

Confirmed

BLACKPOOL AND THE FYLDE COLLEGE

AUDIT COMMITTEE

Minutes of the meeting held at 4pm on Wednesday 27 November 2013 in the Main Committee Room, Bispham Campus

Present: A. Cavill (*Chair*)
P. Graves
L. Moffat
S. Dunstan

Together with: B. Robinson, Principal and Chief Executive
A. Edington, Executive Director Finance and Planning
S. Hughes, Director of Quality and Standards [*withdrew after item 13*]
G. Winward, Clerk to the Board
C. Crankshaw, PA/Minuting Secretary
C. Moss, Baker Tilly [*withdrew after item 13*]
K. Musgrave, Baker Tilly [*withdrew after item 13*]
W. Simpson, Grant Thornton [*withdrew after item 13*]
H. Parker, Grant Thornton [*withdrew after item 13*]

The Chair welcomed all and, in particular, P.Graves, L.Moffat and S.Hughes who were attending their first meeting of the Audit Committee.

1. Apologies for Absence

Apologies had been received from A. Gilmore.

2. Minutes of the Previous Meeting

It was requested that the word **not** be removed in the last sentence of the report under item 5: Internal Audit Reviews. This would now read 'this would be highlighted.' Other than this change, the minutes of the meeting held on 19 June 2013 were **confirmed** as an accurate record.

3. Matters arising

Item 4- Learner Number Systems – The Executive Director Finance and Planning advised that a review would be arranged during the Spring term with the report coming to the June meeting of the Committee. The history of the annual commissioning of a separate Learner Number Systems audit was explained for the benefit of newer Members and it was noted that although this review was not a mandatory requirement, it had been the College's practice to commission this review.

Item 10 – Financial Statements Auditors – It was noted that following their recent merger with RSM Tenon, the College audit providers were now Baker Tilly.

Item 14 - Committee Self Evaluation – The Clerk advised that she had been provided with a set of observations from Grant Thornton which would be circulated at the end of the meeting. One improvement point had been noted regarding levels of challenge and the Committee briefly discussed this point. It was felt that levels of challenge from Members were appropriate, given reports received were usually positive and thus difficult to probe further.

4. Annual Internal Audit Report 2012/2013

W. Simpson presented the Internal Audit Annual Report for 2012/13, the draft of which had been discussed in greater detail at the last meeting of the Committee. There was little to add to that discussion and Members were informed that nothing had emerged from the period from 31 July to date to affect the audit opinion.

Members' attention was particularly drawn to the 'clean' opinion given in section 1.3; to the 7 operational assurances previously required by the old Audit Code and all deemed 'good' (the highest level that can be given) in section 1.4; and Grant Thornton's satisfaction with management actions on recommendations raised (section 1.5). Members also noted other work undertaken in year by Grant Thornton at section 3.3. Overall, 27 recommendations had been made in year, 12 of these relating to the 'improvement review' undertaken on IT.

Grant Thornton's conclusion was that for the 12 months ended 31 July 2013, *'nothing came to our attention which suggests that controls were not suitably designed and operating effectively in the related areas of internal control, governance and risk management'*

Discussion then followed on the matters presented with a number of questions raised and answered. The review of IT generated some especial debate and the Principal detailed proposed staffing changes and improvement measures currently being actioned. The Chair requested that an update on progress in this area form an agenda item at the next meeting.

Grant Thornton also explained that the new Audit Code of Practice was less prescriptive than the previous version and was more principles based. This gave more scope to vary audit approaches in the future.

The Committee **noted** the Report and its assurances.

5. Other Audit Reports:

a) Teachers' Pension Scheme

K. Musgrave briefly introduced the report prepared by Baker Tilly and advised that there were no management control issues to raise.

The report was **noted**.

6. Financial Statements and Regularity Auditors' Report

K. Musgrave introduced the report from Baker Tilly and gave an overview of the content.

The background to the audit work was described and Members' attention was drawn to section 1.4 in which no issues in accounting practice had been found and section 1.5 detailing that there were no significant issues to bring to Governors' attention.

Members were asked to **note** Section 2, the Audit Risks, together with the satisfactory outcome whereby no issues had arisen.

The Committee's attention was then drawn to Section 3 which reflected the key points and highlighted documentation requiring to be brought to the attention of the Governing Body and with regard to accounting and audit issues. It was also **noted** that there were no issues arising from the Regularity Audit work. Members then **noted** the adjusted misstatements at section 4.1.

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As the audit work was substantially complete, Baker Tilly expected to issue two 'clean' audit opinions.

During the ensuing discussion, topics of particular note were:

- It was noted that the next valuation of assets was due in 2015
- The FRS 17 adjustment was explained by the Executive Director, Finance and Planning as a technical adjustment to the profit and loss account regarding the treatment of pensions. All relevant parties were satisfied that the disclosures were correct to the valuations
- Baker Tilly gave confirmation of the college as a 'going concern'

A question raised on the overlap of Corporate Governance work done by both audit firms led to a broader discussion on interaction between the College's internal and external auditors. Both firms' representatives assured Members that systems were in place for a review of the others' work and that where an area of concern existed, dialogue followed. The Committee emphasised that they were very keen to see true dialogue and liaison between the two companies.

In respect of the Letter of Representation, Members were informed that these were of standard content and would accompany this report to the next meeting of the Board. Following Board approval, they would need to be signed by the Chair.

Baker Tilly thanked the Executive Director of Finance and Planning and her team for their assistance in the process and their Report and assurances were **noted**.

7. Draft Financial Statements for the Year ended 31 July 2013

The Executive Director, Finance and Planning introduced the item and advised that the draft annual report consisted of a standard set of statements which followed the 'Casterbridge model' layout. The Executive Director then highlighted some of the key points from the figures and statements in the document and in particular the key sections containing the audit opinions. It was noted that there were some typographical errors and S. Dunstan agreed to contact the Executive Director directly with these.

During discussion Members raised questions on various areas of content:-

- the timings and deadlines for payment of invoices - the performance figures for payments within 30 days were shown as 92.6% compared to the Treasury's target of 95%, which could affect local suppliers. The Executive Director confirmed that the aim was to meet the target and work continued at making processes slicker to improve the timing of paper flow and turnaround within such a large organisation. The Principal added the information that the College was shortly due to hold an open event for local businesses so they might be aware of how to become a supplier to the College
- regarding presentation of financial information to the Board, the Executive Director explained that historic cost surplus was the key figure for the College to work to and that the Board would once again be presented with a reconciliation statement to explain the key differences between the management accounts and the annual accounts.
- The Clerk drew Members' attention to the information in respect of Governor attendance which had been included in order to comply with a new provision of the 'Casterbridge model', but was retrospective and potentially unfair to the named people involved. Baker Tilly advised that this was only deemed a requirement for those colleges who had adopted the 'Foundation Code', under the terms of that Code. Therefore this College could exclude that aspect if desired.

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The document as amended would be provided to the Board at their meeting on 10 December 2013 and it was **agreed** that the draft Financial Statements for the year ended 31 July 2013 **be recommended for approval by the Board**.

8. Audit Committee Annual Report 2012/2013

The Clerk presented the draft Annual Report which she had produced on behalf of the Audit Committee and thanked all those who had provided input to the document. The document, a requirement of the Audit Code of Practice, highlighted the range of reports and assurances that the Audit Committee had considered in order to give comfort to the Board when considering approval of the accounts, including the Audit firms' annual opinions. It was also a summary of the Committee's work undertaken during the year 2012/2013. It was also noted that this document now had to be submitted to the SFA, along with the annual accounts.

The Report could not be finalised until all other relevant documentation on which it relies was completed and some sections requiring adjustments were noted. Auditors suggested that the Committee may wish to add in references in respect of outcomes from the recent Ofsted inspection, together with outcomes from the Committee's own self-evaluation process, as both provided additional assurances.

Subject to above amendments, the draft Annual Report was **approved** for submission to the Board and the Principal, as Accounting Officer. The Chair thanked the Clerk for her efforts in producing the report.

9. Clarus

The Executive Director, Finance and Planning briefly presented the report and advised that the report and financial statements had been reviewed and signed off at the recent AGM of the Clarus Board, being presented here for information. The totals were integrated into the main College accounts.

For newer Members the Executive Director detailed the work of Clarus which had somewhat diminished over recent years and the report was **noted**.

10. Annual Procurement Report

The Executive Director, Finance and Planning presented the report, stressing that the main purpose of the specialist purchasing team was to ensure that Value for Money was taken seriously and savings made wherever possible. However, after five years of intense cost reduction it was becoming more difficult to achieve further significant savings. Nonetheless, assurance was given that the College did use collaborative partnerships and consortia wherever possible. The Executive Director added that the College also tried to use local businesses where possible, but still needed to achieve value for money.

Following some further questions, the report was **noted**.

11. Audit Findings Tracking Log

The Executive Director, Finance and Planning explained the background to the content of the log and that all previously actioned items had been removed.

Members considered the audit log in detail and were advised that the items highlighted in pink had been actioned but would remain on the log until they had been verified in Grant Thornton's follow up work, next due in May.

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Members then considered the remaining 13 items highlighted in green, 9 of which were requiring an extension of time to complete (with 4 not yet due). It was observed that the common link was IT work. The Executive Director explained that by the time of the Committee's next meeting the necessary work would have been scoped and prioritised. The Principal agreed that the work programme was a challenge and therefore this prioritisation was necessary.

The Committee:-

- a) **noted** the continued progress made in addressing audit recommendations
- b) **agreed** to grant approval for extension of dates for 9 items until the next meeting (March 19), and
- c) **requested** that a report and action plan delineating priority areas be supplied at that time, **noting** that the business risk associated with the delay would need to be carried in the meantime.

12. Risk Management

The Executive Director, Finance and Planning briefly presented the report, advising Members that the Annual Risk Management report had been presented to and endorsed by the Board at its September 2013 meeting. It was noted that the termly review of the Risk Register will be carried out by the Risk Management Group (SMT) in December and an update would come to the Committee's next meeting. The Principal also confirmed that this was a topic for the monthly Executive Management meetings.

The Chair requested that a copy of the Risk Management Policy be provided for newer Members. The Risk Management update was received and **noted**.

13. Other Matters for Report

There were no other matters for report at this time.

It was agreed to take item 14 at the end of the meeting

15. Any Other Business

There was no further business.

16. Date of Next Meeting

The next meeting of the Audit Committee will take place at 4pm on Wednesday 19 March 2014.

C. Moss, K. Musgrave, W. Simpson, H. Parker and S. Hughes left the meeting.

14. Performance Indicators for Internal and External Audit Services

The Committee considered the draft ratings that had been applied to the assessment criteria and after discussion some issues were raised and changes were made to the proposed scoring levels, which were **agreed**. The Executive Director of Finance and Planning **agreed** to provide feedback to each of the audit firms.

Further discussion followed on the content of the questionnaire and it was **agreed**, for next year, to revise the form to take account of the comments raised.

The meeting closed at 5.15 pm