



**Accrington and Rossendale College
Corporation Board – Audit Committee**

**Minutes of the Meeting
held on Tuesday 18th June 2013
in the Boardroom, Broad Oak Centre**

Confirmed

Present:

Mrs R Andrews	Chair of the Committee and Independent Member
Mr Steve Ireland	Independent Member
Prof Ian Smith	Independent Member

In Attendance:

Mrs S Collinge	Vice-Principal (Corporate Services)
Toby Wilson	Grant Thornton
Joanne Love	Grant Thornton
Karen Musgrave	RSM Tenon
Mr A Armiger	Clerk to the Corporation

Apologies were received from:

	Date:
Draft Minutes Prepared by: AA	19-06-13
Draft Minutes approved by the Chair of the Committee:	23-06-13
Minutes Approved by the Committee:	19-11-13

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

Chair

64.1 Apologies for absence

No apologies were received. The Clerk reminded members and others attending that there would only be three members attending the meeting due to the restructuring of the Corporation Board and its Committee as approved on 26th March 2013. Mr Armiger informed members that the Board was currently searching for new members and that the Audit committee was a priority.

64.2 Declarations of Interest

There were no declarations of interest from the members

64.3 Minutes of the previous meeting

400 Resolved To approve the minutes of the meeting held on 26th March 2013 as being a true and accurate record

64.4 Matters arising (not on the agenda)

Members noted the Record of Resolutions with Actions required paper which referred to resolution **393** and the follow up report, including an action plan, on Employer Responsive Efficiency. Mrs Musgrave of RSM Tenon tabled the follow up report and took members through it with particular attention to the Action Plan. The Vice Principal (Corporate Services) explained that the report would be a useful tool moving ahead with review of apprenticeship provision. Mr Ireland asked what the key benefits of the report would be. Mrs Collinge replied that it would specifically focus attention on what areas to prioritise for action; for example Assessor case loading, and that the report provides sufficient detail to aid pinpointing problematic areas.

401 Resolved to note the report

64.5 Internal Audit Reports

Mrs Musgrave from RSM Tenon presented three reports

Report 02 – Employer responsive – Learner Records Follow-Up report

Mrs Musgrave began by telling members that the report was a follow up to a report originally done in February 2013 which could only give the Board “limited assurance” for this area. The area was re-audited again in May 2013 to look at whether the original issues in the February audit had been dealt with and looked specifically at Learner enrolment and eligibility, on programme activity and achievement for work based and apprenticeship learners.

Mrs Musgrave noted that in the original audit there were 3 high risk and 1 medium risk concerns and in the later audit this had reduced to 1 high and one medium risk concerns. As result the opinion , to the Board, had changed to slightly better position, but there were still concerns about documenting and recording Employer responsive funding claims and that ILR data for the College’s Functional Skills activity was not reliable or robust. Mr Ireland asked if the situation was a long standing one or in some way due to new government systems. Mrs Collinge responded by saying that there had been a growing problem in this area and that the college had taken action by restructuring the management of this area to help to resolve the problems.

Mr Ireland asked if there had been basic problems that could have been sorted out. Mrs Collinge said that this was the case and, unfortunately, this included mistakes at management level, hence the restructure.

Mrs Andrews asked if there was an Employer Responsive team failure to deal with these issues. Again Mrs Collinge said yes, but that the Senior Management Team had instigated an individual SAR process which would incorporate all the teams that had apprenticeship provision. Mrs Andrews asked Mrs Collinge if she felt that the systems had been allowed to become 'sloppy'. Mrs Collinge agreed that this was, sadly, the case.

Mrs Musgrave gave assurance to members that the report did not mean that learners were not achieving, only that the college systems around them were not working properly. Mrs Andrews asked if there would be, as a result of the poor systems, any claw back of funds. Mrs Collinge replied that there wouldn't, but that it was clear that this was a vulnerable area for the college and SMT were taking action to resolve the situation. Mrs Andrews asked if there would be another follow up report. Mrs Musgrave and Mrs Collinge said that there would and it would of course, be brought to this committee when published. Following further discussion members

402 Resolved to note the report

Mrs Musgrave moved on to Report 03 – Key Financial Controls- Procurement and Payments Review. She began by saying this area had received a “Substantial” assurance opinion. Mrs Musgrave told members that this had been a four day audit which had resulted in only two low risks which centered on the updating of the procurement strategy and the college maintaining its own preferred supplier list. Mrs Musgrave commented that the audit had been very clean and the colleges purchase controls were good. Members

403 Resolved to note the report

Mrs Musgrave presented the last report, Report 04 – Audit Review – Risk Management. Mrs Musgrave was able to tell members that this area had also gained a “Substantial” assurance opinion with only two low risks and that the recommendations made had been accepted by College management. These centered on the Risk Management Policy being updated annually and that, in line with Funding Body guidance, the annual risk management report to this committee contained a summary of the risk management approach for the year and a summary of the adequacy of the process in discharging the Corporations duties. Mrs Musgrave told members that RSM Tenon would be conducting another Risk workshop with the SMT later in the year, but that it was obvious that a Risk Management ethos was totally embedded in the college. Members

404 Resolved to note the report

64.6 Internal Audit Progress Report

Mrs Musgrave confirmed to members that all internal audit work as approved in the Internal Audit Plan, approved by the Corporation Board in July 2012, had now been completed and reported on. Members

405 Resolved to note the report

64.7 Outcomes of Other External Audits

The Vice Principal (Corporate Services) reported verbally to members that there had been a second audit of an ESF ACE project. Although the first audit was satisfactory, it had been decided that it would be audited at a higher level. Three issues raised with potential claw back were resolved, but the final report confirming this was not available for this meeting. It would be brought to the next meeting if available. Members'

406 Resolved to note the verbal report

64.8 Audit Findings Monitoring Report

The Vice Principal (Corporate Services) advised members that all recommendations made in Internal Audit Reports for 2012/13 had been addressed and that, as reported at the March 26th meeting, there were no outstanding recommendations to be implemented from 2011/12

407 Resolved to note the report

64.9 Internal Audit Plan for 2013/14

Mrs Musgrave reported to members that the College SMT had been involved in a Risk Management work shop on 21st May and from that event a three year Audit Cycle which was contained in the Report had been discussed and formulated. A further meeting between RSM Tenon and Mrs Collinge had resulted in the Audit plan now being presented.

Mr Ireland asked why ALS had been selected for audit. Mrs Collinge replied that although this was not a problem area, the method of funding this provision was changing and the college wanted assurance that its systems for recording evidence for payments was robust and fit for purpose. Mrs Andrews asked if the College's new accounting system would be audited. Mrs Musgrave said that once it had been fully implemented an audit would take place.

At this point Mr Wilson of Grant Thornton spoke to members about the current consultation that was taking place with regard to the Joint Audit Code of Practice (JACoP). Information had been previously sent, by the Clerk, to members about this. In summary, Mr Wilson told members that the revisions to JACoP would place more emphasis on Audit Committees about how, and on what matters, they would want to seek assurance regarding the College. It would allow Audit committees the opportunity to reflect on what was to be audited. The Clerk suggested that the February meetings of this committee may be good opportunity to consider the proposed audit plan for the following year before presentation at the June meeting. Members agreed that this would be good practice.

Mrs Collinge said that although the JACOP – part 2 removed the need for having an internal auditor the college felt that it would want to retain these services as they provide an independent source of assurance, and also the college would have to otherwise develop its own reliable systems for audit.

Mrs Musgrave also commented that the plan allows the college to focus on the areas that it considers to be of high risk. Mrs Andrews said that the table provided within the report which sets out the College systems in terms of: being established and stable, significant changes in staff/ management; those being developed and those where there are known problems particularly useful. After further discussion members

**408 Resolved i) to note the Internal Audit Plan 2013/14 plan; and
ii) to recommend the Internal Audit Plan for 2013/14 to the
Corporation Board for approval**

64.10 Draft Audit Approach Memorandum for the year ending 31 July 2013

Mr Wilson of Grant Thornton began by saying that it was important that members of the committee understood the structure and format of the audit and led them through the audit plan document.

Mr Wilson highlighted, to members, the section on the risks that the audit would concentrate on, and particularly the levels of those risks and how the audit would provide the narrative to those areas. He then spoke about the other areas that would be considered such as; FRS 17, the relationship between the College, The Pennine Lancashire Education Trust and the Hyndburn Studio School, whether the College was a Going Concern and loan covenants that may not have been met. Mr Wilson noted that although there were not high risk areas, they were still important.

There was further discussion of the situation with JACOP and the college's response to it.

Mr Ireland asked if, in his opinion, the College SMT was responsive to recommendations. Mr Wilson said that it appeared apparent from the internal audits that there was a clear dialogue and openness of discussion and that the members should be assured from that.

Finally, Mr Wilson reported to members that he was moving to East Anglia in the near future and would not in future be working with the college, but that Joanne Love would now be the college's contact.

After further discussion members

**409 Resolved To recommend the Audit Approach Memorandum for the Year
Ending 31 July 2013 be approved by the Corporation Board.**

64.11 Risk Management Plan Monitoring – update June 2013

The Vice Principal (Corporate Services) presented the report that shows progress to date against identified risks. Mrs Collinge highlighted a change to the report format, in response to a recommendation that had been made by Ms Love of Grant Thornton at the previous meeting in March, where when there had been a change in the risk rating this was shown in comparison to the previous rating. Members said they could see the advantage of this as it would help to easily identify where changes for the better, or worse, had occurred.

Mrs Collinge took members through the areas on the report where high risks had been identified, or considerable movement in risk rating had been identified and explained the action being taken to manage them. Members

410 Resolved to note the report

64. Additional - Tenon Education Training and Skills - Green Flag Issues Report

Mrs Collinge asked if she could be allowed to table this item. The Chair said that this could be done.

Mrs Collinge began by explaining that Tenon Education Training and Skills have developed a series of routines to test the credibility of the data held in the ILR. She went on to tell members that this work does not constitute a full audit and testing of the underlying systems and controls or confirmation that the College is complying with the current Success Rate and Funding Methodology in all areas, but that it will be a very useful management tool and also allow access to a very 'elite' club of colleges using this service. Mrs Collinge went on to explain that the assessment is made up of 41 areas; 18 major data issue tests and 23 minor data issue tests and that each test result is graded by a red (above tolerance), amber (within tolerance) and green (below tolerance) traffic-light style indicator.

Mrs Collinge reported that the College has met the overall criteria to pass the Green Flag Data Quality Award. The tests carried out identified 1 minor issue that is above tolerance and 3 major issues and 3 minor issues that are within tolerance but are potential areas of concern. The one area highlighted as red concerned Funded Adult Learners with prior attainment recorded as 'Other qualifications, level not known' or 'Not Known', excluding full level 2 or full level 3 learners. It is suggested that all prior attainment should be known for all learners.

Members discussed the subscription service and agreed that this would provide another excellent source of benchmarking and assurance for the committee and Board as a whole. Members

411 Resolved
i) to note the report
ii) that the Clerk would forward electronic copies of the report to members of the Committee

64.12 Declaration of any Confidential Items

Members agreed that there were no items deemed to be of a confidential nature

64.13 Time and Date of next meeting:
TBA

The meeting closed at 9.30am