

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 3 JUNE 2015, 1700 HRS,
IN ROOM A115**

Present:

Mrs Kathryn Rankin (Chair)
Mr Colin Davidovitz
Paul Sahota
Alex Parmley

In attendance:

Mrs Laura English	Southern Internal Audit Partnership
Dr Jan Edrich	Chief Executive and Principal
Mr Rob Jarvis	Finance Director
Dr Chris Davis	Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.08.15 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

A.09.15 COMMITTEE MATTERS

i Apologies

There were no apologies.

ii Declarations of interest

Mr Parmley declared an interest in item A.10.15, i) under Governors Monthly Report, Financial Aspects, regarding the major redevelopment project update. There were no other declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 11 March 2015 were agreed as a true and accurate record. All actions had been completed.

The minutes of the meeting held on 11 March 2015 were agreed and signed.

iv Matters arising

There were no matters arising.

A.10.15 GOVERNORS' MONTHLY REPORT, APRIL 2015

i Financial aspects

Mr Jarvis updated Governors on the College's 16-18 Apprenticeship allocation for 2014/15, which is currently £1.352m. Delivery is likely to exceed this allocation and so a further growth request of £150k has been submitted. Traineeship delivery by the College's partners is also particularly strong and a further growth request for an additional £1m has been submitted. It is hoped that the outcome of both these additional requests will be known shortly. No allowance for this growth is as yet included in the College's financial forecasts.

Mr Jarvis updated Governors on the major redevelopment project confirming that the final grant confirmation has been obtained from the Solent LEP and a formal funding agreement has been signed. A loan agreement with Lloyds has now arrived and is in the process of being scrutinized before signing.

Mr Jarvis drew Governors' attention to the Income & Expenditure account and said a historic £356k surplus at the year-end was now forecast. The cash position was healthy with a forecast outturn of £2682k at the year-end. Mr Jarvis did draw Governor's attention to the Net Current Assets (liabilities) figures, which needed to improve by making a surplus next year and spending less on routine capital expenditure.

ii Safeguarding updates

Dr Edrich explained that there was nothing unusual about the report, however Governors now received more detailed data because of the input of the new Support Learning Manager.

Governors noted the financial aspects and the safeguarding updates in the Governors' Monthly Report, April 2015.

A.11.15 AUDIT MATTERS

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

Mr Jarvis stated that there was nothing outstanding that had not been implemented from the progress report.

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

ii Internal Audit Report, Visit Three 2014/15

Mrs English explained that the visit had looked at four business areas; Learner Numbers Systems, which received an adequate assurance audit opinion, Payroll, which received an adequate assurance audit opinion, Staff Utilisation, which received a substantial assurance audit opinion and Follow-up, which focused on health and safety, business continuity and procurement and payments, which received an adequate assurance audit opinion. There were no significant issues raised with regard to the four business areas tested.

Mrs English went on to confirm that the College had provided robust management action plans in response to the audit opinion and the auditors were now confident that the risks would be mitigated in the future.

Governors noted the Internal Audit Report Visit Three 2014/15.

iii Annual Internal Audit Plan 2015/16 and strategic internal Audit Plan 2015-2018

Mrs English stated that the report reviews the College's needs and recommends the strategic audit plan covering the next three years and the detailed plan for the coming year. The report is prepared in accordance with the Public Sector internal Audit Standards and the audit strategy and annual audit plan must be approved by the governing body on the recommendation of the Audit Committee.

She went onto explain the role and scope of the internal audit, highlighting management responsibilities and those of the internal audit. She confirmed that in consultation with the Finance Director, no changes had been made to the plan proposed by Southern Internal Audit.

Mrs English informed Governors that as a result of the audit needs assessment; the College's audit needs require an internal audit plan of 33.25 days in 2015/16. The work will be carried out in three visits over the course of the academic year.

Mr Jarvis felt that in terms of risk areas, the rolling plan was sensibly structured and clearly met the needs of the College.

Mr Parmley asked whether sufficient time had been allocated in the rolling plan to the area of Capitol Project Management and Evaluation.

Mr Jarvis responded by saying that he felt that the two days identified for 2015/16 was enough, with the flexibility of allowing for more time in 2016/17 if required. He proposed looking at this after receiving the outcome of first audit report in 2016.

ACTION: RJ

Governors noted the annual internal audit plan 2015/16 and strategic internal audit plan 2015-2018.

iv External Audit Plan – financial year 2014/15

Mr Jarvis reported that the plan was standard in its content. He drew Governor's attention to Baker Tilly's timetable and communication plan and the key risks, which they have identified as possibly affecting the audit plan.

He made particular reference to the Capital development strategy, informing Governors that as part of the project planning an estimate of the capital receipts for the Desborough road site had been obtained, which showed that the market value is lower than the current book values. As the final decision on phase two of the development is not expected to have been received at the year-end, the conditions for an impairment review will not have been met. This situation will need to be revisited at the year-end to ensure that there have been no changes indicating an impairment charge is required. Mr Jarvis has spoken at length to the auditors about what the entries will be and the appropriate timing of the impairment, so that they are comfortable with what the College are doing. The plan if implemented is to impair the Desborough road site by £700k in 2015/16 as a one-off book entry.

Governors noted the external audit plan – financial year 2014/15.

A.12.15 RISK MANAGEMENT

i Risk Management Board minutes, 11 May 2015

Mr Jarvis 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 discussed. He highlighted a risk identified at the ILT Strategy Planning Group meeting in March associated with the withdrawal of support for the College's MIS system and transfer from the current system to a new system. He reported that there is now a structured project plan in place to replace the MIS system.

Mr Jarvis informed Governors that the RMB had reviewed the Risk Management Self Assessment Review, the College's appraisal of Risk Management and that the underpinning evidence indicated that the Risk Management at the College was robust.

The RMB also considered the annual review of effectiveness of systems of internal control, the formal process with which the RMB reports annually to the Audit Committee that feeds into the year-end financial statements.

Mr Jarvis reported that the RMB also looked at the training needs and procedures in order to maintain risk management awareness and prepare the training plan. He confirmed that risk management training was up to date for all managers.

Mr Jarvis concluded by saying that the RMB looked at the internal audit report from visit three 2014/15.

Governors noted the minutes of the Risk Management Board meeting held on the 11 May 2015.

ii Risk Register

Mr Jarvis reported that the Risk Register was now up to date following all the amendments that occurred at the RMB meeting in May 2015.

Governors reviewed the Risk Register.

iii Risk Reduction Plan

Mr Jarvis reported that the Risk Reduction Plan was now up to date following all the amendments that occurred at the RMB meeting in May 2015.

Governors reviewed the Risk Reduction Plan.

A.13.15 DATE OF NEXT MEETING

Wednesday 11 November 2015 commencing at 1700 hrs

Review of operation of Committee

Internal Audit Report annual report

Internal Audit Report – visit one 2015-16

Progress report on implementation of recommendations of previous audit reports

External Audit Progress re 2014-15 closure and associated audit report

External Audit management report

Fraud Risk assessment

Audit Committee annual report to the Board

Approve procedure for appointment of external and internal auditors 2016-17

Risk Management Policy – to approve

Review Risk Management

Feedback on External Audit liaison with Southern Internal Audit Partnership

Governors' Monthly Report – updates re Financial aspects and Safeguarding

Governance SAR

Governance Risk Management

A.14.15 PART 2 OF THE MEETING (without SMT)

Dr Edrich 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 was given the opportunity to raise concerns with Governors over the audit process. There were no issues raised.

There being no further business, the meeting closed at 1755 hrs.