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BLACKPOOL AND THE FYLDE COLLEGE

AUDIT COMMITTEE

**Minutes of the meeting held at 4pm on Wednesday 18 June 2014
in the Main Committee Room, Bispham Campus**

Present: L. Moffat (Acting Chair)
J. Mills
S. Dunstan

Together with: A. Edington, Executive Director Finance and Planning
S. Hughes, Director of Quality and Standards
S. Yeoman, Head of Finance
G. Winward, Clerk to the Board
C. Crankshaw, PA/Minuting Secretary
C. Moss, Baker Tilly
W. Simpson, Grant Thornton
H. Parker, Grant Thornton

Prior to the commencement of the formal agenda, Committee Members took advantage of the opportunity for dialogue with their professional advisors.

There had also been a briefing/training session held earlier in the afternoon, facilitated by Grant Thornton.

The Acting Chair welcomed all to the meeting.

1. Apologies for Absence

Apologies had been received from A. Gilmore and P. Graves.

2. Minutes of the Previous Meeting

Subject to correction of a typographical error, the minutes of the meeting held on 19 March 2014 were **confirmed** as an accurate record.

Clarification on wording regarding item 10 - Financial Regulations item was sought, relating to contract values. S.Yeoman advised that following the previous meeting, further revisions had been made to this regulation which was included in the circulated documentation. It was therefore **agreed** to discuss this under item 10 on the agenda.

3. Matters arising

There were no matters arising.

4. Internal Audit Reports

H. Parker (Grant Thornton) presented each of the three detailed reports in turn, which completed the plan of work for the year. Costs were as agreed and in line with the plan.

The internal audit areas completed for this report were:-

- *Learner Number Systems* - (1 medium priority recommendation)
- *Software Development Review* - (5 low priority recommendations)
- *Follow Up Arrangements* – (2 low priority recommendations)

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No serious weaknesses or 'high risk' findings had been found.

Based on the work undertaken, Grant Thornton had made an overall assessment of their findings and using a 'RAG' rating system had categorised all three areas as 'Green'.

H. Parker then went through each of the reviewed areas in more detail, including the key findings in each case, and these were discussed by the Committee. A total of 1 medium and 7 low priority recommendations had been raised across the 3 reports. During lengthy discussions, the Committee raised several questions and queried the reasoning applied in the assignment of the priority level to some of the recommendations given. H. Parker and the Executive Director, Finance and Planning detailed the background giving rise to these issues, the sampling used and rationale for the judgements, changes to funding rules and proposed planned improvements. It was requested that one recommendation currently listed as low priority be reclassified as a medium priority.

The reports and outcomes were then **noted**.

5. Annual Internal Audit Report 2013/14

W. Simpson presented the draft Internal Audit Report 2013/14 which was now largely complete and in which no fundamental issues had emerged. The Report could not be completed until the end of the academic year but no problems were anticipated in being able to provide this assurance. The final agreed report will come to the November meeting of the Committee.

Members were taken through the draft report page by page and attention was drawn to the overall assessment opinion (section 1.3) in which five reviews had achieved a green rating, the sixth review achieving an amber rating together with the detailed rationale for this judgement. Members then considered the recommendations applied in section 2 of the report and it was noted that, following on from discussion in the previous agenda item, one recommendation was to be reclassified resulting in a total of 7 medium and 11 low recommendations and 1 improvement opportunity. W. Simpson stressed that the review work took an improvement focus, therefore the number of findings was not reflective of any systemic weaknesses.

It was noted that all audits had been carried out as per the plan timings and within agreed fee level, and also that no other work had been carried out within the year.

The report was **noted**.

6. Audit Findings Tracking Log

The Director of Quality and Standards introduced the item and explained that, in response to the suggestions made at the previous meeting, the documentation had now been redesigned. The document was now split into three sections - Section 1: those items requiring extension, Section 2: those items completed and awaiting removal from the log and; Section 3: new items. Additionally, for ease of navigation, all items were now numbered.

Members then considered the audit log content in detail, which contained 18 additional items to the previous log, making 41 items in total. The Committee were advised that the items highlighted in green (25) had been verified in Grant Thornton's follow up work and would now be removed from the log.

Members also considered the items in Section 1 of the log, 6 of which required an extension of time and the Director explained the background to each item and any progress made. It was noted that the majority of items were in connection with the IT review and the Director added

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that realistic time extensions had been applied to these items with completion on some items expected by the November meeting.

Members agreed that the changes gave greater clarity to the documentation but queried whether all three sections would need to routinely come to the meeting. The Director confirmed that, going forward, the focus for the Committee would just be on items contained within Section 1.

The Committee:-

- a) **noted** the continued progress made in addressing audit recommendations
- b) **agreed** to grant approval for extension of dates for 6 items on the log

7. Internal Audit Plan 2014/15

W. Simpson presented the plan which had been compiled after a recent meeting between Senior Managers, Grant Thornton, the Audit Chair and the Clerk. The plan's content had, once again, been developed by reference to the College's Risk Register.

Members were asked to note the planned areas for review in 14/15. In response to a Member's question on timing of the work, the Executive Director, Finance and Planning explained the rationale behind the reviews being programmed for the 2nd half of the year; the autumn term always being an exceptionally busy period in College. The Clerk added that undertaking the reviews in two blocks, rather than spread across more weeks, had the added benefit of reducing the planning days required. W. Simpson added that Grant Thornton would undertake any work in the autumn term if it was thought this was needed.

Lengthy discussion followed on the proposals and several questions on proposed areas for review were responded to by the Executive Director and the Clerk. It was noted that there was no proposal to undertake a review on Learner Number Systems and after discussion it was **agreed** that this review should feature annually. In order to accommodate this, but not incur additional audit days, it was suggested that other areas be scaled back or removed e.g. low risk area reviews. The Director of Quality and Standards and the Executive Director Finance and Planning agreed to liaise with Grant Thornton outside of the meeting to finalise the plan and also agree the scope of the reviews.

The Committee **noted** that the total programme proposed was for the planned 45 days. Fees for the work were quoted on the basis of an overall assumption about the mix of seniority levels that would be employed on each audit and this was shown in the annual plan.

Subject to amendments proposed above, it was **agreed** that the Internal Audit Plan 2014/2015 be **recommended for approval** by the Board.

8. Appointment of Financial Statement and Regularity Auditors and 2013/14 External Audit Plan

C. Moss presented the report and gave Members a detailed overview of the key points and scope of proposed activity covering the College and its subsidiary, including Teachers' Pension Agency return. Members were reminded that two key opinions needed to be given upon conclusion of the work: a 'true and fair' view of the accounts and the Regularity Audit opinion. It was not thought that anything would emerge to prevent the satisfactory signing of the audit reports.

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Attention was then drawn to the detailed work timetable on page 5 (due to a printing problem, a replacement page 5 was circulated for inclusion in the document) and potential business risks (section 3) that may impact upon the College.

Members' attention was then drawn to section 3 (audit risks) which detailed risks in respect of items such as:- income recognition, FRS17, revaluation of land and buildings, restructuring and capital development costs. It was noted that no capital revaluation was required to be undertaken this year. Fee levels were noted to be as per tender and the auditor independence statement was also noted.

Finally, attention was drawn to appendix E (Emerging issues) and appendix F (Financial Reporting developments) and issues were highlighted that may impact on the College.

In response to a question, C. Moss clarified the situation in respect of their engagement letter, and confirmed that the updated document will come to the next meeting. The Clerk asked when field work was planned to take place as difficulties had arisen last year with insufficient turnaround time for completed documentation to be circulated to the Board. Baker Tilly gave assurances that this would be factored in. The Clerk also queried whether the Regularity Audit Self Assessment document referred to was expected to be presented to Audit Committees, as stated, as the practice appeared to have died out. C. Moss agreed to check and advise accordingly.

The Committee **agreed to recommend to the Board** that Baker Tilly be appointed for the 2013/14 Financial Statements and Regularity Audit work at the quoted fees.

9. Risk Management 2013/14

The Executive Director, Finance and Planning introduced the item and took Members through the new format for the Risk Register. It was noted that a termly review of the register is carried out by the SMT following which the document is then presented to the next meeting of the Audit Committee.

Discussion on the document and attached risk map followed during which Members suggested some minor changes to the Risk Register, particularly in respect of adding a key to identify responsible personnel and the Executive Director agreed to update this accordingly. Grant Thornton also suggested a small improvement by adding in a stage where it was clear whether the risk was an accepted one or not. Subject to the changes as discussed, the Committee **agreed to recommend** its approval to the Board at its July 2014 meeting.

In response to a Member's question regarding a report detailed in section 5.4.6 of the accompanying Risk Management Policy and Procedure, the Executive Director agreed to check this.

The Risk Management update was received and **noted**.

10. Financial Regulations

The Head of Finance presented the report and advised that much of the updating within the regulations was due to the changes of responsibility in both his own role and that of the Executive Director, Finance and Planning. The Head of Finance briefly took Members through the changes and explained the reasoning for these. Particularly clarification in respect of contract value for professional services in 1.1.3 was given. Discussion followed and Members made some suggestions for improvement. The Head of Finance **agreed** to make the necessary changes prior to the regulations being presented for approval at the July Board meeting.

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Subject to the changes to the Financial Regulations as proposed, the Committee **agreed to recommend these to the Board for approval.**

11. Other Matters for Report

There were no other matters for report at this time.

12. Committee Self Evaluation 2013/14

The Clerk advised that it was being proposed that the Committee conduct a self-evaluation once more, as this was helpful to feed into the Board's self-evaluation process. Members had been able to take advantage of a training opportunity earlier in the afternoon and the Clerk asked Members to advise of any other training that they would like to have. W. Simpson had no concerns to raise and particularly, following on from comment during this exercise the previous year, had noted increased levels of challenge from Members over the last 12 months.

During discussion the Executive Director Finance and Planning suggested, particularly with the Committee having several newer Members, that it would be helpful for them to have a deeper understanding of the College's business and the importance of the funding mechanisms and business risks faced by the college. It was noted that training sessions on funding and on finance were to be offered to governors in the autumn term but it was suggested that briefing sessions, facilitated by staff members from key areas, could be incorporated into some of the audit meetings, possibly preceding any audit report on that area.

13. Any Other Urgent Business

There was no further business.

14. Date of Next Meeting

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

The Clerk thanked L. Moffat for chairing the meeting.

The meeting closed at 6.00 pm