

# AUDIT COMMITTEE

WEDNESDAY 7 OCTOBER 2015



GATESHEAD COLLEGE

**Report:** Minutes of the meeting held on Wednesday 24 June 2015

**Author:** Clerk

**Action:** Approve

**Status:** Open

**Present:** Chris Macklin (Chair)  
Darren Heathcote  
Neil Weddle (Co-optee)

**In attendance:** Judith Doyle  
John Holt  
Emma Moody (Clerk)  
Claire Leece (Baker Tilly)  
Karen Finlayson (PWC)  
Laura Hutchinson (PWC)  
Suzanne Clark

## A/548 Welcome/Apologies

The Chair welcomed members to the meeting. No apologies were received.

There were no conflicts of interest to be declared at this stage. Members were reminded to declare any conflicts that arose during the meeting.

## A/549 Minutes of the last Meeting held on Wednesday 4 February 2015

The minutes of the meeting held on Wednesday 4 February 2015 were agreed as a correct record, save for the following amendments:

The Principal advised that under A/544 on page 3 it was the Chair of the Committee who shared information relating to Sunderland's education strategy and not the Chair of the Corporation.

Claire Leece advised that under A541 on page 2, paragraph 4, the College would need to consider impairments should there be a decision to revalue the buildings.

## A/550 Matters Arising

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## A/551 Internal Audit Report – Governance and Organisational Structure

Laura Hutchinson presented the report.

Report shows a low risk which is similar to previous reviews carried out. The new quadrant model was reviewed and findings were positive. It was reported that under

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the new quadrant arrangements KPIs are communicated well. The low risk rating relates to the recording of actions. There is currently no action log kept so there was a recommendation that either an action log be implemented or to begin adding a section on the minutes to record actions.

The Advisory Risk identified related to the inclusion of review dates within the Terms of Reference and it was recommended that the Terms of Reference for each Committee should be reviewed at least annually.

The Chair advised that an action log has been proposed and shared with the Principal. A brief will also be shared with the Chair of each Committee so they understand the number of members needed to make a meeting quorate and what to do in the event of a conflict of interest.

***The report was noted.***

### **A/552 Internal Audit Report – Curriculum Planning and Budgeting**

Laura Hutchinson presented the report.

The group were advised that this was a low risk report overall. The report details two findings, one of medium risk and one of low risk.

Positive findings include the detailed guidance available, an automated process which removes the risk of human error. Findings support that budgets are reviewed frequently.

The medium risk finding is in relation to course requests and business plans. During the audit a sample of 25 requests were checked and 8 of these were not approved. There had been no formal sign off.

The low risk finding related to the process for obtaining formal approval prior to the submission of courses. There is currently no formal sign-off. LH added that there are mitigating factors as to why this does not happen and although there is no formal sign off plans are discussed in detail and plans are presented to the Leadership Team.

The Director of Finance advised that efforts are focused on where areas have a lower contribution. The Chair asked that the recommendation be picked up as agreed to give a cross cut picture across the organisation.

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### **A/553 Internal Audit Progress Report**

Karen Finlayson presented the report.

It was reported that the terms of reference have been agreed in relation to reviews outstanding which will take place in June / July 2015. Everything is progressing well and there are no major high risk issues.

The Chair asked whether there was confidence that the timescales will be met. KF confirmed that this is the case.

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The Chair asked if this would impact on the work of the People Committee. It was confirmed that this would not have an impact. Claire Leece confirmed that she is happy with the timelines in place.

***The report was noted.***

### **A/554 External Audit Plan 2015**

Claire Leece presented a report on emerging Issues and financial reporting developments.

The group were advised that this report is not specific to Gateshead College. It highlights issues affecting all those across the sector. CL added that she was happy to take questions if there were any specific areas of interest.

The Chair suggested reviewing the paper at the Corporate Services Committee to ensure that members are up-to-date with issues affecting the sector. CL confirmed that she is happy for this to happen. The Director of Finance agreed that the Corporate Services Committee would find this useful. The report puts into context some of the proposals being considered currently. The Principal added that it would be useful in terms of the budget setting process currently taking place.

A member highlighted the section in the report relating to pension schemes. It was acknowledged that technical changes can have the biggest impact when calculating scheme costs.

**Action: DOF to share the report with the Corporate Services Committee.**

***The report was noted.***

Claire Leece presented the Audit Plan report.

It was reported that there are no major changes planned to the audit approach. A plan is in place to sign off financial statements in December 2015. A draft outline of the timetable is detailed within the report. Dates are to be firmed up. It is planned to review income recognition including the Foundation and subsidiaries.

A member asked about the appropriate assumptions referred to in the report. CL confirmed that they benchmark against other organisations when agreeing these. The FRS 17 report will provide the committee with a guide for assumptions.

CL added that the College's financial health becomes more of a key area given current challenges facing the sector.

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CL reported that she is due to meet with the Director of Finance to agree the fee proposal. The Chair asked if this will be concluded quickly. CL confirmed that it would.

CL asked whether the group were aware of anything which should be brought to the auditor's attention in relation to fraud. The Chair confirmed that there was nothing.

CL asked whether there were any risk areas that the College wanted to raise. The Chair asked about the current threshold. CL confirmed that the previous year was set

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at £5000. Errors reported back were in relation to credit / debit balances. CL asked if the group would like to consider raising the amount. The Chair asked whether there was a norm in the sector. CL responded that given the adjustments were so minimal previously this is unlikely to have an impact. The Chair suggested leaving it as it is currently the Group agreed this approach.

It was confirmed that the timelines would be confirmed once the fee proposal was agreed by the Director of Finance / CL. The Chair asked if there is a date planned. CL responded that she would look to meet with the Director of Finance during the current week to resolve.

***The report was noted.***

### **A/555 Risk Management Plan**

**The report and the discussion 'are closed to the public' until such time as they are no longer commercially sensitive**

### **A/556 Follow up of Audit Recommendations**

The Director of Finance presented the report.

It was reported that the Director of Finance has more confidence with the management of the debt process. The schedule for testing of the IT Disaster Recovery process has been extended. A member suggested that the target date for this item be updated to ensure that the group can be satisfied that actions are being taken forward. Work is on-going to review the Learner Agreement form. Progress is being made in relation to the College's CSR strategy. Work has commenced to record all fixed assets, this has started at the Team Valley campuses.

The Chair asked that suggestion relating to adjustment of target dates be taken forward.

**Action: Director of Finance to update revised completion dated within the report.**

***The report was noted.***

### **A/557 Any Other Business**

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The Chair advised that if the Director of Finance needs any support during the summer NW is contactable in his absence.

The Principal added that ESF / SFA audit which was completed earlier in the day has had a very positive outcome. The audit focused on 2011/12 data. A sample of 60 learners was taken, 30 classroom based and 30 work based learning. 100% compliance was reported from this and the audit team shared that Gateshead College are the first provider to achieve this. Any errors could have resulted in a significant financial impact with the ESF claiming back funding received.

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**A/558 Date of next meeting**

The Clerk advised that the date of next meeting is to be confirmed. The schedule of meetings for 2015/16 is being finalised currently. There will be a meeting of the Audit Committee in October. The schedule will be circulated soon with meeting planners.