

The Corporation Board of Accrington and Rossendale College



Minutes of a Meeting of: The Audit Committee

Date: 19th November 2013

Location: The Boardroom, Broad Oak Centre

Confirmed

Members Present:

Mrs R Andrews	Chair of the Committee and Independent Member
Prof I Smith	Independent Member
Steph Bridgeman	Independent Member

In Attendance:

Mrs S Collinge	Vice Principal (Business and Innovation)
Joanne Love	Grant Thornton
Frances Grant	Grant Thornton
Karen Musgrave	Baker Tilly
Annette Walmsley	Baker Tilly
Andy Armiger	Clerk to the Corporation

Apologies were received from:

Draft Minutes Prepared by AA	Date:
Draft Minutes approved by the Chair:	22-11-13
Minutes Approved by the Board:	11-02-14

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

Chair

AC

13/14-1.1 Apologies for Absence

There were no apologies

13/14-1.2 Declarations of Interest

There were no declarations of interest

13/14-1.3 Minutes of the meeting held on 18th June 2013

Resolved

13/14-1.3 To approve the minutes of the meeting held on 18th June 2013 as being a true and accurate record

13/14-1.4 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 18th June had been carried out

Prof. Smith asked the Vice Principal (Business and Innovation) if the matter in Item 64.5 regarding the Audit of the Employer Responsive (apprenticeships) had been resolved. Mrs Collinge told members that this was not fully resolved as yet, but that the College was working very hard to remedy the situation and this had included a new manager leading in this area, investigation of the problems at depth and moving the area forward. Mrs Collinge informed members that she would continue to update them as work in this area progressed

13/14-1.5 Approval of the Financial Statements for the year ended 31st July 2013

a/ Financial Statements Audit: Audit Findings Report

Frances Grant, of Grant Thornton, presented the Audit Findings Report to members explaining that the documents purpose was to highlight, summarise and give context to key finance issues for the college, and also be used to report these issues to college management, the Board , the Accounting Officer and also the Skills Funding Agency (SFA) and other external agencies

Ms Grant began by giving an over view of the financial statements before moving on to key aspects in the report such as FRS 17 (retirement benefits). Members were told that FRS 17 had moved significantly year on year and this had caused a decrease in the pension scheme deficit but were satisfied that they remained within reasonable parameters.

Ms Grant told members that, with regard to the status of the audit, funding reconciliations from the SFA were still outstanding, but that this was not unusual. Moving on to the audit findings regarding those areas with significant risk Ms Grant noted that there were no issues with Improper Revenue Recognition or Management Override of Controls

In those areas of the audit with reasonably possible risk there had been one adjustment proposed in the area of Expenditure on the College Estate and that this had been accepted by management. No issues were noted in the areas of Creditors and Operating Expenses or Payroll Costs.

With regard to Revenue it was noted that although there had been an underperformance against the EFA allocation, this would not affect 2012/13, but would affect following years. The college had recognised this, whilst not recognising in the financial statements any possible over delivery funding from the SFA for adult delivery. This is in accordance with the Accounts Direction.

Ms Grant then moved on to other areas of particular focus. With regard to Going Concern she confirmed that Grant Thornton were satisfied that the College has sufficient resources within existing facilities to continue in operation for the foreseeable future and that the assumptions made in the college's two year financial plan seem reasonable. It was also confirmed that no loan covenants were breached during the year ended 31st July 2013. The College's relationship with the Pennine Lancashire Education Trust (PLET) was reviewed and no issues were found, The College had appropriately recognised the deficit funding in terms of sponsorship of the Hyndburn Studio School.

Ms Grant stated ,with regard to Regularity (the College's application of Public Funds) Grant Thornton expected to issue, to the SFA, an unqualified regularity opinion within the financial statements and that in matters in relation to Fraud, Related Parties, Laws and Regulations, Written Representations and Disclosures there were no issues found that would impact on the Financial Statements.

The Chair thanked Ms Grant for her report.

Prof Smith noted that the Surplus on the consolidated income and expenditure account was significantly less than the previous year (2011/12) Mrs Collinge said that this was correct and was as expected. The surplus had been higher the previous year due to a windfall payment from the SFA. She also noted that 13/ 14 would probably show a zero (balanced) surplus as had been agreed by the Board approving the 13/14 Revenue Budget.

b/Audited Financial Statements

Although noted, it was established that the Audited Financial Statements would also be presented to the Resources Committee on 26th November 2013 at which point the financial content would be considered in more detail, before recommendation to the Corporation Board. Following final discussion members

Resolved

13/14-1.5 that the Audited Financial Statements be recommended to the Corporation Board for approval, following the scrutiny of the Statements by the Finance and Employment Committee on the 26th November 2013

13/14-1.6 Letter received from RSM Tenon

Mrs Musgrave spoke to members regarding the acquisition of RSM Tenon by Baker Tilly. Although RSM Tenon does still currently exist, its trading activities will soon move fully to Baker Tilly. Mrs Musgrave reassured members that although there has been a change it would in no way, other than report presentation etc., affect the service the college was presently receiving from its internal audit team led by Mrs Musgrave. Members were happy to receive this information

Resolved

13/14-1.6 to note the content and implications of the letter from Baker Tilly

13/14-1.7 Annual report of the Internal Audit Service 2012/13

Mrs Musgrave, of Baker Tilly, presented her report noting that it was a summary of all the work carried out during 2012/13 and that it also gave the overall opinion of the colleges control systems, commented on the nature and extent of any significant risks and report on the incidence of significant control failings or weaknesses. It was noted that Baker Tilly had concluded that they could give assurance that the college's systems of internal control, governance and risk management were operating adequately.

Mrs Musgrave informed members that of the four audits agreed by the Audit committee and carried out during the year, two had received a substantial assurance opinion, one had received a reasonable assurance opinion following re-auditing (previously limited assurance) and one, as it was an efficiency review, had not had an opinion given. Within the initial audits carried out, there had been three high risks, one medium and four low risks identified, but after the re-auditing of the Employer responsive – Learner Records area this had reduced to 1 high risk, 1 medium risks and 4 low risks.

Following further discussion members

Resolved

13/14-1.7 to note the report and the audit opinions contained within it, which will be presented to the Board as part of the Annual Audit Committee Report

13/14-1.8 Internal Audit Service Follow up Report 2012/13

Mrs Musgrave told members that she was pleased to inform them that from the 13 risks identified from internal audits carried out during 2011/12; all of the recommendations regarding these risks had been satisfactorily implemented. Members

Resolved

13/14-1.8 to note the report

13/14-1.9 Internal Audit Reports

01 - Governance

Mrs Musgrave presented the report. She commented that the audit had been very clean and that there were two recommendations; one medium and one low priority and responses from the Clerk regarding the recommendations had been given.

Mrs Musgrave noted that Baker Tilly could give Substantial Assurance for this audit review. Following discussion members

Resolved

13/14-1.9 to note the report

The Chair thanked Mrs Musgrave for her reports

13/14-1.10 Audit Findings Monitoring Report

The Vice Principal (Business and Innovation) presented this report concentrating on the actions taken following the two audit reviews carried out in the area of Employer Responsive - Learner records. Mrs Collinge told members that, as she had commented earlier in the meeting, work was still on going in this area and that she would continue to update members on progress.

With regard to the advisory review of Employer Responsive Efficiency carried out in June 2013, Mrs Collinge told members that although there was no assurance opinion given the college had acted on the recommendations made and again progress was on-going.

Resolved

13/14-1.10 to note the report and actions taken against recommendations made

13/14-1.11 Draft Audit Committee Annual Report to the Corporation Board and Accounting Officer for 2012/13

The Clerk to the Corporation presented the report to the committee. He noted that the report (an SFA requirement) provided a summary of the decisions of both the internal and external auditors for use by the Board when making a decision as to whether or not to approve the Financial Statements. Slight changes were recommended by the members present before presentation to The Corporation Board at its meeting on 10th December 2013.

Resolved

**13/14-1.11 i)to note the report; and
ii) to recommend the Audit Committee Annual Report for presentation to the Corporation Board and the College's Accounting Officer**

13/14-1.12 Risk management Plan 2012/13 – Final Outcomes

The Vice Principal (Business and Innovation) began her report by reminding members that it was the responsibility of the Audit committee to monitor the College's Risk Management Action Plan. This report represented the final outcome for the risks identified against:

- Financial Sustainability
- Responsiveness to local need and national policy
- Quality and Performance
- Partnership, collaboration and reputation
- Human Resources
- Health, safety & security

Members discussed the final outcomes presented and the final developments presented in the dynamic document. Members found the ability to see where changes had been made in assessment of risk beneficial as the year progressed.

Discussion turned to the question of the College's stance on risk. Mrs Musgrave said that the College seemed to take a considered approach to most matters and could therefore appear as risk averse.

Mrs Bridgeman who had recently attended a College Self-Assessment review said that she could see how the college processes for review all build on one another and that this was good practice and particularly good to observe in practice.

Following further discussion members

Resolved

13/14-1.12 to note the report and the final actions taken against the plan for 2012/13

13/14-1.13 Risk Management Action Plan 2013/14

The Vice Principal (Business and Innovation) presented the action plan for 2013/14 to members. She explained that the plan had been brought together using the college appraisal system and setting of objectives and responsibilities for risk management of the senior management team. This enables the management of risk to be cascaded down to team levels and allow reporting of managing the risk upwards to complete the dynamic document three times a year for presentation to this committee.

Mrs Collinge told members that Mrs Musgrave had been asked to review the document and Mrs Musgrave told members that in her opinion she had not been able to find any particular area that the college had not considered in the plan.

Mrs Collinge said that she would bring the first updated plan for members to consider at the committee's February 2014 meeting. Members

Resolved

13/14-1.13 to note the report and the assessment of risk detailed in the Risk Management Action Plan for 2013/14

13/14-1.14 Whistle Blowing Policy

The Clerk presented this report. He informed members that it had been three years since the document had been approved by the Corporation Board. The policy had been reviewed by the Director of People and Performance and there had been no changes made.

Resolved

- 13/14-1.14** **i) to note the report; and**
ii) recommend the College Whistle Blowing Policy to the Corporation Board for re-approval

13/14-1.15 Fraud, Bribery and Corruption Policy

The Clerk presented this report. He informed members that it had been three years since the document had been approved by the Corporation Board. The policy had been reviewed by the Director of People and Performance and there had one change to the document, that being the addition of a definition of both Fraud and Corruption.

Resolved

- 13/14-1.15** **i) to note the report; and**
ii) recommend the Fraud, Bribery and Corruption Policy to the Corporation Board for re-approval

13/14-1.16 Declaration of Confidential Items

Members agreed that no item from the meeting were deemed to be confidential

13/14-1.17 Date and time of next meeting

11th February at 8.15am