

## MINUTES

### *Audit & Governance Committee No 2*

Date: *10/02/2015 (Tuesday)*

Time: *18:00–20:00*

Venue: *Rural Business Centre*

Committee: *Audit and Governance*

Notes: *Refreshments will be available from 5.30pm*

Present: *Adrian Boreham, Gerry Corless, Jean Yates, Jessica Moore and Jolyon Dodgson (Chairman)*

Attending: *Ann Turner (Principal) and Jennifer Eastham (Deputy Principal)*

Clerks: *Ron Matthews (Clerk) and Susan Whiteside (Deputy Clerk)*

Guests: *David Fletcher (Internal Auditor)*

Apologies: *Anna Spencer Gray (External Auditor), Garry Payne, Ishwer Tailor (Co-opted Member) and Roger Davies*

## **Public Minutes**

Item number:      Item description:  
(and category)

**01.15**                    ***Attendance of College Management Staff and Internal Audit Representative***

**Decision**

Section 8.1 of the current Constitution and Terms of Reference for the Audit & Governance Committee states:

*“The Principal or some other senior manager who is responsible for the College’s internal control and a representative of the Internal Auditors shall normally attend meetings at the invitation of the Committee, and the Committee shall have the power to invite such other persons to attend meetings as may be desirable or necessary.”*

**Resolved:**

**That College Management Staff and the Internal Audit representative attend the meeting.**

**02.15**                    ***Apologies for Absence***

**Record**

Apologies for absence were received from Garry Payne and Ishwer Tailor. Jessica Moore was not in attendance at the meeting.

**03.15**                    ***Public Minutes of Previous Meetings***

**Decision**

Resolved:

**That the public minutes of meeting number 1 held on Tuesday 4 November 2014 be signed as a true and correct record.**

**04.15**                    ***Declarations of Interest***

**Record**

Committee members were asked to declare any interests they may have in respect of the items on the agenda. No declarations were received.

**05.15**                    ***Internal Audit Report – December 2014***

**Consultation**

Consideration was given to Internal Audit Report:

**Capital Projects (Tendering and Contract Management) Skills and Foundation Learning Centre**

An audit of the College's tendering and contract management controls for the construction of the Skills and Foundation Learning Centre

(referred to as the 'Skills Building') was undertaken as part of the approved internal audit periodic plan for 2014/15.

The audit was designed to assess the controls in place to manage the objective, to ensure the College's capital development programme was delivered on time and to budget whilst maintaining compliance with procurement regulations. The risk being, capital funds not controlled and costs exceeding budget.

No recommendations were made. Some good practice was identified during the audit and information was provided on 'pitfalls' or areas of concern identified at other organisations which were of interest to the College.

A question was directed to the internal audit representative concerning Board oversight of projects concerning Governor attendance at operational project meetings which would provide first hand assurance over the management of projects. This was noted as practice in some colleges in the Internal Audit Report. The response, and agreement from round the table, acknowledged that in some Colleges this may work well but for Myerscough where there is an ongoing Capital Development Plan and an experienced team in place with a track record of delivery to targets and timescales, increased oversight was not considered necessary. Should situations change increased oversight could be considered but Governors would need to bear in mind the Boards requirement for collective decision making on any assurance, and be aware that their role remained one of oversight rather than management.

### **Internal Audit Follow Up Report**

As part of the approved internal audit plan for 2014 / 15 a review had been taken to follow up progress on implementation of previous internal audit recommendations:

Internal audit found 10 of the 18 recommendations (2 medium and 16 low) had been implemented. Of the 8 outstanding 7 were ongoing and 1 which not been implemented was confirmed at the meeting as no longer applicable. The areas considered were:

- **Risk Maturity** – This concerned detail around links to strategic aims and recording mechanisms;
- **Human Resources Health Check;**
- **Student Journey to the end of term 1;**
- **Student Records 16-18 Classroom-based funding;**
- **Higher Education – Strategy Review and Student Numbers** - The final stage of the recommendation was in progress.

There were some differences concerning College tracking of progress on the recommendations and internal audits findings. Audit & Governance Committee questioned the discrepancy and received assurance that recommendations had been carried out and staff training had taken place around the administrative functions where students moved between courses at different and same levels. The internal audit checks had exposed some errors so the status of the items was reopened whilst staff retraining and other solutions were implemented. In response to questions it was confirmed these low priority items had no impact on funding or legality and were described as internal housekeeping. For further assurance Members noted the recent SFA audit which confirmed College compliance. Audit & Governance Committee noted management would continue to monitor these areas.

Audit & Governance Committee sought clarification on the relationship between the Human Resources and Continuing Professional Development (CPD) departments linking to internal audit findings and a recommended amalgamation. Amalgamation was not currently a priority as wider College strategic discussions concerning these areas were taking place. Developments to the College's Intranet system were underway, whereby staff would be able to self-monitor their CPD as part of improving the coordination and monitoring of mandatory training. It was confirmed Internal Audit were interested in outcomes from their recommendations rather than an exact delivery model. Audit & Governance Committee noted the strategic discussions and wished to be kept informed.

### **Internal Audit Progress Report**

Following on from the discussions on the Follow Up Report (previous item) Audit & Governance Committee noted the items not yet signed off were listed in the Progress Report which fed back on Baker Tilly's progress against the Internal Audit Plan for 2014 / 2015.

The field work for the Information Technology Control Environment Assessment had recently been completed and a draft report issued to Management. This would be submitted to the April meeting of the Audit & Governance Committee.

Other audits scheduled to commence 9 March 2015 concerned:

- Student Bursaries
- Student Records – Additional Learning Support
- Income generation

### **Resolved:**

**That Audit Committee received and accepted the above Internal Audit Reports.**

06.15

***Internal Audit Benchmarking Report***

***Decision***

The report provided a benchmark to self-assess against similar establishments who accessed Baker Tilly internal audit services for 2013 / 2014

The report indicated Myerscough had fewer recommendations in the medium and high priority range but above average in the low priority range.

This was the first year of receiving this report, future reports would indicate trends. The low priority recommendations largely related to developmental work around risk management and Human Resources. Developmental work does tend to produce low priority recommendations. Management reported the internal audit experience as a useful tool to look externally at good practice and implement such so demonstrating value.

**Resolved:**

**That Audit Committee accepted and approved the internal audit progress report and summary report dated December 2014**

07.15

***Internal Audit Progress Report and Summary Report incorporating I A Report Dec 2014***

***Consultation***

The Committee considered the report of the DP Finance & Funding which indicated that of the 25 actions 14 were implemented, 0 were outstanding, 10 were ongoing and 1 was no longer applicable. 2 of the actions dated back to 2013.

The report linked to Baker Tilly's Follow Up and Progress Reports regarding the 2014 actions where discussions had taken place at item 5.15 on the various actions.

The report confirmed the action for further staff training and ongoing testing on the administration of student transfers and the removal of the action concerning student signatures on transfer paperwork as this was not a SFA requirement and the electronic individual Learning Plans (eILP) were not configured to record signatures but could record a note of the transfer.

**Resolved:**

**That the Internal Audit Progress Report and Summary Report incorporating Internal Audit Report December 2014 be received.**

**08.15**

***Risk Management Summary Plan 2014 / 2015***

***Decision***

Consideration was given to the Risk Management Summary Plan 2014 / 2015 which focused on the key risks on the Risk Register. There were no new risks added and changes were highlighted.

The major concerns and most changes related to funding risks. Scores had not changed, additional comments had been added to notify Committee of Management actions.

In their consideration of the report and following consultation with management and debate Audit & Governance Committee recommended:

- Risk 1c Failure to maintain / increase HE funding, raise the effect from 3 to 4.
- Risk 5b Unable to continue activities from other centres, as leases not available for renewal at economic rate, raise the likelihood up to 4.

In their consideration of the Funding Risk, Failure to maintain / increase SFA FE classroom funding, Audit & Governance Committee were referred to the Risk Management Policy which indicated at what financial level risks should be categorised as severe. The risk was considered in light of its effect on the organisation and it was agreed to leave it as submitted, likelihood 5 and Effect 2.

**Resolved:**

**That Audit Committee approved the Risk Management Summary Report 2014 / 2015 subject to the above recommendations.**

**09.15**

***Review of the Performance of the Financial Statements Auditors for the Financial Year ending 31 July 2014 and the establishment of Annual Performance Indicators for the following year.***

***Decision***

Members gave consideration to College Management's formal assessment of Baker Tilly's performance against performance indicators set for 2013 / 2014 and noted all areas were considered to be satisfactory. Audit Committee recommended the same performance indicators be set for the year ending 2015.

Members gave consideration to the Baker Tilly Quality of Service Questionnaire completed by College Management and noted that out of seven questions four received the highest score of 5, two received a score of 4 and the remaining question was not applicable.

**Resolved:**

- i. That the performance assessment of the Financial Statements Auditors for the financial year ending 31 July 2014 be agreed
- ii. That the same performance indicators for the year ending 31 July 2015 be recommended
- iii. That the Baker Tilly Quality of Service Questionnaire be agreed.

**10.15** *Appointment/Reappointment/Dismissal and Remuneration of the Financial Statements Auditors for the Financial Year ending 31 July 2015*

**Decision**

*This item was considered at the end of the meeting*

Following a tender process and recommendations from the interview panel and Audit Committee, Corporation had resolved that Baker Tilly be re-appointed as the supplier of an external audit service to the College for a four year period commencing with the audit of accounts for the year ending July 2015 at a price of £18,950 excluding VAT subject to an annual review.

Audit Committee was satisfied with the external audit service for the year ended 2014 and agreed to commence with the current contract for the 2014 / 2015 accounts as the first year of their four year appointment.

**Resolved:**

**That Baker Tilly be reappointed to undertake the audit of the accounts for 2014 / 2015**

**11.15** *Data Returns Report*

**Consultation**

*This item was considered after 8.15*

In compliance with the financial memorandum Audit Committee gave consideration to the Data Returns report noting the completion on time of the statutory data returns required by the relevant authorities.

**Resolved:**

**That the Data returns Report be received.**

**12.15** *Skills Funding Agency Audit*  
**Consultation** **SFA 13/14 Data Errors Declaration**

Prior to Christmas, the majority of Colleges had received a communication from the SFA informing them that there may be some data in the final ILR return for 2013 /14 that may not be coded correctly. They had advised that the main issue they wanted to highlight was the importance of accurate data.

Colleges were asked to further review the data set provided and submit a further declaration, stating either:

(i) Following our checks on learner eligibility, we believe our data to be accurate so the funding we claimed in the Final Funding Claim is correct and no further action is needed. Evidence is available to support this statement if needed.

OR

(ii) Following our checks on learner eligibility, we believe that there were errors in our submitted data so the funding we claimed in the Final Funding Claim is incorrect to the amount of £xx. Evidence is available to support this statement if needed.

The Agency would then review all the information submitted and confirm whether any further action was necessary on a case by case basis.

Following a review of Myerscough's data and due to the fact that College had already been subject to an SFA audit on the data set, a response was submitted (including evidence) within the required timescales advising as in (i) above all was correct and no further action is needed.

Audit & Governance Committee noted that there had been criticism within the sector concerning the SFA communication which had resulted in press coverage and issue of a Freedom of Information request to the SFA.

**Resolved:**

**That the Management response indicating no further action was required as claims had been accurate be noted.**

**13.15** *Subcontractors Arrangements*  
**Consultation**

Audit Committee gave consideration to the report of the Deputy Principal, Finance and Funding, regarding the current level of Subcontracting for 2014 / 2015 which was issued to Committee as prescribed by the funding body and as a matter of good practice to allow scrutiny and assurance to members of quality management in this area of delivery. Monitoring of the various activities and level of activity



contributes to the Board's assurance framework.

The appointment of subcontractors was the responsibility of management and the necessary due diligence checks took place before allocation of contracts. Once appointed close monitoring of the provision continues which includes lesson observations.

In response to questions it was confirmed that the trend for Sub-contracting arrangements was increasing, with current numbers around 300. Subcontracting fulfilled a number of College objectives which included responding to local demand from NEET groups, progression opportunities, links to deprived and local communities, education of young offenders, and response to sector demand. Some of the Veterinary Nursing links were long established.

The level of subcontracting against the EFA funding allocation was at 10%. College has undergone scrutiny and has received permission from the EFA for this level of activity.

Audit Committee noted that subcontracting was listed on the risk register as a 3 : 3.

**Resolved**

**That the Subcontractors Arrangements Report 2014 / 2015 be received.**

**14.15**  
**Consultation**

***Money Laundering Inspection***

The Committee was advised that a Money laundering Inspection by HMRC would take place on Wednesday 25 February 2015.

This would involve one inspector for one day looking at :

- Cash payment Procedures
- Aspects of use of the College's registered address as used by the College and by others based on the College site.
- The controls around international students at the College.

It was confirmed The DP Finance & Funding did not know of the College ever having had such an inspection and indeed any other College. She had been informed that Myerscough had been selected at random for a spot check.

**Resolved :**

**That the forthcoming money laundering inspection be noted**

**15.15** ***Compliance Monitoring Inspections of RDPE funded NW Livestock Programme Projects 5 and 6.***

***Consultation***

In November, the final audits of the above projects were carried out by the Rural Payments Agency (RPA) inspector. Some minor points were highlighted, and the overhead methodology, which had previously been agreed, was flagged as a query.

Audit & Governance Committee noted discussions were on-going as Management and RPA sought agreement of the overhead methodology.

**Resolved:**

**That Audit & Governance Committee noted the activities concerning the Compliance Monitoring Inspections of RDPE funded NW Livestock Programme Projects 5 and 6.**

**16.15** ***Corporation Vacancies and Recruitment***

***Decision***

**Governor Tony Hindle**

The second four year term of Office of Tony Hindle was due to end on 30 September 2015, at which point Tony would have to retire from the Corporation. As Tony would be unable to attend his September meetings due to other commitments he wishes to retire from the Corporation from 31 July 2015 and so allow a new appointment to be made in time for the 2015 / 2016 academic year.

Audit & Governance Committee agreed to inform the Corporation of Tony Hindle's intention to retire from the Board with effect from 31 July 2015.

**Corporation Vacancies and Recruitment**

Audit & Governance Committee was informed that Jolyon Dodgson's second four year term of office would end on 31 December 2015.

The Committee gave consideration to the recruitment of new Governors taking into account the Skills Audit and under representation of women on the Board. The Committee recommended appointing from the land-based industries and made particular note of practical farming expertise. Audit & Governance Committee recommended advertising both positions together utilising different publications to attract potential candidates. This could include notifying the National Farmers Union (NFU), Country Land and Business Association (CLA), Tenant Farmers Association (TFA) and Women's Food and Farming Union (WFU) of the advertised vacancies.

**Resolved:**

- I. **That the Clerk report the forthcoming vacancies to Corporation.**
- II. **That the recruitment process be commended to Corporation for approval.**

**17.15**

***Consultation***

***Corporation Quality Improvement Plan (QIP) 2014 / 2015***

Audit & Governance Committee gave consideration to the updated QIP and noted progress on all areas for improvement.

**Resolved:**

**That progress on the Corporation Quality Improvement Plan for 2014 / 2015 be noted.**

**18.15**

***Consultation***

***Staff Governor Conference Report***

Audit & Governance Committee noted a positive event at the Unison Centre London which had been attended by both Staff governors.

The Staff Governors reported on various aspects of the role of the Staff Governor which included the role, potential training, comparisons with other organisations, shared issues and clarity of appointment in that staff Governors, though appointed by the staff, do not represent them as such but are representative of staff in that they bring expertise from 'the shop floor' to the Board. A main talking point had been how the Board use and value their Staff Governors through the process of Governance of the College.

Overall some good practice at Myerscough was noted with exclusion from confidential items kept to a minimum and in line with the Instrument and Articles of Government.

**Resolved:**

**That the report on the event attended by the Staff Governors be received.**

**19.15**

***Decision***

***Associates***

On an annual basis the Corporation gives consideration to the appointment of Associates.

The list of current Associates together with the role description was provided.

Associates in general are individuals who promote the College but are unable to commit to the role of Governor. In addition individuals who have previously served as a Governor and have retired after a full term of office have been considered for the role of Associate twelve months following their retirement. Douglas Chalmers now falls into this category.

The term of office of Associates is four years and the majority of those on the list are now coming to the end of their current term of office.

**Resolved:**

**That Corporation be asked to confirm that**

- i. **That the term of office of the current Associates be renewed for a further period of 4 years.**
- ii. **That former Governor, Douglas Chalmers be invited to take up the position of Associate.**

**20.15**

***Away Event 2015***

***Consultation***

Audit & Governance Committee received the note on the outcomes of the Away Event prepared by the Clerk and noted identified actions were being implemented.

**Resolved:**

**That the report of the Clerk on the Away Event be received.**

**21.15**

***Draft English Colleges Code of Good Governance***

***Decision***

A draft of the revised English Colleges Code of Good Governance had been circulated by the Association of Colleges for consultation. This had been presented to Corporation at its December meeting, *minute 100.14 refers*. Members had been asked to pass any comments to the Clerk for inclusion in the College response.

Responses to the consultation were required by the 5 March which was prior to the next Corporation meeting. Corporation had therefore delegated to the Audit and Governance Committee the authority to respond on behalf of the College.

Audit & Governance Committee gave consideration to the draft response to the questions raised prepared by the Clerk.

In their discussions members noted the need and indeed wished to develop a system for individual governor appraisals. This was being considered by the Chairman and Vice Chairman, it was requested

proposals be submitted to Audit & Governance Committee for consideration.

**Resolved:**

- i. **That a Governor Appraisal proposal be submitted to a future meeting of Audit & Governance Committee.**
- ii. **That the College response to the consultation on the English Colleges Code of Good Governance be agreed as submitted.**

**22.15**

***Consultation***

***Governors Training Event Tuesday 10 March 2015***

Audit & Governance Committee gave consideration to the Training event scheduled for 10 March 2015.

In line with previous discussions it was agreed the event would focus on the management of Risk in the College, explanations around risk appetite and how the Board receives assurances. Baker Tilly and the DP Finance & Funding are asked to present so providing the College stance and external view point.

It was requested that the presentations include opportunities for some interaction amongst members.

**Resolved:**

**That the Governors Training Event being held on Tuesday 10 March 2015 focus on Risk.**

**23.15**

***Record***

***Next Meeting***

The next meeting of the Audit & Governance Committee will be held on Tuesday 21 April 2015 in the Rural Business Centre with a buffet from 5.30pm. The meeting will commence at 6pm and the closing date for agenda items is 31 March 2015.



***Strictly Confidential Minutes*** (no items available)

Chairman: Jessica Moore and Jolyon Dodgson

Signed:

Date: