

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
WEDNESDAY 8 JUNE 2016 AT 4.00 PM
IN ROOM D04 AT THE ISLE OF WIGHT COLLEGE

Present:	Mrs Jessica Garbett	Chair
	Dr Nick Sinnamon	Vice Chair
	Prof Nigel Hastings	Governor
	Mr Mike Hosking	Governor
	Mrs Sheila Paul	Governor
In Attendance:	Mrs Debbie Lavin	Principal
	Mr Peter Thompson	Assistant Principal
	Tracy Bull	College Accountant
	Brian Bowker	Clerk to the Corporation
	Ms Iona Bond	Southern Internal Audit Services
Apologies:	Mr Graham Cooper	

ACTION

54/15 DECLARATIONS OF INTEREST

There were no declarations of interest.

55/15 APPROVAL ON THE NON-CONFIDENTIAL MINUTES OF THE MEETING OF THE MEETING OF 11 FEBRUARY 2016

The minutes were APPROVED as a true record of the meeting.

56/15 MATTERS ARISING FROM THE MEETINGS OF 11 FEBRUARY 2016

It was noted that the two Matters Arising had been addressed or were on the meeting agenda.

57/15 RISK MANAGEMENT POLICY REVIEW

The Assistant Principal (Resources, Finance & Communications) reminded Members that the Corporation is required to monitor the College's Risk Management Plans and Registers. He stated that the register is subject to termly review by management and has been completely revised over the last academic year to address the needs of the Board Assurance Framework (BAF).

Members considered the policy in detail and suggested a number of amendments. These included amending the heading for section 3 and dividing it into the role of the Corporation and the role of the Audit Committee; amending 3(iii) to include an introduction "*Ensure there is an effective system to ...*" and review and revise paragraph 7b.

The Chair referred to section 5(ii) and the need for the Committee to consider the Risk Register at each meeting and recognised that the schedule was now back on track following the extensive revisions to the Risk Register. The Assistant Principal was then asked to subject the policy to a thorough review and revision for the June 2017 Audit

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Committee meeting.

The Committee RECOMMENDED the Risk Management Policy to Corporation for approval and asked for a review and revision of the policy by June 2017.

58/15 RISK REGISTER: BOARD ASSURANCE FRAMEWORK

The Assistant Principal (Resources, Finance & Communications) reminded Members of the significant review and revision that had taken place with the Risk Register, carried out in conjunction with the support of the internal auditors. Following this review, the register now aligns more visibly with the new College Strategic Plan; incorporates the model of three lines of assurance (department/College/independent); better reflects and accounts for the cause and effect of risk and focuses upon the levels of controls, thus eliminating unnecessary bureaucracy inherent within existing documentation. Members noted that many of these recommendations are directly referred to in the Baker Tilly document (Board Assurance: A Toolkit for Further Education Colleges). He added that the recent local Area Review process had also been considered during the review and revision of the register.

A rigorous debate ensued and a number of questions were asked including; risks associated with students failing to achieve Maths and English; overruns and overspends on major capital projects; over optimistic recruitment forecasts and the residual/inherent risk ratings relating to health & safety risks. The Assistant Principal was then asked to take Members through the orange rate risks identified in the register and he did so in detail and responded to Members' questions to their satisfaction.

Members thanked the Assistant Principal and his team for their hard work in developing the framework and producing an excellent document.

The Committee RECOMMENDED the Risk Register to Corporation for approval.

59/15 INTERNAL AUDIT VISITS 2015/16

The internal audit representative introduced the report and explained the exceptional circumstances leading to the presentation of three documents at this meeting. She stated that three management responses were sought from visit 1; five from visit 2 and five from visit 3 and all areas audited were given adequate assurance, with the exception of insurance which received a substantial assurance. The internal audit representative stated that she was very pleased to report that issues identified in the audit visits are addressed and rectified very rapidly by the College. She added that the "follow-ups" consistently showed the College's commitment to responding to audit issues.

Members asked the Assistant Principal how action points were logged to ensure completion. They were informed that issues identified are recorded separately in the audit log to ensure their resolution and are presented to the Committee for monitoring. He added that there were no disputes on the internal audit option and all actions detailed in the management response were considered by the auditors as sufficient to mitigate future risk.

Members noted that some of the areas audited are challenging to manage, for example work placements and were pleased to see such positive audit outcomes.

The Committee CONSIDERED the reports.

60/15 INTERNAL AUDIT PLAN 2016/19 AND ANNUAL INTERNAL AUDIT PLAN 2016/17

The Assistant Principal (Resources, Finance & Communications) informed Members that the report is an update of the plan previously agreed with the Audit Committee and reflects the agreed priorities for the coming year, namely governance and management planning (Area Review; partnerships; business continuity; international; financial monitoring and learner support funds).

The Assistant Principal was asked if he was confident that the College IT infrastructure is robust for withstanding attack given the external auditors' reference to this as a potentially vulnerable area. He responded that the College has a very experienced IT team and robust systems are in place but all organisations are vulnerable to cyber-attacks.

The internal audit representative informed Members of a checking system that she could provide details of and added that the option is there to revise the current audit plan, if required.

A question was asked regarding the removal of "staff utilisation" given the College's current financial position and the impact of staffing costs. The Principal responded that this is an area that is rigorously managed and monitored by the College and she was confident about removing it from the audit plan.

The Committee RECOMMENDED the Internal Audit Plan to Corporation for approval.

61/15 ACCOUNTING POLICIES

The College Accountant took Members through the report and drew attention to the significant changes this year, as the College moves to international reporting standards, adopting FRS102. She then took Members through a summary of the seven key differences and informed them that draft accounting policies had been prepared and sent to Baker Tilly Audit Limited for review.

Members asked a number of questions on the revised arrangements including, re-evaluation as deemed cost, leasing arrangements and impairment issues. Questions were also asked on the 6form and any impairment implications and E Block and any associated issues resulting from a sale of that building. The College Accountant gave a detailed response, to the satisfaction of Members, and identified no substantive issues. The College Accountant was asked to report informally on base cost of E block viz the target sale price to avoid an impairment.

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The Committee RECOMMENDED the accounting policies to Corporation for approval.

62/15 EXTERNAL PLANNING AUDIT MEMORANDUM 2015/16

The Assistant Principal (Resources, Finance & Communications) informed Members that the plan covers the 2015/16 audit that will take place in August and October 2016. The initial visit is a "file planning visit" and the visit in October will be the traditional audit of the accounts. He also informed Members that the College has been asked to complete an update SARQ as part of this process and this will be prepared and approved at SMT prior to the visit.

A question was asked regarding “going concern” matters and the College Accountant said that the audit would be more rigorous in this area next year. Members then considered the proposed plan in detail and questions were asked regarding impairment, net book value and job evaluation accrual.

Additional questions were asked on emerging issues and the outcome to VAT challenges on capital projects and the Principal responded that the College had made the decision not to reclaim the VAT originally incurred. The Chair thanked the College Accountant for all her work in this demanding area of activity.

The Committee RECOMMENDED the External Audit Planning Memorandum 2015/16 to Corporation for approval.

63/15 FINANCIAL REGULATIONS/PROCEDURES

It was noted that Members had not received their emailed copies of the Financial Regulations and it was agreed that these would be sent out following the meeting for consideration by the Clerk. The Assistant Principal (Resources, Finance & Communications) outlined the proposed changes to the Financial Regulations and, following discussion, it was agreed that Members would review the changes and respond to the Assistant Principal.

Clerk

The Committee RECOMMENDED the Financial Regulations/Procedures to Corporation for approval subject to Members’ responses to the emailed document.

64/15 AUDIT ISSUES LOG

The Assistant Principal (Resources, Finance & Communications) took Members through his report and drew particular attention to the action points arising from internal audit visits 1, 2 and 3. He stated that there are 37 action points covered in the latest audit log and that 16 specific audit recommendations are fully completed and will now be removed. 13 of the 37 action points are related to internal audits completed in-year (2015/16). Under the remaining action points 13 have not yet passed the target date for completion. 4 key action points have not been concluded by the original target date and additional actions will be required to resolve these issues. In each instance the delay is caused either by staffing or by financial capacity.

Members noted that the internal auditors have concluded that, based on the audit evidence obtained, all management actions arising from the original audits have been implemented relating to medium and high priority actions.

The Chair then asked for the Assistant Principal to take Members through the orange rated audit log items and these were considered in detail and the Assistant Principal addressed all questions satisfactorily.

65/15 REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT SERVICE 2015/16 – Confidential minute

66/15 REVIEW OF PERFORMANCE OF EXTERNAL AUDIT SERVICE 2014/15 – Confidential minute

67/15 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee CONSIDERED the Audit Terms of Reference and recommended them to Corporation for approval.

68/15 EVALUATION OF COMMITTEE EFFECTIVENESS

The Committee reviewed their performance during 2015/16 against the Terms of Reference for the Committee. Following discussion it was agreed that the Committee had performed very effectively during the course of the 2015/16 academic year.

Members CARRIED out a self-assessment exercise on Audit Committee performance in 2015/16.

69/15 AUDIT COMMITTEE MEETING SCHEDULE 2016/17

The Clerk informed Members of the dates for meetings during the next academic year and it was noted that the Committee had reverted to a four meeting schedule for the year.

70/15 DISCUSSION WITH AUDITORS WITHOUT MANAGEMENT PRESENT

It was noted that there were no discussions required.

71/15 ANY OTHER BUSINESS

There were no items of any other business.

72/15 DATE OF NEXT MEETING

Wednesday 12 October 2016 at 4pm – 5.30pm. Room to be confirmed.

Date: _____ Chair: _____

MISSION STATEMENT
Putting Students First
Working for Employers
Supporting our Community