

SOLIHULL COLLEGE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETING HELD ON 16th JUNE 2015 AT SOLIHULL COLLEGE, BLOSSOMFIELD CAMPUS

PRESENT: Bill Wanley (Chair)
Paul Johnson
Keith Marriott
Alex Palethorpe

IN ATTENDANCE: John Callaghan (Principal)
Lindsey Stewart (Deputy Principal)
Heather Evans (Vice Principal – Finance)
Sam Bromwich (Director of Risk, Control and Compliance)
Theresa Lynch (Clerk to the Corporation)

Karen Gentles – Baker Tilly
Mark Dawson - KPMG

1. Membership

1.1 Apologies for Absence

Apologies for absence were received from Pete Haynes (Vice Principal – HR and Student Services) and Mike Rowley, KPMG.

1.2 Declarations of Interest

There were no new declarations of interest.

2. Minutes of the previous meetings

The minutes of the meeting held on 12th March 2015 were **agreed** as a correct record and signed by the Chair, subject to one minor amendment on page 2, item 5.1 to a date that should read 2015, not 2014.

3. Matters Arising

3.1 Payroll Update – the Vice Principal Finance provided a verbal update regarding the payroll system. She explained that there was on-going dialogue with Midland HR, the payroll provider, regarding system issues. She confirmed that there were no control issues and that a follow-up audit would take place to provide additional assurance.

4. Internal Audit Matters 2014/15

4.1 Key Financial Controls - Systems Implementation

The Internal Auditor presented the report and explained that this had been an advisory audit, using days from contingency. It focused on systems support and staff training in relation to the new finance, HR and payroll systems. She confirmed that there were appropriate procedures in place. One recommendation had been made relating to continued work to ensure that business continuity arrangements were robust and appropriate.

Q. Why were contingency days used for this particular focus?

A. There are links with value for money in reviewing the implementation of a project.

Q. Was this the best time for such a review?

A. A review was also carried out in 2014 during implementation, but it was felt that this needed to be followed through and therefore this review was commissioned.

4.2 Key Financial Controls Part 2 (Creditors, debtors, cash and banking)

The Internal Auditor presented the report and explained that a green opinion had been given for the part 1 payroll audit reported in March 2015. The current audit also provided a 'green' opinion. There were 2 medium and 4 low priority recommendations and it was noted that assurance could not be provided currently regarding design, application or effectiveness of controls as the procedures had not yet been finalised and system errors were still being addressed. It was, therefore, suggested that a further audit take place later in 2015 to review this.

Q. There are 2 medium priority recommendations for creditors - is this a weak part of the process?

A. There were a higher number of controls tested in this area, so does not necessarily indicate a weaker area. It actually probably had a higher level of controls than other areas.

Q. Is it too early to review this area as some procedures are not fully in place and cannot therefore be fully tested?

A. Audits have been commissioned during the implementation process so that issues can be identified and resolved at an early stage. Further audit work will be required when the system is fully implemented. KPMG will also look at aspects of the financial control framework as part of their work for the year end. They are likely to focus on samples towards the end of the year as Baker Tilly did the beginning.

Q. If a green assurance is provided, but there are recommendations, are the 2 indicators in sync?

A. The green assurance is provided in the first paragraph. Perhaps the use of 2 graphics would be useful to demonstrate the 2 different elements.

4.3 Governance

The Internal Auditor presented the report which focussed on the changes to the governance structure and how it is working in practice. She confirmed that feedback had been obtained from three governors. A green opinion was given with 3 low priority recommendations.

Q. Finalisation of the report seemed to take some time, with the informal debrief in February and the formal debrief in April 2015.

A. There had been no major issues with finalising this report, although there had been Ofsted and Easter, which may have caused some delays.

4.4 Risk Register Format

The Internal Auditor presented the report and explained that this followed on from the board assurance report earlier in the year. It was noted that a little more support was needed in terms of bringing together the risk register and board assurance framework. There were 9 advisory recommendations that were intended to continue to move the process forward.

The Director of Risk, Control and Compliance confirmed that further work was underway to combine the risk register and the board assurance framework, with the new format being considered under item 6. It was hoped that the final risk format would be presented at the autumn Audit Committee meeting.

4.5 IT Audit

The Internal Auditor presented the report and explained that this had been an advisory audit, carried out by an IT specialist. No recommendations had been made, however, it was suggested that the following elements of good practice be maintained:

- Keeping the IT strategy up-to-date;
- Continuing the dialogue between staff, students and management;
- Investigating IT developments on an 'as needs' basis and proceeding with these in accordance with the overall strategic direction, as well as introducing horizon scanning for potential future IT developments and obsolescence, and proceeding with these in accordance with the overall strategic direction;
- Communicating the progress of the strategy to staff and other interested third parties; and
- Maintaining the independent input of the IT Expert Group.

Q. The report indicates that 25 key risks were assessed. What were these key elements tested against?

A. The list of risks would form the base of the discussion with IT staff to ensure risks were being mitigated.

Q. This audit relates to the IT Strategy rather than to resilience?

A. Yes.

Q. Have you done an assessment of how reliant the college is on key individuals?

A. Not done as part of this audit. It would be included in a business continuity audit. However, the Network Manager had attended the meeting in March 2015 and confirmed that this was being addressed through new appointments in the areas of network support and for the VDI project.

4.6 Progress Report

The Internal Auditor presented the report and explained that this provided a summary of work to date and work left to be done in 2014/15. It was noted that there was only one contingency day remaining. This may be used for further finance testing.

The client briefings were attached for information. The Internal Auditor explained that from 26th October 2015 Baker Tilly would be changing their name to RSM.

5. KPMG Annual FSA Audit Plan and Strategy

The FSA Auditor presented the plan for year-end July 2015. Discussion took place regarding the significant risk 'revenue recognition' and the FSA auditor explained that this was given high priority as part of auditing standards. It was also noted that capital development risks had reduced.

Q. Is the assessment of 'going concern' relevant to audit considerations?

A. Yes, always look at it as part of the audit. The College does not cause major concern, however, in the context of funding cuts and issues at other colleges the external audit would review as a matter of course, by looking at financial forecasts as part of the audit.

Q. How would you recognise it was becoming a concern?

A. At this stage in the year, it is unlikely there would be a decline in the financial position. The year-end position is virtually in place. It would therefore be about sourcing evidence about financial forecasts going forward. When signing off accounts in December there would be information about recruitment and funding allocations for 2015/16 so a reasonable assessment can be made for that year in judging 'going concern'.

RESOLVED to recommend approval of the

6. Risk Register for 2015/16

The Director of Risk, Control and Compliance presented the report and explained that 2

advisory audits had taken place to move the project forward to align the risk register and board assurance framework. It was anticipated that the risk register would be finalised through the final audit in July.

The finance risk was reviewed in terms of format for the register. It was noted that the number of strategic risks had been reviewed and there were now 8, rather than 17. The Committee confirmed the risks identified.

Q. Under which risk would not getting enough students sit?

A. Partly under unresponsive curriculum and partly within poor quality of teaching and learning.

Q. Do you have longer risk descriptors for each of the 8 key risks?

A. Yes, it might need further information, but also cause and effects will provide further clarification.

Q. Could some of these strategic risks be very long?

A. No, further detail may be underneath this. If it is electronic then it is possible to drill down. At the moment, though it is necessary to get the assurance format in place too. Eventually only high risk areas will come to the Committee.

7. Value for Money Report

The Vice Principal Finance presented the report and explained there were 2 current projects underway:

- Reviews of the purchasing arrangements and stock management / control arrangements within the IT Department.
- Review of the Implementation of Finance/HR/Payroll system.

It was noted that the outcome of the IT review project would be presented at a future meeting. **ACTION**

The Vice Principal Finance confirmed that the information relating to on-going savings, that used to be considered by the Finance Committee, was also included, as requested.

Q. Is EMT happy with how the value for money process is working?

A. Yes, it was useful having the Director of Risk, Control and Compliance doing some of the work instead of Baker Tilly. There may be other projects like that going forward. A lot of procurement work relates to compliance, so savings are not the only reason for monitoring this.

Q. Are the savings against the previous contract cost or budget?

A. Where there is a previous contract it will be against that or benchmarked against other costs that have been received.

8. Health and Safety Update Report and Policy Review

The Vice Principal Finance presented the report and explained that the revised report that had been circulated included the input from governors and the Health and Safety Governor in terms of content. It was noted that the Health and Safety Policy was presented for approval.

The Vice Principal Finance explained that an annual report would be presented to Corporation in the autumn term. **ACTION.** The Health and Safety Governor explained that it would be useful for Corporation to have a brief report on Health and Safety on a regular basis. This would demonstrate the importance of health and safety and ensure governors are assured regarding their responsibilities.

RESOLVED to recommend approval of the Health and Safety Policy to Corporation.

9. Management Report on the Implementation of Audit Recommendations

The contents of the Management Report on the Implementation of Audit Recommendations were noted. The Director of Risk, Control and Compliance confirmed that a follow-up audit had recently taken place and a lot of actions from value for money audits had been implemented.

10. Date of the Next Meeting

The date of the next meeting was scheduled for Tuesday 20th October 2015 at 6pm.

Signed: K. J. Wainley
Date: 20 October 2015.