

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE**

**MINUTES OF MEETING HELD ON WEDNESDAY 11 NOVEMBER 2015, 1700 HRS,
IN ROOM A115**

Present:

Mrs Kathryn Rankin (Chair)
Paul Sahota
Alex Parmley
Paul Quigley (In attendance)

In attendance:

Laura English Southern Internal Audit Partnership
Jenny Hill RSM UK Audit LLP

Dr Jan Edrich Chief Executive and Principal
Rob Jarvis Finance Director
Dr Chris Davis Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.15.15 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

A.16.15 COMMITTEE MATTERS

i Apologies

There were no apologies.

ii Declarations of interest

Mr Parmley declared an interest regarding the major redevelopment project. There were no other declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 3 June 2015 were agreed as a true and accurate record.

The minutes of the meeting held on 3 June 2015 were agreed and signed.

iv Matters arising

Mr Jarvis commented that as the outcome of the Internal Audit review of Capitol Project Management and Evaluation was "substantial assurance", no additional Internal Audit time would be allocated to the Project

There were no further matters arising.

v Review Operation of Committee

Dr Davis reported that no amendments had been made to the Operation of the Audit Committee.

Governors recommended the Operation, including the Terms of Reference, for Audit Committee to the Board for approval.

A.17.15 GOVERNORS' MONTHLY REPORT, AUGUST-SEPTEMBER 2015

i Safeguarding updates

Dr Edrich explained that because the majority of the report covered the period of the summer break it was relatively quiet in terms of safeguarding incidents. The September period was as usual a busy month with many new students on site. There was nothing further to report.

Governors noted the safeguarding updates in the Governors' Monthly Report, August-September 2015.

A.18.15 Audit Committee Annual Report to the Board

Mr Jarvis stated that the report was a requirement of the Joint Audit Code of Practise (JACoP), covering a summary of the committee's activities for the year under review, including any significant issues arising. It provides the committee's view of its own effectiveness and how it has fulfilled its terms of reference. Also included in the report is the committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.

Mr Jarvis stated that the report identified one significant finding in relation to deficiencies in internal control raised by the financial statements auditors, concerning system passwords. This related to the strength of passwords and the frequency with which they are changed. He concluded by stating that the report identified the Audit Committee's opinion that the College has an adequate and effective framework of control, with no other significant issues raised during the reporting period.

Governors reviewed and submitted the Audit Committee Annual Report to the Board.

A.19.15 AUDIT MATTERS

i Progress Report on Implementation of Recommendations of Previous Audit Reports.

Mr Jarvis stated that there were no outstanding audit recommendations that had not been implemented.

Governors noted progress on implementation of recommendations made in previous audit reports.

ii Internal Audit Annual Report, 2014/15

Mrs English began by identifying the role of the internal audit as stated in the report and went on to affirm the audit opinion of 'adequate' in relation to the College's framework of governance and risk management control. Mrs English went on to explain that the visit had looked at nine business areas; with three areas receiving a substantial assurance audit opinion, five receiving an adequate assurance audit opinion. Work placements received a limited assurance audit opinion, although there were no significant issues, there were observations in several areas relating to missing or incomplete records. There were no significant issues raised with regard to the nine business areas tested.

Governors recommended the Internal Annual Audit Report 2014/15 to the Board for approval.

iii Internal Audit report, visit one 2015/16

Turning to the Internal Audit Report for their first visit of 2015/16, Mrs English stated that there were no significant issues arising from the scope of the three business areas covered in the report and that an audit opinion of adequate assurance was given for two of the areas reviewed and an opinion of substantial assurance in respect of the third.

With regard to IT General Controls an audit opinion of adequate assurance was given, with two action plans recommended. There were no recommendations with regard to Capital Project Planning, Management and Evaluation resulting in a substantial assurance audit opinion. There were four action plans recommended arising from the audit on Asset Controls resulting in an adequate assurance audit opinion. Mrs English commented that once again this had been a positive review process.

Discussion followed with regard to the observation made regarding IT general Controls, Action Plan 2, strength of passwords and the frequency with which they are changed and the risk to data access. Governors agreed that added assurance in terms of the use of complex passwords should be investigated.

ACTION: RJ

Governors noted the Internal Audit report in respect of Visit One 2015/16.

iv Feedback on External Audit liaison with Southern Internal Audit Partnership

Mrs English reported that the External Auditors had visited the Internal Auditors to review their processes and there were no issues arising. Mrs Hill confirmed that they had a good working relationship and had indeed reviewed Internal Audit paperwork, which informed RSM UK Audit LLP's work.

Governors noted feedback regarding liaison with Southern Internal Audit Partnership.

v External Audit Progress re 2014/15 closure and associated audit report

On behalf of Baker Tilly UK Audit LLP, Mrs Hill summarised progress on the audit of the financial statements for the year ended 31 July 2015 and the Independent Auditor's Report to the governing body and said that there were no significant issues to report.

Governors noted the progress made and the contents of the External Auditor's Report for the year 2014/15.

vi External Audit Draft Audit Findings Report

Mrs Hill explained that the report is prepared for the purpose of explaining the scope of the audit, the audit approach and to highlight the key risks that will be focused on during the audit. She commented that prior to the audit, potential concerns involved changes to key members of staff, but happily she was able to report that the new members of staff have risen to the challenge and there have been no issues.

Mrs Hill drew Governors' attention to the change to the treatment of partnership income on a net basis. In the current year, the income and expenditure relating to the funding, which is delivered by partners, will now be reflected on a gross basis in line with the rest of the sector, this treatment reflects ownership of the underlying risks and rewards associated with the revenue streams.

Mrs Hill also stated that the report made Governors aware of the key issues currently affecting the sector and which are of relevance to the College.

Governors recommended the External Audit Draft Audit Findings Report to the Board for approval.

vii External Audit Plan

Mrs Hill informed Governors that this plan explained the scope of the auditor's responsibilities on regularity assurance engagement, as a result of the new JACoP published in August 2015.

Governors received the External Audit Plan.

viii Approve Procedure for appointment of External and Internal Auditors 2016/17

Mr Jarvis made Governors aware of the implications on the appointment of External and Internal Auditors for 2016/17 of the Area Review's proposed timelines and outcomes. He proposed that the Audit Committee enables him to negotiate the appointments in due course, with the intention of bringing back a recommendation to the Committee in March 2016.

ACTION: RJ

Governors agreed to this proposal and the procedure for appointment of External and Internal Auditors 2016/17.

A.20.15 RISK MANAGEMENT

i Risk Management Board minutes, 19 October 2015

Dr Edruch stated that the Risk Management Board (RMB) undertook a full review of the risk register and risk reduction plan. Risks identified at other boards and committees were also discussed. The Board focused on two identified risks, the impact of the Area Review and the potential funding cuts.

Mrs Rankin made the committee aware of something she had recently read about area devolution and asked whether this had been identified as a risk.

Dr Edruch replied that to date it had not been identified or discussed as a risk, but thought that perhaps it should be included in the Risk Register.

ACTION: JE

Governors noted the minutes of the Risk Management Board meeting held on the 19 October 2015.

ii Risk Management Policy

Dr Edruch informed Governors that no changes had been made to the Risk Management Policy.

Governors approved the Risk Management Policy.

A.21.15 APPROVAL

i Internal Audit Charter 2015/16

Mrs English explained the purpose of the Internal Audit Charter, which formally defines the purpose, authority and responsibility of the internal audit service. She went on to explain that approval of the charter is the responsibility of the Audit Committee.

Governors approved the Internal Audit Charter 2015/16.

A.22.15 DATE OF NEXT MEETING

Wednesday 9 March 2016 commencing at 1700 hrs

Progress report on implementing of recommendations of previous audit reports

Internal Audit Report – visit two 2015-16

Review Performance of External Auditors against PIs

Review Risk Management

Regularity Audit SAR

Governors' Monthly Report – updates re Safeguarding

Assessment & Malpractice Procedure (if Changed)

A.23.15 PART 2 OF THE MEETING (without SMT)

Dr Edruch and Mr Jarvis left the meeting at this point. Governors were asked if they had any questions or wished to raise any points with the Internal Auditors. There were no issues raised.

Mrs English and Mrs Hill were given the opportunity to raise concerns with Governors over the audit process. There were no issues raised.

On completion of Audit Committee Business, Dr Edrich and Mr Jarvis re-joined the meeting and Mr Quigley provided an update on the Solent Area Review post the first Steering Group meeting held on the 4th November 2015. Mr Quigley outlined the agenda discussed and gave an oversight of the review process to-date. Further discussion took place with Mr Quigley concluding that he would continue to report and brief Governors on further developments.

There being no further business, the meeting closed at 1845 hrs.