



## MINUTES OF MEETING OF THE AUDIT COMMITTEE

**Date:** Tuesday 18<sup>th</sup> November 2014  
**Venue:** The Blackpool Sixth Form College  
**Room:** Committee Room  
**Time:** 17:30 – 18:40

**Present:** Mr J Corry (Chair)  
 Cllr D Clapham  
 Mr S Sheard  
 Ms J Trembles  
**Together with:** Mr A Lloyd (Vice Principal: Information Systems and Resources)  
 Mrs A Pickup (Director of Finance & HR)  
 Mr G Saffery (Risk Management Champion)  
 Ms S Clarke (Audit and Assurance Partner – Mazars)  
 Mr K Rushton (Audit Manager – Baker Tilly)  
 Mrs K Buddle (Governance Administrator, FCAT)

### 25.2014 Preliminaries

The Chair welcomed everyone to the meeting, and particularly Ms S Clarke who attended on behalf of Mr G Hitchmough (Mazars). Introductions were made.

Apologies for the meeting were received from Mr J Boyle (Observer), Ms F Greeves and Mr G Hitchmough (Mazars)

Action

### 26.2014 Declarations of Interest

None.

### 27.2014 Consideration of any items of urgent business

None

### 28.2014 Minutes of the meeting held on 17<sup>th</sup> June 2014

The minutes of the meeting held on 17<sup>th</sup> June 2014 were approved with an amendment to the attendance list i.e. Ms Greeves, name should be listed under 'Together with' rather than as a Member of the Committee.

KB

### 29.2014 Matters arising from the minutes not covered elsewhere on the agenda

- a) Review of risks allocated to Deputy Principal (Item 17.2014) – the risks had been reviewed and the outcomes were included in the updated Risk Register mentioned under Item 33.2014.

- b) Review of internal audits and allocation on appropriate agendas (Item 18.2014) – the Clerk provided a list of agenda items to be covered at future Audit Committee meetings (Paper 5.2). Following a brief discussion, it was agreed that the Risk Management Champion would not provide a report for the next meeting of the Committee (February 2015) but would bring a full update to the June 2015 meeting. For the 2015/2016 academic year, the Risk Management reports would be brought to the Spring and Summer term meetings only.
- c) Update on assurances carried out across the year (Item 18.2014) – KR confirmed that this had been included in Baker Tilly’s Annual Report at Item 30.2014a.
- d) Percentage increase in fees for internal audit services (Item 5.4) – the Chair confirmed that a reduction in fees charged by Baker Tilly had been agreed.

KB  
(agenda)

**30.2014**

**Internal Audit**

**a) Annual Internal Audit Report 2013 – 2014**

Governors reviewed the Annual Internal Audit Report for 2013 – 2014 (Paper 6.1). KR drew governors’ attention to Section 2.2 of the Report which provided the internal audit opinion. A RAG (Red, Amber Green) rating of Green has been given for governance, risk management and control processes, which is the highest level of opinion.

In September 2014, in response to a request from the College, Baker Tilly carried out a high level review of management’s response to the recommendations made by the internal audit of 2012/13. As part of the process, auditors also followed up on responses to recommendations made during the 2013/14 Risk Management – Student Trips audit. Of the 16 recommendations made by Baker Tilly, 14 had been fully implemented and two low level recommendations partly implemented. There were no areas of concern raised.

**30.2014 D1 Resolved: to receive the Annual Internal Audit Report for 2013 – 2014**

**30.2014 D2 Resolved: to recommend the Report to the Corporation.**

**b) Mock Funding Review 16 – 18 Study Programmes**

KR reported back on a review carried out in response to a request from the Director of Finance and HR due to the changes in funding arrangements for 16 – 18 study programmes (Paper 6.3).

The audit involved reviewing and testing a sample of 30 learner files to ensure compliance with the 2013/14 Funding Rules. Due to the advisory nature of the Review, Baker Tilly had not provided an opinion, but had raised some minor issues that needed attention. These were included in Section 1.2 of the Report. Generally, the findings were positive and there were no actual recommendations.

The Chair thanked the internal auditors for the Report and the Vice Principal's team that carried out a significant amount of quality assurance in this area.

**30.2014 D3 Resolved: to receive the Mock Funding Review 16 – 18 Study Programmes**

**30.2014 D4 Resolved: to recommend the Report to the Corporation.**

**31.2014 Review of 2013-2014**

**a) Annual Report of the Audit Committee**

Governors considered the Annual Report of the Audit Committee which had been reviewed by the Chair in advance of the meeting (Paper 7.1). Following a brief discussion, the Report was recommended to the Corporation for approval.

**b) Committee's Key Performance Indicators (KPIs) for 2013/14**

Governors reviewed the performance of the Committee against agreed KPIs (Paper 7.2). These had been revised since the previous year to meet the requirements of the Committee's new Terms of Reference. Following a request from governors, the Clerk agreed to add extra information to the Paper to indicate time limits for the each of the KPIs and whether or not they had been achieved. The Paper would be recirculated to the Committee.

KB

**c) Key Performance Indicators for 2014/15**

Following a brief discussion, the Committee agreed to use the current KPIs for 2014/15 with the addition of specific pieces of work, for example, the Mock Funding Review.



**31.2014 D1 Resolved: to receive the Annual Report of the Audit Committee for 2013 – 2014**

**31.2014 D2 Resolved: to recommend the Report to the Corporation.**

**32.2014 Annual Accounts for the year ending 31<sup>st</sup> July 2014**

**a) Annual Accounts and Financial Statements**

The Director of Finance and HR presented the Annual Accounts and Financial Statements for the end of the academic year, 2014 (Paper 8.1). Draft accounts have already been seen by the Corporation at its meeting in September 2014, and there were very few changes to report. A reconciliation from the draft accounts would be taken for review to the Administration and Finance Committee meeting on 27<sup>th</sup> November 2014.

The accelerated depreciation due to the demolition of the Ribble buildings (part of the Property Development Strategy) was highlighted. This was offset by the release of the corresponding capital grant.

**Challenge**

In response to a question about the operating surplus of £140k (Page 4 of the Report), the Director of Finance and HR explained that this was down slightly on the previous year due to the 'write down' of building assets. Next year it was expected that the surplus would rise to £300k - £400k. In future years, there would be a reduced surplus due to the removal of the Funding Formula protection and the expected increases to pension costs.

**b) External Audit Completion Report year ending 31<sup>st</sup> July 2014**

Governors considered the External Audit Completion Report which summarised Mazar's findings for year ending 31<sup>st</sup> July 2014 (Paper 8.2). Attention was drawn to Page 7 of the Report which outlined the significant findings and key management judgements identified across the year and how these were being addressed. Two of the risks (Management override of controls and Income recognition) were standard processes for review in all audits. There was nothing of concern to report on either of these or the third risk (Compliance with governance and banking regulations).



Governors were also made aware of reviews carried out on specific areas of management judgement including:

- Calculation of loss on the disposal of fixed assets
- Depreciation
- Assumptions used in the calculation of the value of Lancashire County Council's Pension Fund (noted within the College's statements)

Again, there were no significant issues to report.

In terms of accounting policies and disclosures, Mazars confirmed that the College is compliant with relevant financial reporting frameworks.

Two issues in respect of disclosures made in the financial statements were highlighted i.e.:

- That it was unlikely, given the fact that Globe Management Services Limited had gone into administration, that the £25,960 retention fee would be paid. It was expected that remedial work required to complete Phase 4 of the Property Development Strategy would cost in excess of the retention value, therefore it was deemed that no disclosure is required in the financial statements.
- Accelerated depreciation is shown as a separate line in the income and expenditure account and this meets the requirements of the Financial Reporting Standard (FRS).

In terms of internal control, the Audit Report recommended the following requirements for the College:

- A fixed asset register to be maintained and reviewed on a timely basis to ensure that only assets held by the College are recorded.
- A signed contract to be returned to the HR Department by new employees before the commencement of employment.

These were low level recommendations on issues already identified by the College.

The Director of Finance and HR confirmed that employees do sign offer letters which include terms and conditions for post holders, prior to taking up employment at the College.



### **Challenge**

In response to a question from governors about the procedure for replacing the College's IT equipment, the Vice Principal explained that the College did not operate a Repairs and Renewal Fund. The IT Manager has funding for replacement technology incorporated into his budget. It was expected that the College would reduce the proportion of its capital spend on IT equipment in future years as students were tending to use their own equipment at the College. At the moment, the College operates an iPad loan scheme but it was felt that the need for this would reduce as equipment became cheaper to buy.

However, the College did need to keep updating the infrastructure required to maintain technological developments and this was taken into consideration in all building development plans.

Governors noted the draft management representation letters in the appendices of the Report and recommended these for approval by the Corporation.

The Mazars representative confirmed clean opinions for the College in terms of its preparation of accounts and financial transactions and did not expect these to change.

Governors were also informed that a workshop for colleges on the Statements of Recommended Practice (SORP) would be delivered in the new year.

**32.2014 D1 Resolved: to receive the Annual Accounts for the year ending 31<sup>st</sup> July 2014.**

**32.2014 D2 Resolved: to receive the External Audit Completion Report year ending 31<sup>st</sup> July 2014 and the management representation letters.**

**32.2014 D3 Resolved: to recommend the External Audit Completion Report year ending 31<sup>st</sup> July 2014 and the management representation letters to the Corporation.**

### **33.2014 Risk Management**

#### **a) Risk Management Report, Risk Register and Assurance Update**

The Risk Management Champion presented the latest Risk Management Report. It was noted that governors' concern from the previous meeting about the number of risks allocated to the Deputy Principal (Item 17.2014) had been taken on board and, following a review, these had been reduced.



Governors were informed that four new risks had been added to the Risk Register, three Curriculum risks and one Property Strategy risk. Each of these had been assessed and scored. There was a slight downward shift in the number of risks on the Register as some had expired. In addition, following a request from the Senior Leadership Team, some of the associated risks had been merged. From the Risk Assurance Review further work will be done on those risks with only one level of assurance, to increase them to two levels of assurance.

The Report highlighted those risks with an overall score of 9. The Risk Management Champion explained that some of these would continue to remain on the Register as they were long term and implicit to the running of the organisation. All risks that have an overall score of 8 have now been considered for assurance. Governors approved a proposal from the Risk Management Champion for a full annual review of risks scoring 8 or above and for this to be reflected in a policy change.

Governors also supported the proposal for a training session for governors on the implications of the Bribery Act to take place during the Residential Away Day in February 2015.

It was noted that the Risk Management Champion is no longer responsible for signing off College trips and visits in terms of the risk element. This responsibility has been passed to a designated trained member of staff.

*The Chair thanked the Risk Management Champion and he left the meeting.*

#### **b) Whistleblowing Procedure and Fraud Response Plan**

Governors reviewed the College's whistleblowing and fraud policies which form part of the Financial Regulations.

#### **Challenges**

In response to a question, the Director of Finance and HR confirmed that the two were distinct and separate policies. Other complaints would be dealt with through the Complaints Procedure.

Asked about where a disclosure would be made if it was concerning the Principal or Deputy Principal, the Director of Finance and HR confirmed that this would then become a matter for the Audit Committee and the auditors.



**33.2014 D1 Resolved: to receive the November 2014 Risk Management Report, Risk Register and Assurance Update and to recommend this to the Corporation.**

**33.2014 D2 Resolved: to approve the proposal for a full annual review of risks scoring 8 or above and a subsequent change to the Risk Policy.**

**33.2014 D3 Resolved: to approve the proposal for a full annual review of risks scoring 8 or above and a subsequent change to the Risk Policy.**

**33.2014 D4 Resolved: to support the proposal for a training session for governors on the implications of the Bribery Act to take place during the Residential Away Day in February 2015.**

**34.2014 Any other Business**

It was noted that Steve Sheard might be resigning as a governor. The Chair thanked Steve for his help and support on the Committee during his time in office.

**35.2014 Private Meeting of the Committee with auditors without staff**

There were no matters to discuss.

**36.2014 Private Meeting of the Committee without staff or auditors**

There were no matters to discuss.

**37.2014 Estimation of new risks**

None

**38.2014 Date of next meeting**

**Thursday 26<sup>th</sup> February 2015 at 5.00pm.**

The Chair explained that he would be unable to attend the Corporation meeting on 9<sup>th</sup> December and asked for the Vice Chair to provide an update on this meeting.

**Signed:** \_\_\_\_\_

**Chair:** \_\_\_\_\_

**Date:** \_\_\_\_\_