



MINUTES OF MEETING OF THE AUDIT COMMITTEE

Date: Tuesday 16th June 2015
Venue: The Blackpool Sixth Form College
Room: Committee Room
Time: 17:00 – 18:30

Present: Mr J Corry (Chair)
Cllr D Clapham
Ms J Gray (Principal)

Together with: Mr J Boyle (Chair of the Corporation and Observer)
Mrs A Pickup (Director of Finance & HR)
Mr G Saffery (Risk Management Champion)
Mr G Hitchmough (Audit and Assurance Partner – Mazars)
Mr P Haydock (Senior Auditor – Baker Tilly)
Mrs K Buddle (Governance Administrator, FCAT)

14.2015 Preliminaries

The Chair welcomed everyone to the meeting.

Apologies for the meeting were received from Dr P Anderton.

15.2015 Declarations of Interest

None.

16.2015 Consideration of any items of urgent business

None

17.2015 Risk Management Report and Risk Register

The Risk Management Champion provided Directors with the Risk Management Report and review of the Risk Register since November 2014 (Paper 4.1), highlighting the fact that all risks that score 8 or more have two levels of assurance against them.

Responsibility for some risks had been amended to reflect the changes to the Senior Leadership Team (SLT). It was noted that some risks had expired or been merged with others and a number of new risks, predominantly around the safeguarding agenda, had been added to the Register. A new category for some risks – 'Student services and support' had also been identified.

Action



The scores in terms of the significance of the risks had remained stable in the main, though 3.11 (vulnerability to reductions in funding due to single funding streams and cohort) had been increased to 15 from 12, and 8.21 (Change in tutorial structure to include specifically recruited Pastoral Mentors) had increased to 10 from 4. A narrative explaining the threats and controls in place had been provided for all risks scoring 9 or above.

Challenges

Asked if Risk 3.11 should be owned by the Principal rather than the Director of Finance and Human Resources as recorded, the Risk Management Champion explained that the same argument could be applied to all the risks but that responsibility needed to be delegated across SLT if management of them was to be effective. Following a brief conversation, Directors agreed to retain the Director of Finance and HR as the owner of Risk 3.11.

Asked about the reasons for the increase in scores against risks, the Risk Management Champion explained that reassessment of risks often identified completely new environmental and political issues that affected the probability of threats against risks and the impact of the risks themselves, for example the recruitment of a new member of staff with responsibility for a risk or a change in legislation/procedure.

In response to a question about training on the Bribery Act, the Risk Management Champion confirmed that the newly appointed Assistant Principal: Vocational, was the only member of SLT left needing the training. The rest had participated in the training session held during the Directors' Residential Conference in February 2015.

Asked about how he had chosen which risks to review for this report, the Risk Management Champion explained that he had looked specifically at the high risk areas. Following a brief conversation on the matter it was recommended that for the next review the Risk Management Champion should look at the risks in sequential order within the Register, starting at the beginning, and assess the College's position in respect of the processes in place and any changes to these that might be needed.

Asked who the 'volunteers' were in respect of risk 9.4 (safe recruitment of volunteers is not carried out), the Principal explained that these were people helping out at events such as careers conferences and employers working with students. Usually they were only in College for a one or two day time period and would not normally be expected to complete a Disclosure and Barring Service (DBS) form. They would, however, need to be closely supervised all the time they were in College.



Asked to explain risk 6.19 (pressure on budgets from increases in market rates for key posts) the Principal confirmed that the College might be required to provide high salaries against some vacant positions in the future in order to recruit the best people to the roles. Asked if this was a current risk, the Principal reassured Governors that this was not the case at the moment, but could become so in the future.

The Committee agreed to recommend the Risk Management Report and the Risk Register to the Corporation for approval.

17.2015 D1 Resolved: to note the Risk Management Report and Risk Register

17.2015 D2 Resolved: to recommend the Risk Management Report and the Risk Register to the Corporation for approval.

Directors thanked the Risk Management Champion for his report and, as this was his last meeting before moving on to a new position away from the College, for all the work he had undertaken while in the role. The Risk Management Champion thanked Directors for their support and he left the meeting.

18.2015 Minutes of the meeting held on 26th February 2015

The minutes of the meeting were approved.

19.2015 Matters arising from the minutes not covered elsewhere on the agenda

There were no matters arising.

20.2015 Internal Audit Report No 2 2014-15

a) Internal Progress Report

The Senior Auditor from Baker Tilly provided a summary of the Internal Progress Report which summarised work completed over the 2014-15 year (Paper 7.1). Changes to the approach to delivering the internal audit for the coming year were provided as part of the report. It was noted that from 26th October 2015, Baker Tilly would be changing its name to RSM in order to reflect its membership of RSM International, as part of a global rebranding process.

Directors noted the Report and recommended its approval at the Corporation meeting.

b) Internal Audit Follow up Report

Directors noted the Internal Audit Follow up Report provided by Baker Tilly (Paper 7.2). A number of in-year recommendations had been carried out by the College in response to the audits on Additional Learning Support and Risk Management of Student Trips.

Implementation of two recommendations in respect of an audit on Continuing Professional Development (CPD) had been assessed as ongoing.

The report highlighted an additional recommendation to reintroduce a process for tracking the progress of audit recommendations and it was agreed that this would be incorporated into the agendas for Audit Committee meetings from the start of the new academic year.

Clerk

Challenges

Directors emphasised the importance of completing appropriate paperwork for CPD in order to maintain the Investors in People (IIP) status for the College. The Principal reassured Directors that the College's performance management review process would take account of information provided within individual training and development plans and that it would be mandatory for managers to provide progress against targets set for staff as evidence that appropriate CPD had been carried out.

Asked about who was responsible for ensuring CPD paperwork was completed, the Director of Finance and HR explained that this did not fall to one particular member of staff. All managers had a remit to identify training needs for their team and to ensure that this was completed, monitored and recorded. The College was looking to strengthen the procedures in place for this and to remind managers of their obligations.

In response to a concern raised by Directors, about the fact that only five assets per term were being spot checked (from a potential 3,000 – recommendation on financial accounting and assets) the Director of Finance and HR explained that the majority of assets comprised ICT equipment and software and that the Network Manager already had control of where these were located and their condition, maintaining a database on them.

Likewise, the Head of Estates kept a record of high value furniture and fittings. The College was looking to carry the same level of recording over to the Science and Visual Arts Departments in order to record high value pieces of equipment.

Directors noted the Report and recommended it to the Corporation for approval.

c) Report on Governance Effectiveness

Directors noted the Report on Governance Effectiveness (Paper 7.3) which identified that adequate controls to manage this area are in place and being consistently applied. Two low level recommendations around appraisal of Committee Chairs and development of a training programme for Directors had been made and responses to these had been provided by the College.

Challenges

The Chair queried the College's relationship with the Fylde Coast Academy Trust (FCAT) and the suggested procedures/options noted in Appendix A of the report in respect of this. The Chair of the Corporation reminded Directors that the College was a member of the Fylde Coast Teaching School which was a sponsor of FCAT. Directors were reassured that several of the procedures mentioned in the Appendix were already in place and that the FCAT Board was aware of the issues that still needed to be addressed.

In response to a question about whether service level agreements were in place for services provided by the College to FCAT, the Clerk agreed to check the matter out.

KB

Directors noted the Report and recommended it to the Corporation for approval.

d) Report on Student Records – Additional Learning Support

The Senior Auditor from Baker Tilly outlined key issues within the Report on Student Records – Additional Learning Support (Paper 7.4). Just one medium priority recommendation had been made (introduction of management reporting in respect of additional learning and high needs students). The College had identified this, and monitoring across the equality and diversity strands, as a priority and a report would be brought to this Committee in the new academic year.

KB
(agenda)

e) Internal Audit Strategy 2015-16

Directors considered the Internal Audit Strategy for the coming year (Paper 7.5) which had been developed by Baker Tilly following discussions with the Principal and the Director of Finance and HR. IT security controls, marketing and enrolment effectiveness, student support (pastoral model) and operational business planning had been identified as areas for audit during 2015-16.

Challenges

Asked whether or not an audit of recruitment in particular areas should be brought forward, given the fact that the College had struggled to appoint to some positions, the Principal reassured Directors that, with the exception of Maths and Science, recruitment to vacant posts had not been too difficult. Audit of marketing and the new pastoral model were bigger priorities.

In response to a question by a Director about the fee that would be charged to the College, the Senior Auditor confirmed that this would remain the same as the previous year.

20.2015 D1 Resolved: to note the five internal audit reports.

20.2015 D2 Resolved: to recommend the five internal audit reports to the Corporation for approval.

21.2015 Financial Audit Plan 2015

Gareth Hitchmough, Audit and Assurance Partner from Mazars provided a summary of the Financial Audit Strategy Memorandum for the year ending 31st July 2015 (paper 8.1) outlining the company's approach and scope of engagement. He explained that the company was due to meet with the Education Funding Agency (EFA) and Skills Funding Agency (SFA) in July to discuss potential changes to the format of reporting but that he did not expect this to impact on the scope of the strategy or fees for the coming year. Any significant changes would be shared with the College after the meeting with EFA/SFA.

Section 3 of the Report focussed on the significant risks and judgements identified i.e. management override of controls, income recognition, going concern and covenant compliance and depreciation, and how these would be addressed in the audits.



The appendices to the Report included the draft engagement letter (Appendix D) and the Statement of Practice (SORP) 2015 (Appendix E) which, the Audit and Assurance Partner explained, was important for all Directors and SLT members to understand. He offered to arrange for Mazars to provide training on this if required.

21.2015 D1 Resolved: to receive the Financial Audit Plan for 2015.

21.2015 D2 Resolved: to recommend the Financial Audit Plan to the Corporation for approval.

22.2015 Financial Reporting Standard 102

The Director of Finance and HR provided a briefing on Financial Reporting Standard (FRS) 102 (Paper 8.1a) which becomes applicable to colleges from the beginning of the 2015 – 2016 academic year.

Directors were made aware that decisions would be needed in respect of the use of Government capital grants. Currently the College releases grants in line with the depreciation of buildings. If the College decided to move to the Performance Model, that would change and grants would be released in one full amount, impacting on income.

Decisions would also need to be made in relation to the revaluation of property and equipment. The Director of Finance and HR explained that, as the majority of the estate has been recently rebuilt, there was no good reason to consider a revaluation. However, she was looking at the possibility of component accounting, where elements of a building e.g. the lifts, may be depreciated at a different rate to the structure of the building itself. This, in turn, will impact on the depreciation charged to income and expenditure over the next few years. She asked that Directors consider her recommendations that the College write off the value of inherited equipment at the date of transition and agree not to revalue the inherited buildings or the new elements of the estate, leaving the remainder of the revaluation reserve intact.

The Director of Finance and HR also drew attention to work being done on the holiday pay accrual which amounts to £148k. The impact on income and expenditure will be ongoing year on year but not have any material effect.



Challenges

Asked if the College needed to be speaking to its bank at this stage about the options, The Audit and Assurance Partner explained that the decision made needed to be the one that best meets the needs of the College, not the bank. It was also unlikely that the bank would be as well informed about the matter as the College seemed to be. The Director of Finance and HR reported that she was meeting with the bank to discuss the matter in July 2015.

In response to a question, the Director of Finance and HR confirmed that there was no national view yet about a preferred option.

Asked about how long the College had to make a decision on the matter, the Director of Finance and HR explained that there was time to consider it in more detail over the coming year when more information would be available to support the benefits of the different options.

Asked about how plant equipment, e.g. lifts, would be revalued later on should the College move to component accounting, the Director of Finance and HR explained that the College would look at the original tenders to identify costings and work from there.

Directors discussed the proposals in the paper and agreed to recommend to the Corporation that the College write off the value of inherited equipment at the date of transition and to not revaluing the inherited buildings or the new elements of the estate.

The Audit and Assurance Partner agreed to forward legal advice to the Committee as soon as it became available to Mazars. The Chair asked that the whole issue be brought to a future Corporation meeting, possibly the residential conference in February 2016, for further discussion and identification of agreements for the way forward.

22.2015 D1 Resolved: to receive the paper on Financial Reporting Standard 102.

22.2015 D2 Resolved: to recommend to the Corporation that the College write off the value of inherited equipment at the date of transition and to not revaluing the inherited buildings or the new elements of the estate.

GH



- 23.2015 Code of Good Governance**
Directors reviewed the Association of Colleges Code of Good Governance for English Colleges, March 2015, which had already been considered by the Search and Governance Committee earlier in the year. The Chair of the Corporation explained that there had been some resistance to the document from some colleges but that it provided a step towards self-governance for the sector.
- Following a brief discussion, Directors agreed to recommend adoption of the Code to the Corporation.
- 23.2015 D1 Resolved: to recommend to the Corporation that the College adopt the Association of Colleges Code of Good Governance for English Colleges, March 2015.**
- 24.2015 Any other business**
None.
- 25.2015 Review of Risks**
Directors identified the need to be well prepared for the requirements of Financial Reporting Standard 102.
- 26.2015 Private meeting of the Committee with Auditors without Staff**
Not applicable
- 27.2015 Private meeting of the Committee without Staff or Auditors**
Not applicable.
- 28.2015 Date and time of next meeting**
Tuesday 24th November 2015 at 5.00pm.

Signed: _____

Chair: _____

Date: _____