address whether the issue was record keeping or the absence of proper training.

SC stated that there would be a review of training records on personal files where the employee activities raise safety issues.

JS advised the committee that staff were undertaking IOSH training.

ML questioned whether the College's IT system recorded attendance at training or events and it was confirmed that records were currently manual but that this was under review.

AM requested that further details of this review and a timeline for implementation of any actions be reported back to committee.

The Principal also asked SC to provide the committee with a brief update at the next meeting on the position with the RIDOR incident and any follow up activity.

LN advised that it was proposed to report indicators on staff stress in the Corporation Performance Report, along with other staff indicators. Following discussion it was agreed that this data would in future be reported to the Committee.

AM asked for a short report at the next meeting to accompany the statistics on work place stress and which set out how the College was managing the issue.

JS stressed that it was important that the College had a consistent approach to workplace safety in relation to student work experience placements and SC agreed to review this further.

Accordingly it was

## **RESOLVED**

- **That the report be noted**

### **Item 10 – Counter Terrorism Action Plan**

SC introduced the report and advised that the College had procured an external assessment of the counter terrorism risk at Matthew Boulton College and a number of recommendations had been made which the College had acted on as set out in the report. There were some outstanding actions that needed to be addressed including briefing student on actions to be taken in the event of an attack.

The Principal proposed that the Committee receive an update at its next meeting along with details of training proposed.

ML stated that developing the College's readiness to deal with an incident was also a cultural challenge and that desk top exercises completed by senior staff could help with this. Thereafter, ML offered to arrange for a Colleague who specialized in the field to meet with the Executive and advise on its preparations. The Principal agreed that this would be useful and thanked ML for this proposal.

Accordingly it was

**RESOLVED**

- That the Committee note the progress with the Counter Terrorism Plan

**Item 11 – Insurance Annual Report**

SC introduced the report and summarized the extent of cover held, the cost and the value of outstanding claims.

There being no questions from the Committee

Accordingly it was

**RESOLVED**

- That the Committee note the current insurance cover maintained by the College.

**Item 12 – Compliance with Funding Rules**

HA confirmed that the SFA funding audit had resulted in an unqualified opinion. It was expected that there would be some areas for improvement in the Management Letter and these would be incorporated into the programme of work to improve data processes.

Thereafter HA reported on the Maths and English Conditions of Funding review by the EFA and from which they had now decided that in respect of non-compliance with the conditions they would reduce funding by 50% once a 5% threshold had been exceeded. This would result in an approximately 100k funding reduction for the College. HA advised that the process being followed by the College was now more robust and cases of non-compliance were being identified early and remedial action taken.

**Item 13 – Funding Investigations**

This item is recorded in a confidential minute

**Item 14 – Annual Work Programme**

LN presented this Committee's work programme for the year. There being no questions

Accordingly it was

**RESOLVED**

- That the Committee approve the annual work programme

**Any Other Business**

ML stated that she would be unable to attend the next scheduled meeting and it was agreed that LN seek to re-arrange the date of the meeting.

**Date of next meeting: TBC**

**Signed.....**  
**Chair**

**Date.....**

