

The Corporation Board of Accrington and Rossendale College

Minutes of a Meeting of: The Audit Committee

Date: 18th November 2014

Location: The Boardroom, 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

In Attendance:

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

Apologies were received from:

Draft Minutes Prepared by: AA	Date: 20-11-14
Draft Minutes approved by the Chair: RA	26-11-14
Minutes Approved by the Committee:	03-03-14

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

The Chair welcomed members to the meeting.

The Clerk confirmed that currently there were only three members of the Committee as Mrs Smith had decided not to continue as an Independent Member of the Corporation Board following her probationary year term of office. Mr Armiger informed those present that there was a meeting of the Search and Governance Committee in the near future and the situation regarding Audit Committee membership would be raised there.

14/15-1.1 Apologies for Absence

There were no apologies

14/15-1.2 Declarations of Interest

There were no declarations of interest

14/15-1.3 Minutes of the Meeting held on 17th June 2014

Resolved

14/15-1.3 To approve the minutes of the meeting held on 17th June 2014 as being a true and accurate record

14/15-1.4 Matters arising not otherwise on the Agenda

The Clerk referred committee members to the Record of Resolutions with Actions Required paper he had prepared who noted that the actions required from the meeting on 11th February had been carried out.

Members reviewed the Learner Number Systems follow-up report prepared by Baker Tilly following a re-audit of the colleges apprenticeship provision carried out in August 2014. The original audit had received Limited Assurance opinion with 2 high level risk recommendations. Following management action taken the re-audit now had received a Substantial Assurance opinion with 2 low level recommendations.

The Chair of the Committee began the discussion of the report by commenting that the sample number involved in the re-audit seemed small. The Vice Principal (Business and Innovation) replied that the sample used were the records of those students where a claim for funding still existed, following the removal of claims of other students in the original audit. This was to ensure that those students being claimed for were legitimate claims and that the systems used for claiming had been corrected and were valid. Mrs Collinge said that the high risks identified in the original audit had now been corrected and that the systems were functioning as they should be.

Mrs Musgrave reported that the two remaining low risk recommendations had been agreed by the college and were minor housekeeping issues which would be resolved.

Mrs Gaskell asked what process had been put in place to ensure that problems would not continue to arise with these programmes. Mrs Collinge told members that the

apprenticeship programme was undergoing several changes. The restructure of the apprenticeship team was continuing and that curriculum areas were becoming more involved rather than having a separate apprenticeship team and that the whole process would be over seen by the Apprenticeship manager. She also advised that there would be a new on line tracking scheme, "One File", introduced and used rather than the paper based system used in the past and that new data collection system would be used. Members felt assured that the college could move on in a positive manner with its apprenticeship programmes, but would also want to ensure that lessons had been learnt by the college and problems would not arise again.

Resolved

- 14/15-1.4** **i) To note the actions taken following the meeting on 17th June 2014**
ii) to note the actions taken by the college regarding its apprenticeship programmes

14/15-1.5 **Approval of the Financial Statements for Year Ended 31st July 2014**
a) Financial Audit Report

Mrs Love and Mrs Grant of Grant Thornton presented the Draft Audit Findings report to members. Mrs Love began by informing members that the financial audit was on schedule allowing the final audit result to be presented to the Corporation Board on the 18th December. Referring to the Status of the Audit section of the report Mrs Love highlighted that as part of the finalisation of the going concern process there would be a review of the loan agreement with Lloyds bank (in respect of the Visitor Economy Centre project) and cash flow forecasts to December 2015 and the college's ability to comply with loan covenants.

Mrs Grant presented the rest of the Audit Findings report and began by saying that the auditors had looked at the presumed significant risks, using international standards, of misstated revenue and management override of controls and reported that there were no instances identified in either area during the audit, but were awaiting final confirmation from the SFA of the funding allocation for the year.

Moving on Mrs Grant advised members that with regard to reasonably possible risks that there was a possibility of a clawback of funds from the SFA (adult skills budget), but that the college had already accrued the amount. Confirmation of the final funding, as already stated, was awaited from the SFA by the auditors.

Mrs Grant went on to advise members that an additional £240K of HEFCE funding had been received in year, but had been provided for in full due to the uncertainty regarding the college's entitlement to the income. Mrs Bridgeman asked if there was a time limit for possible clawback. Mrs Collinge advised that it could be clawed back in March 2015, but as yet there had been no comment from HEFCE. Mrs Love told members that this issue had been talked about at length and a lot of correspondence between the College and HEFCE had been considered. She noted that there was a possibility that eventually there could be a satisfactory conclusion in favour of the college.

Continuing Mrs Grant noted that the auditor concurred with the college management's assessment that loan covenants had not been breached during 13/14 and that this will also be considered in the final accounts when the new Lloyds loan takes effect.

Moving on to other findings Mrs Grant advised that there had been no further losses by the Pennine Lancashire Education Trust (PLET) which would need to be recognised by the College.

With regard to the College being a going concern the auditors would update their opinion on the arrival of the financial statements, cash flows to December 2015 and a review of the loan agreement with Lloyds bank

Mrs Grant concluded by advising that there had been no incidents of fraud identified and there had been no material disclosure omissions identified during the audit, that Grant Thornton expected to issue an unqualified regularity opinion within the financial statements and there had been no control recommendation from the current year's audit.

Mrs Andrews referred to the auditor's comments that the actuary assumptions regarding the FRS17 valuation should be kept under review. Mrs Love explained that the Board should consider if it was comfortable with Mercer's assumptions, even though the Board relied on Grant Thornton's assessment of reasonableness. Members discussed the various factors affecting the FRS17 assumption. Mrs Collinge advised members that Mercer were used by many colleges and she had not come across any instance of unreasonableness in speaking to other colleges.

b) Audited Financial Statements

Members considered the report on the financial statements for year ending 31st July 2014 Miss Gaskell asked about the existence of ARC Enterprises she had seen whilst review the statements. Mrs Collinge advised that this was a company set up and used by the college in the past when required, but had not been used for several years and did not have current financial implications for the college

Mrs Andrews asked if the financial surplus of £67k before the effects of FRS17 adjustments was correct. Mrs Grant confirmed that this had been checked by the auditors and was incorrect and should be reported as a deficit.

Mrs Andrews asked if Mrs Collinge would check a possible error in the statements regarding the number of staff leaving the college who had disabilities. All agreed the figure did not look right. Mrs Collinge said that she would check the figure and correct it if necessary.

Following final discussions members

Resolved

- 14/15-1.5** **i) to note the Grant Thornton Audit Findings Report and Financial Statements report; and**
ii) to recommend the audited Financial Statements for the year ended July 31st 2014 to the Corporation Board for approval

Mrs Andrews thanked Mrs Love and Mrs Grant for their reports and the work of the audit team in compiling them.

14/15-1.6 **Annual report of the Internal Audit Service**

Mrs Musgrave of Baker Tilly presented her report. She began by saying the report was a formal tie up of all the work carried out by Baker Tilly as the Internal Audit Service provider. Mrs Musgrave noted the work done and the results of the various audits carried out in College which, following a re-audit of the apprenticeship learner number systems, had resulted in three audits receiving substantial assurance and one audit receiving reasonable assurance. It was also noted that an additional piece of work had been carried out on Curriculum Management and recommendations had been made to the college management following this review

Mrs Musgrave went on to say that from the work carried out Baker Tilly were able to draw a reasonable conclusion that the College has adequate and effective governance arrangements, risk management and control processes to manage the achievement of its objectives.

Following discussion of the report members

Resolved

- 14/15-1.6** **i) to note the report from Baker Tilly; and**
ii) to note the Internal Audit Service opinion contained within the report and advise the Corporation Board of the opinion in the annual Audit Committee Report

Mrs Andrews thanked Mrs Musgrave for her report

14/15-1.7 **Internal Audit Service Follow-up report 2012/13**

It was noted that this report had not been received by the college due to an error in the 2013/14 Internal Audit Plan, but that it would be forwarded on to the college and Audit Committee members as soon as it was available.

14/15-1.8 **Audit Findings Monitoring Report 2013/14**

The Vice Principal (Business and Innovation) presented her report. Mrs Collinge noted that there were no recommendations from Grant Thornton regarding the Financial Statements and Regularity Audit for the year ending 31st July 2014

Moving on Mrs Collinge advised members that all recommendations received by the college management from Baker Tilly had been implemented in-year and spoke in detail about the re-audit of the apprenticeship learner numbers system. Mrs Collinge noted that following the implementation of recommendation made in the original audit Baker Tilly were able to provide a Substantial Assurance at the re-audit.

Mrs Gaskell referred to item 3 of the paper and, as a newer member of the Board, asked about the special measures process used by the college with its curriculum teams. Mrs Collinge explained the purpose and proposed outcomes of the system and the good work and improvement in success rates that had resulted from the process with the college apprenticeship programme. The Clerk reminded members that they were able to attend Special Measures meetings to observe the process in action

Following further discussion members

Resolved

14/15-1.8 to note the report and the actions taken by College management

14/15-1.9 Risk Management Plan 2013/14 - Final Outcomes

The Vice Principal (Business and Innovation) presented the report. Mrs Collinge referred members to the final outcomes for the year within the report and particularly those where there had been high risks noted. Mrs Collinge wanted members to note that £581k of staffing savings had been achieved in year to contribute to a reduced deficit financial outturn. Members agreed that this was impressive. Mrs Collinge advised members that the college had been unable to maximise its 24+ loan targets and the failure to recruit target learner numbers could prove a high risk again for 2014/15, but currently the situation was not considered dire.

Moving on Mrs Collinge referred to Item 3.4 in the report which identified the risk of not maintaining an Ofsted Outstanding status. Mrs Collinge advised that the college had not yet been inspected, but during the recent curriculum Self-Assessment Review (SAR) process and in compiling the whole college SAR report it was felt that the college should be able to maintain the status if inspected.

Mrs Gaskell noted that there were high risk areas in section 5 - Human Resources of the plan. Mrs Collinge agreed and that the college did all that it could to ensure it recruited the right staff to ensure the college met its strategic aims and that this had included a review to ensure clarity of expectations of staff and revised recruitment processes.

Members agreed during discussion about the importance of the plan and its reporting on termly to evidence the work the college and its management undertake to control and minimise risks to the college. Following final discussion of the 13/14 year end results presented members

Resolved

14/15-1.9 to note the report and the actions taken by the college during the year

14/15-1.10 Risk Management Plan 14/15

The Vice Principal (Business and Innovation) presented the plan. Mrs Collinge asked members to note the changes in the format from the previous year's plan. The report is now aligned fully to the College's Strategic Aims and Objectives with risks and specific action identified against the Objectives. Mrs Collinge advised members that the plan would again be dynamic with actions taken to control and minimise risks reported termly to the committee

It was also noted by members that there was an indication for Board members of specific Board assurance available in keeping with recent changes to JACOP.

Members agreed that the plan had moved forward and become an even better document which would give the Board the assurance it required in the matter of college risk management. Mrs Collinge advised members that there was still some work to do on the specific actions section of the plan before the final plan was submitted to the Corporation Board for final approval. Members noted this and looked forward to seeing the final plan. Mrs Love, Mrs Grant and Mrs Musgrave advised members that the document was a particularly good example of its type and would prove useful to members of the Committee and the Board. Members

Resolved

**14/15-1.10 i) to note the Risk Management Plan 14/15 and its new format;
and
ii) to recommend the Risk Management Plan 14/15 to the Corporation Board for approval**

At this point the Clerk advised the Chair of the Committee that Mrs Musgrave, Mrs Love, Mrs Grant and Mrs Collinge would be able to leave the meeting as the final item only required the presence of Committee members. Mrs Andrews thanked them all for attending and presenting their reports.

14/15-1.11 Audit Committee Annual Report 2013/14 - Draft

The Clerk presented the draft Committee annual report for discussion and amendment. Mr Armiger reminded members that due to changes in JACOP they were now required to give an opinion on the committee's effectiveness and assessment of the fulfilment of the committee's terms of reference. To this end Mr Armiger had sent a self-assessment document to members prior to the meeting. Members discussed the document and the terms of reference for the committee. Following that discussion members all agreed that they as a committee had fulfilled the terms of reference during the year in an effective manner.

Moving on to the full report Mr Armiger was pleased to report that attendance at meetings continued to increase year on year and now stood at 87.5% for 2013/14.

Members agreed that the report reflected the work carried by the Committee in 2013/14 and presented a summary of the findings of both the Internal Audit Service providers and the Financial Statements Auditors for the year.

Following final discussions members

Resolved

- 14/15-1.11** **i) to amend the draft report to reflect the Committee self-assessment findings; and**
ii) to recommend the Audit Committee Annual Report 2013/14 to the Corporation Board and the College's Accounting Officer (the Principal) to enable the advice contained within it to be considered when approving the financial statements for the year ending 31st July 2014

14/15-1.12 Date and Time of Next Meeting

The next meeting will be held at a date to be advised dependant on availability of members.

Following a request from members, meetings will in future be held at 8.30am

Mrs Andrews thanked members for attending the meeting

The meeting closed at 9.45am