

**Minutes of a Meeting of the Audit Committee
Wednesday 02 December 2015**

Present	Ms L Graves (Chair) Mrs C Ajit Singh
Also present	Ms M Semple (Principal) Mr M Cooper (Executive Director Funding & Finance) Mr M Patel (College Accountant) Mr R Shaunak (MacIntyre Hudson) Ms S Blakemore (Buzzacott)

The meeting commenced at 1800.

WELCOME, APOLOGIES, & DECLARATION OF INTERESTS

1. Apologies were received from Ms M Izquierdo and Mr J Allen. There were no declared interests against any of the agenda items. It was confirmed that the meeting was quorate.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting held 10 June 2015 (Paper 1) be confirmed as a correct record and signed by the Chair.

MATTERS ARISING

3. There were no matters arising from the minutes.

INTERNAL AUDIT SERVICES ANNUAL REPORT 2014/15

4. The '*Internal Audit Annual Report 2014/15*' was received (Paper 2). The Annual Internal Audit Report confirmed the areas subject to audit were in accordance with the agreed audit plan for 2014/15.

5. The Internal Audit Service (IAS) reviewed and evaluated the college's processes in a number of business areas. From these examinations the IAS concluded that the college has adequate policies, procedures and operations in place to:

- establish and monitor the achievement of the College objectives;
- identify, assess and manage the risks to achieving the College's objectives;
- advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer;
- ensure economical and efficient use of resources;
- ensure compliance with the College's policies, procedures, laws and regulations;
- safeguard the college's assets and interest from losses of all kinds, including those from fraud, irregularity and corruption;

- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
6. The opinion of the IAS is West Thames College has adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.
7. The Committee welcomed the positive opinion expressed within the report and it was **RESOLVED** that the '*Internal Audit Annual Report 2014/15*' be included within the Annual Report from the Audit Committee and be recommended for the approval by the Corporation at its meeting of 16 December 2015.

OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

8. The report on progress made in the implementation of outstanding internal audit recommendations was received (Paper 4). At the 10 June Audit Committee meeting the *Outstanding Audit Recommendation* report included an update of all the recommendations as at that date of which 5 were still work in progress/to be fully implemented. There were 6 further recommendations arising from visits 3 and 4 (audit summary documents presented at the same meeting) making a total of 11 recommendations outstanding at the year-end. Of these 11, 4 were ranked medium priority and 7 low priority. Of the backlog of 5 recommendations, 3 have been implemented, 1 has been partly addressed and is work in progress and one is not yet due.

9. It was **RESOLVED** to note the report.

FINANCIAL STATEMENT & REGULARITY AUDIT POST AUDIT MANAGEMENT LETTERS & FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2014

10. Under this agenda item the Committee received the following reports:
- Financial Statements 2014/15 (Paper 5)
 - Post Audit Management Letter (Paper 6)
 - Letter of Representation (Paper 7)
 - Completed regulatory self assessment document for information only (Paper 8)
11. As required by the Audit Code of Practice, a copy of the College's draft '*Financial Statement and Annual Report 2014/15*' was made available. Whilst the Audit Committee has sight of the full financial statements for reference, the main purpose of the Audit Committee is to review the Statement of Corporate and Internal Control, and Statement of Responsibilities of the Members of the Corporation as well as reviewing and recommending for Corporation approval the '*Post Audit Management Letter*'. The Finance Committee reviews the financial details in the accounts and there were no issues arising from this review that was conducted by the Finance Committee on 25 November 2015.
12. Financial Statement Auditors (FSAs) are required to issue two audit opinions:
- An opinion on the financial statements
 - An opinion on the regularity of financial transactions
13. The financial statements opinion is addressed to the College. The regularity opinion is addressed to the College and the Skills Funding Agency (SFA).

14. The Post Audit Management Letter raised no internal control issues. The financial statement auditor has issued an unqualified report on the 2014/15 accounts.

15. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2014/15.

16. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2015.

17. It was **RESOLVED** that the 'Post Audit Management Letter' and 'Letter of Representation' be included within the Annual Report from the Audit Committee and be recommended for the approval by the Corporation at its meeting of 16 December 2015.

CONFIDENTIAL SESSION

18. Prior to consider its Annual Report to the Corporation, the Committee has the right to go into confidential session without college management being present should the Committee or the Auditors deem it to be necessary. It was confirmed that there was no need to go into a confidential session.

ANNUAL REPORT 2014/15 FROM THE AUDIT COMMITTEE

19. The 'Annual Report 2014/15 from the Audit Committee' was received (Paper 9). There is a requirement in the Joint Audit Code of Practice that states that the annual report of the audit committee is to be written for both the governing body and the Principal as the accounting officer of the College. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

20. The Annual Report must offer an opinion from the Audit Committee to both the Corporation and Principal. The Audit Committee agreed the following opinion:

There are no matters that the committee wishes to bring specifically to the attention of the Corporation Overall, based on the information provided to them by the College; the work, reports and audit opinions of the College's Internal and Financial Statement & Regularity Auditors; and the opinions and assurances received from the Corporation Committees; the Audit Committee's opinion is that that the College's risk management, control and governance systems and its internal processes for securing economy, efficiency and effectiveness at the College are adequate and effective and that the Governing Body should have confidence in relying upon them. The Committee is satisfied that where weaknesses are identified they have been responded to in an appropriate and timely manner.

The Committee is satisfied with the financial reporting of West Thames College and the performance of the internal and financial statement & regularity auditors.

The Audit Committee considers that the Corporation's responsibilities have been satisfactorily discharged and recommends this report to the Corporation.

21. It was **RESOLVED**

- (i) That the Committee approves the '*Annual Audit Report 2014/15 from the Audit Committee*'; and
- (ii) That the '*Annual Audit Report 2014/15 from the Audit Committee*' be made available to the Principal and Corporation at its meeting on 16 December 2015.

MOCK FUNDING REPORT

22. A mock funding audit was conducted by Baker Tilly and the report arising from the audit was received (Paper 10). The report made four recommendations, of which one was of a high priority, two of a medium priority, and four of a low priority. This mock funding audit was in train when the College received notification of the SFA Audit and it had been agreed that the draft recommendations of the mock funding audit would be used to prepare for the SFA Audit.

SFA PROVIDER FINANCIAL MANAGEMENT ASSURANCE REVIEW

23. The SFA carried out a Provider Financial Management & Assurance Review on the College's Adult Skills Budget, 16-18 apprenticeship funding, and 16-19 Education Funding Agency Provision (Paper 11). Arising from the audit was a series of recommendations, the majority of which had no funding impact. Those recommendations which did have a funding impact were not significantly material.

24. The Committee reviewed and agreed management responses against each of the recommendations made. No issues of concerns arose from the review.

25. It was **RESOLVED** to note the report.

SUB CONTRACTING ASSURANCES

26. A report on new subcontracting assurance arrangements was received (Paper 12). The Skills Funding Agency (SFA) have announced they will consider the risks that subcontracting presents and how they can be mitigated. Subsequently, the College's funding agreements for 2015/2016 contain a new clause about an annual subcontracting external assurance requirement. This clause, along with strengthened subcontracting funding rules, will go some way towards providing the assurance being sought by the SFA.

27. The clause requires lead providers that will subcontract more than a defined level of provision (aggregate value of £100,000 or more in any one year) in 2015/2016 to obtain a report before 31 Jan 2016 from an external auditor that provides assurance on the arrangements in place to manage and control their subcontractors. The clause requires the college to supply the SFA with a certificate confirming that the report provides satisfactory assurance.

28. As the College has planned for £515k value of subcontracting in the year, the College will be required to certify that this external assurance has been provided and, if necessary, make the audit report available to the SFA.

29. The College has appointed Buzzacott to undertake this work during week commencing 11 January 2016 at a fee of circa £2,400.

30. It was **RESOLVED** to note the update.

RISK MANAGEMENT

31. The Committee received for review all 'Red' and 'Amber' risks in the Strategic Risk Register (Paper 13). It was noted that none of the high risks fall within the terms of reference of the Audit Committee but have been subject to detailed review from the Finance Committee and Quality Committee. The Committee considered all strategic risks with a net score of 15 or above and had no further risks to add.

32. The report confirming the outcomes of the reviews conducted by Committees was received (Paper 14) and the following outcomes were noted:

Finance Committee 22 September 2015	Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee. No new risks were identified.
Finance Committee 25 November 2015	Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee. No new risks were identified.
Quality Committee 07 October 2015	The Committee agreed that the risks discussed at this meeting are confirmed in the Risk Register – these being learner attendance, success rates, failure to maintain 'Good' at the next Ofsted inspection; and processes and procedures relating to monitoring and tracking systems for registering and recording achievements. The Committee agreed that this last risk was particularly important and noted the risk was allocated the highest risk score. It was agreed to keep this risk under review at each meeting of the Committee. The Committee was satisfied with the 'Independent Assurances' against each risk.

(The Auditors left the meeting at this point).

PROPOSED AUDIT SCHEDULE 2015/16

33. The proposed '*Audit Schedule for 2015/16*' was received (Paper 3). Following review, it was **RESOLVED** to recommend to the Corporation to approve the Audit Schedule 2015/16.

ANNUAL REVIEW OF AUDITORS' PERFORMANCE

34. The '*Annual Review of Auditors' Performance Report*' was received. The Audit Committee is required to annually assess the performance of the internal audit service against agreed performance indicators.

35. It was **RESOLVED** to approve the annual review of the performance of the internal audit service.

36. It was **RESOLVED** to approve the annual review of the performance of the external audit service.

ANY OTHER BUSINESS

37. There was no other business.

DATE OF NEXT MEETING

38. Wednesday 02 March 2016 @ 6pm.

The meeting closed at 20.00

Signed: _____ Date: _____
(Chair)