

The Corporation Board of Accrington and Rossendale College

Minutes of a Meeting of: The Audit Committee

Date: 9th June 2015

Location: The Conference Room, Broad Oak Centre



Confirmed

Members Present:

Mrs R Andrews	Chair of the Committee and Independent Member
Mrs S Bridgeman	Independent Member
Mrs L Gaskell	Independent Member
Mr S Hughes	Independent Member

In Attendance:

Mrs S Collinge	Vice Principal (Business and Innovation)
Mrs J Love	Grant Thornton
Mrs K Musgrave	Baker Tilly
Mr A Armiger	Clerk to the Corporation

Apologies were received from:

Draft Minutes Prepared by: AA	Date: 12-06-15
Draft Minutes approved by the Chair: RA	16-06-15
Minutes Approved by the Committee:	10-11-15

.....*Rosemarie Andrews*.....

Chair

The Chair welcomed members to the meeting, particularly Mr Hughes who was attending his first meeting as an Independent Member. Other members and those attending introduced themselves.

14/15-3.1 Apologies for Absence

There were no apologies

14/15-3.2 Declarations of Interest

There were no declarations of interest

14/15-3.3 Minutes of the Meeting held on 3rd March 2015

Resolved

14/15-3.3 To approve the minutes of the meeting held on 3rd March 2015 as being a true and accurate record of the meeting

14/15-3.4 Matters arising not otherwise on the Agenda

Referring to the record of resolutions with actions required the Clerk advised members that all actions required to be have been taken following the meeting on 3rd March had been completed

Resolved

14/15-3.4 i) To note the actions taken following the meeting on 3rd March 2015

14/15-3.5 Internal Audit Reports

Mrs Musgrave from Baker Tilly presented members with the reports from the most recent internal audits.

Report 03 – Higher Education Income

Mrs Musgrave began her report by informing members that the review was designed to consider the monitoring procedures for HE partnership agreements, student support arrangements, procedures for recording income received by the college in respect of its He provision and the procedures for recording information relating to students directly funded and the reporting through the relevant returns.

Mrs Musgrave was pleased to be able to inform members that that the Board could take substantial assurance that all the controls designed to manage risks related to this area are suitably designed, consistently applied and are effective. She also reported that there had been no recommendations made as part of the audit. The Auditor who carried out the process had commented that the college has in place very robust systems. Mrs Collinge reported that the College’s Dean of Higher Education had commented that she felt the audit was wide reaching and she was very pleased with the result.

Report 04 - Subcontracting Partnerships

Mrs Musgrave advised members that the objective of the audit was to ensure that relationships are established only with appropriate providers and the quality of service and teaching provided by the subcontractor is appropriate.

Again, Mrs Musgrave was able to inform members that the Board could take substantial assurance that all the controls designed to manage risks related to this area are suitably designed, consistently applied and are effective. It was noted that only one low level recommendation had been made by the auditor regarding the College seeking assurance/ evidence to confirm that further subcontracting is not taking place. Mrs Collinge advised members that this recommendation had been implemented and that evidence will be sought from all subcontractors in the future.

Mrs Musgrave informed members that the Auditor had commented that the control framework for this area was well designed and implemented. Mrs Collinge advised member that the area of Subcontracting was overseen by the College's Development and Contracts Group. Mr Hughes asked who was in the group. Mrs Collinge replied that Martin Sadler, the College's Development Manager, chaired the group and it was attended by, amongst others, Mrs Collinge, Miss Higgin (Vice Principal – Curriculum and Quality) and Miss Deasey, the College's Director of Business and Engagement. The group meets every 6 weeks and monitors all subcontracting contracts and college projects.

Following further discussion of the reports members

Resolved

14/15-3.5 to note the reports presented

14/15-3.6 Internal Audit Progress Report 2014-15

Mrs Musgrave informed members that the four Internal Audits planned for the year had now all been carried out and reported to the committee. The final report, which was to follow up on recommendations made in 2013-14 would be completed later this month (June 2015) and reported to the committee at its next meeting. Members

Resolved

14/15-3.6 to note the report

14/15-3.7 Audit Findings Monitoring Report

The Vice Principal (Business and Innovation) presented her report on the progress of implementing any recommendations from the 2014-15 Internal Audits and 2013 -14 Financial Audit. Mrs Collinge began by advising that there had been no recommendations made from the 2013-14 Financial and Regularity Audit. Moving on to the four 2014-15 Internal Audits Mrs Collinge noted that there had been no High or Medium risk recommendations and only 6 low risk recommendations overall. Of these 5 had been implemented and one had been noted, but felt by the College to be not appropriate.

Mrs Collinge advised members that the follow up audit of recommendations made in 2013-14 audits would take place at the end of June 2015. Members

Resolved

14/15-3.7 to note the report

14/15-3.8 Internal Audit plan 2015-16

Mrs Musgrave presented the plan which had been drawn up following the meeting of members of the Audit Committee in early May to discuss the plan for 2015-16. At that meeting members had put forward suggestions based on previous audit plans, communications with Chairs of the Resources and Curriculum and Quality Standards Committee and advice from Mrs Musgrave.

The members agreed that the meeting had again proved useful in being able to examine the areas planned for internal audit and to be able to set out the audit requirements that would be most useful to the Board in establishing assurance about College systems and controls.

The areas selected for audit in 2015-16 were Human Resources and Talent Management, Budgeting and Forecasting, Student Records and College Destination Data. 2 days were left free for Contingency purposes.

Mrs Musgrave informed members that she would liaise with Mrs Collinge to organise dates for the audits once the plan had received approval from the Board.

Following final discussions members

Resolved

**14/15-3.8 (i) to note the plan; and
(ii) to recommend the Draft Internal Audit Plan for 2015-16 to the Corporation Board for approval**

The Chair Thanked Mrs Musgrave for presenting her reports

14/15-3.9 Draft Financial Audit Plan for the year ending July 31st 2015

Mrs Love of Grant Thornton presented the audit plan to members and led through the relevant sections of the document beginning with significant risks identified. The major risk identified concerned the forecast outturn for 2014-15 and its possible effects on loan covenants. Mrs Love also advised that auditors will assess the college's ability to meet loan covenants in future years and report on that. Mrs Bridgeman asked if there was now an increased risk of breaching loan covenants. Mrs Collinge replied that there was an increased sensitivity in this area, but work was continuing in making sure all income was maximised and expenditure controlled to reduce any possible deficit by the end of the financial year.

Mrs Andrews asked if a reported deficit will break existing loan covenants. Mrs Collinge replied that it would depend on how the financial statements are dealt with and also the lenders thoughts on the matter.

Mrs Love added that the risk was real and it would appear in the narrative of the audit report and that this would be open to interpretation by the lenders and other external bodies.

Mrs Gaskell asked if any of the current loan taken out for the Heartwood Centre project had been drawn down. Mrs Collinge replied that no it hadn't as yet but it must be drawn down by December 2015 within a year of the Loan agreement. Mr Hughes asked for clarification as to the purpose of the loan; was it to cover cash flow? Mrs Collinge confirmed that this was right. Mrs Collinge went on to say that the SFA had sent out a letter to all colleges who had recently received Capital funding to ascertain if any of the colleges were experiencing financial difficulties as a result of loans taken out to assist with funding projects. Mrs Collinge advised that this may result in some financial help, but could not be certain of the SFA intentions at this point

Moving on to areas of reasonably possible risks Mrs Love noted that auditors will assess the reasonableness of the College management's decision to release HEFCE income held which had been deferred from the previous year. Mrs Gaskell asked if this income would have an effect on any possible deficit. Mrs Collinge said that this income had been taken into account in the current outturn predictions. Mrs Love also informed members that auditors would also be looking at the college's biggest expense, its payroll. She also noted that an actuary would again be engaged to carry out a valuation of the current pension fund and that there will be a review of the college's compliance with FRS17.

Mrs Love reminded members that the audit report when published would form an opinion over the regularity and propriety of college spending.

Following further discussion of the document members

Resolved

14/15-3.9 to recommend the Draft Financial Audit Plan for the year ending 31st July 2015 to the Corporation Board for approval

14/15-3.10 FRS 102 for Further and Higher Education

Mrs Love presented a document produced by Grant Thornton which seeks to explain the implications of the new Financial Reporting Standard 102 for FE and HE. Mrs Love explained that under the new standard colleges will be required to adopt a new financial reporting regime, but that this would not affect this college until the accounts presented for year ending July 2016. Members were informed that the year-end financial reports would look very different, but as yet a model set of accounts had not yet been developed.

Mrs Love advised that as this year's financial statements are prepared it may be possible to produce a second set to demonstrate the impact of the new standard on next year's accounts.

Mrs Gaskell asked if the new accounting procedure would affect any of the college's loan covenants. Mrs Love replied that the Banks are aware of the new reporting procedures and will take action appropriately when the new reporting structure commences. Mrs Love concluded that the new standard was very technical, but it should not cause too many shocks across the sector. It was important though that members received training on the new standard and that this would be best done in February or March of 2016.

Members agreed that this could be done as part of the Audit Committee meeting which takes place about that time.

Following further discussion members

Resolved

14/15-3.10 to note the information provided on FRS102 provided by Grant Thornton

The Chair thanked Mrs Love for her reports

14/15-3.11 Risk Management Monitoring – Update June 2015

The Vice Principal (Business and Innovation) began by providing the committees new member Mr Hughes with the background to the origin and use of the document. Mrs Collinge then presented the updated Risk Management Plan document to members highlighting those strategic objective risks identified as high and what action had been taken to minimise those risks.

Leading members through the document, Mrs Collinge began by explaining that the risks associated with the development of maths and English across the college are closely monitored by members of the Board's Curriculum and Quality Standards Committee and this could be seen on their committee minutes.

Moving on to those risks associated with reviewing and realigning the colleges curriculum, the college had recently carried out a major piece of curriculum review and development and members were reminded that they had received a report on this at the recent Board Strategic and Development event. Changes had also been made recently to the College Employer and Schools engagement teams to ensure they are focused on their areas of work, noting that a new Commercial Co-ordinator had also been appointed to look at new revenue opportunities.

Finally Mrs Collinge moved on to risks associated with maintaining financial stability. Members noted the changes to the levels of risk reported and vigorously questioned Mrs Collinge on the work taking place to ensure the risks to this area were minimised. Members recognised that the College works extremely hard to control expenditure, but the volatility of its income streams do cause a problem and increases risk. Members questioned Mrs Collinge on the move from the Globe Centre to the new Heartwood Centre and in particular the costs involved with that move. Mrs Collinge confirmed that talks were currently taking place with the Globe centre to minimise costs that will be incurred due to the move.

Following final discussions on the report members

Resolved

14/15-3.11 to note the updated Risk Management Plan 2014-15 and the actions being taken by the College to minimise the identified risks

14/15-3.12 **Declaration of any Confidential Items**

Members

Resolved

14/15-3.12 that there were no items discussed at the meeting that could be deemed as confidential

Mrs Musgrave asked if she could table an item for information. The Chair agreed that she could.

14/15-3.13 **Baker Tilly rebranding**

Mrs Musgrave informed members that it was expected that Baker Tilly would in the very near future undergo a national rebranding. She advised that an announcement was expected the following day and that information would be sent out to organisations involved with the company as soon as possible after that. Mrs Musgrave noted that the rebranding would not affect the service the College received from the company.

Members

Resolved

14/15-3.12 to note the information provided

14/15-3.14 **Date and Time of Next Meeting**

To be advised

The Chair thanked members for attending the meeting

The Meeting closed at 10:00am

