

**Minutes of the meeting of the Audit Committee  
held on Wednesday 11 June 2014 at 8.00am  
in Room 814 Matthew Boulton Campus**

**Present:**

Kathryn James (Chair)

Julie Jasper (JJ)

Anthony McCourt (AMcC)

**Apologies**

Taher Hussain (Staff Member Business Support ) (TH)

Daali Wouhra (DW)

**In Attendance:**

Bob Pattni (Chief Operating Officer) BP

Louise Jones (Chief Operating Officer) (LJ)

Ben Connor (BC) (Internal Auditor – PWC)

Andy Argyle KPMG

Sitka Khanam KPMG

Valerie Martin (Interim Clerk)

Philip Heath (Acting Clerk)

**Declarations of Interest**

There were no Declarations of interest other than those already recorded in the register.

**Apologies**

Apologies were received from Taher Hussain and Daali Wouhra.

**Item 1 – Minutes of the Meeting held on 11 March 2014**

The Chair led the Committee through the minutes of the above meeting and it was agreed that they were a true and accurate record of the meeting.

**Matters Arising**

The Chair took member through the matter arising. BC stated that the outstanding audit recommendations had been incorporated into their report.

**Deep Dive** - the Chair had selected Harmonisation for the deep dive for this meeting. The exercise will provide good visibility for the Governors and Executive team. They provide an opportunity for committee to look at any area. The exercise is to provide information from the moment and not to be a massive amount of research. BP said that Exec members will be given 7 days' notice to prepare deep dive reports.

**Action:** BP to provide a list of deep dive risk areas to KJ (Chair) prior to next meeting.

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**Risk Register** - BP informed the committee that all risk areas were now aligned to corporate objectives. He added that internal and external mitigation

**Succession Planning** - BP stated that some risks need to be moderated in relation the staffing and the retention of staff. KJ stated that the senior team should reflect for the future what succession planning should sit in the risk register.

**ACTION:** Succession planning risk – BP to include within the risk register for the next meeting.

**Audit plan** - BC stated that this was on going and formed part of the progress report that was presented at each meeting. AC asked for a copy of the progress report sooner than the next meeting

**ACTION:** PWC to provide the progress report prior to the next meeting.

**Building Digital Trust** – this reported was circulated at the last meeting for information. KJ asked if the report had been circulated to the Executive team for them to look integrating this into college strategies. BP stated that the Executive team would be looking at this and would report back to the committee at the next meeting

**ACTION:** BP to provide report on the risks to IT, taking the Building Digital Trust into consideration

## **Item 2 – Risk Register**

The Chair led the Committee through the salient points in the Risk Register picking up on the following areas:

GM1 - implications against any external actions – the moving away from direct funding to student loans and how this will affect the college in the future

AC stated that all the risks should have sub-risks added to the main list to give them more bite.

GM3 – should be no change.

GM7 - This areas how gone down as the college has not recruited many international students this year.

C14 – Risk has gone down – the success rates are on-going and apprentices have been flagged for improvement.

AC stated that the granularity is not as good as it could be. The management data is not there at the moment. KJ said that governors have discussed the use of a management dashboard to keep them up to date with the data.

C1 – Apprenticeships lower than predicted and probably not going to increase but should reach targets. We need an effective strategy and to appoint a programme manager to provide an overall view of this area.

**ACTION:** KJ asked for a deep dive into recruitment and employer engagement.

### **Item 3 – Internal Audit Reports:**

#### **(i) Budget Setting and Monitoring**

BC gave an overview of the budget setting and monitoring process stating that it low risk and was relatively robust with alternative arrangements in place. He added that page 2 of the report gave an overview of the processes and that the harmonisation of the budgeting process was going well. Pages 4 and 5 give the recommendations that the finance team should provide monthly monitoring reports to the Directorates and ensure staff can access them on a timely basis.

The Chair led a discussion about the need to streamline the budget setting process. BC stated that there are a number of revenue stream which make the budget setting complex. AC stated that there could be significant improvements with stronger links to curriculum, student outcomes, finance etc.

#### **(ii) Merger Harmonisation**

BC informed the members that overall everything was moving relatively smoothly. He stated that there were clear indications of progress in each key area. He added that the college has taken the best processes from each college and was making significant progress in completing the harmonisation plan.

JJ asked what the progress rate was in relation to the amber rated areas.

BC stated that the biggest harmonisation activity is to achieve a single IT network to enable all staff to have the same accessibility. This is not going as well as it should be due to external pressures but all should be in place in September. BP stated that some of the IT issues have been delayed because of the refurbishment. BC added that a new timeline would be added to the next report

KJ asked that the Board be given an update on where we are with harmonisation processes. LJ stated that we have communicated the new processes to all staff. Training were required will be put in place. The Executive team as re-visiting some decisions and will amend were necessary.

**Action:** LJ to present a report at the Corporation meeting on Harmonisation

#### **(iii) Performance Management**

BC stated that the systems have been improved and enhanced since 2008/09 with lots of good practice in a number of areas. Objectives and performance are linked to behaviours. Comprehensive guidance is available to all staff who are encouraged to set SMART objectives.

Recommendations set out on page 5/6 to provide further training on setting SMART objectives and provide samples of objectives that are not SMART.

C1 – Apprenticeships lower than predicted and probably not going to increase but should reach targets. We need an effective strategy and to appoint a programme manager to provide an overall view of this area.

**Action:** KJ asked for a deep dive into recruitment and employer engagement.

HR3 – this is now on a downward trend. Sickness now down from 4.5% to 3.9%. The college has updated the Bradford factor policy with sanctions in operation from 1 June 2014. Managers have received training which is having a positive effect. The sanctions in the Bradford factor will drive the process which will enable us to bring down our sickness levels. We anticipate we will reach the 3% target by end of Academic year.

FD2 - this section to be added to the deep dive list.

FD4 - the college needs to ensure that it submits timely and accurate report to funding bodies at all times. JJ said she was looking for assurances that the college was on top of this and it should be flagged to the Corporation in July if the Executive team thinks it's appropriate.

**Action:** BP to bring forward to Corporation if appropriate,

ECD1 – Harborne is still on as a risk for the snagging/close down issues. KJ said that this should now be a low risk and should now be down to the Estates team to manage it.

**Action:** Remove ECD1 from the Risk Register.

ECD2 – this is on a downward trend. The planned projects are on time and working to budget. The last sentence of item 4 is incomplete.

JJ asked if the stabilisation of management in the short term should be on as a risk. AC stated that succession planning is not a long term risk but could be considered a short term risk. JJ asked that it be added to the Risk Register.

KJ asked if inspection should be added to the Risk Register as change in management could trigger an inspection. AC stated that a Project Manager had been assigned and some short term planning has been put in place to mitigate against the risk.

PWC and BP are working on a full risk review to separate the internal and external mitigation for each section. AC added that the Executive team must look at the granularity of the risks.

### **Deep Dive – Harmonisation**

The Chair stated that this is included in the internal audit reports and need not be a separate item/

JJ asked who decided the target dates. AC stated that the college needs to drive this rather than be driven from outside.

**Approved:** The Committee approved the Performance Management Review

#### **(iv) PWC Progress Report**

BC took the members through the progress report stating that it was on track. He informed them that the risk register now links to the strategic objectives. Following to the last payroll report he confirmed that actions have been taken to reduce the risk in the area to a low level.

JJ asked where the college was in regard to the recommendation given. BC said that the progress report attached recommendations to each section.

**Approved:** The Committee approved the Audit Progress Report.

The Chair thanked BC for his overview.

#### **Item 4 – External Audit Plan and Strategy**

AA from KPMG presented this item to and led committee members through the salient points of the report. He informed the committee that Tony Felthouse is the lead and would be signing off the report to maintain independence. He added that planning meeting was held in May and that the interim audit visits will take place in July. The final audit is taking place in October before the annual Audit letter being taken to the Board in December.

He led the members through page 7 which shows the risks impacting on the audit and where they believe each of the risks are relevant to their financial statement responsibilities.

He led the members through page 10 which shows the risks on capital developments stating that this would be covered in the final report. BP pointed out that contribution towards the construction of Harborne Academy should read £2 million and not £1 million. AA said that this would be amended.

He then gave an overview of the partnership provision brought over with the merger with Stourbridge which was causing some concerns. JJ asked if the college had this under control. BP stated that the college were on target to reduce this to £4 million and draw the remainder back into college for closer management.

AA finished his overview of the audit plan by informing the members of the FE sector updates that were shown on page 20. JJ asked if these updates could be circulated to the full Board and sign-posted the appropriate committees.

**Action:** FE sector updates to be circulated to the Board and sign-posted to the appropriate committee.

**Approved:** The external Audit Plan was approved by the committee.

The Chair thanks AA for his overview.

#### **Item 5 Appointment of Internal/External Auditors 2014/15**

BP informed the committee that the Executive team were pleased with the performance of both the internal and external auditors and would recommend that the appointment continue for a further year. JJ asked if the pricing was pre-agreed BP confirmed that it was. JJ asked if there was provision for rolling-over the contract if needed. BP confirmed that there was provision for rolling over the contact if needed.

A discussion took place on the process of re-tendering for both internal and external auditors at the same time and the re-tendering process for next year and whether it was better to engage the auditors at staggered times.

**Action:** Renewal strategy for 15/16 to be brought to the next meeting showing pros and cons of engaging the internal and external Auditors at the same time.

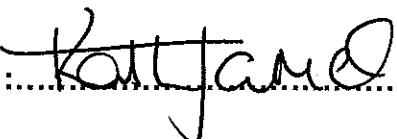
**Approved:** To appoint both KPMG and PWC as auditors to the college for a further year.

#### **Any other Business**

Audit Plan 2014/15 - KJ proposed that before the committee members recommended the Audit Plan she meet with AC to gain his views before the committee recommended that the Audit plan for approval. The committee members agreed with this proposal.

The Chair brought the meeting to a close at 9.30am and thanked everyone for attending.

#### **Date of Next Meeting – to be arranged**

Signed:  (Chair)

Date: 27<sup>th</sup> Nov 2014