

BLACKPOOL AND THE FYLDE COLLEGE

AUDIT COMMITTEE

MINUTES OF A MEETING HELD ON WEDNESDAY 28 NOVEMBER 2018 AT 5.00PM IN THE BOARDROOM ON THE BISPHAM CAMPUS

Present: J Mills (in the Chair) Independent Member
S Dunstan Co-opted Subject Specialist
K Gilmour Independent Member

In attendance: P Howard, PDH Advisory Limited (Clerk to the Corporation)
B Robinson, Principal and Chief Executive
R Ryan, Chief Operating Officer
S Yeoman, Financial Controller
J Butterfield, TIAA
E McIntyre, KPMG

Confirmation was provided that the committee had taken the opportunity to meet in private with the internal and external auditors prior to the meeting.

1. Chair and quorum

Judith Mills took the chair and noted that due notice had been given to all committee members and that a quorum was present. Accordingly, she declared the meeting duly convened and constituted.

2. Apologies for absence

Apologies for absence were received from and accepted for L Moffat.

3. Minutes of previous meeting

The minutes of the previous meeting held on 15 June 2018 were agreed as a true and accurate record.

4. Internal audit annual report

J Butterfield presented the final internal audit annual report and noted that there had been no amendments to the draft version which was presented to the committee at its last meeting.

The committee noted that the key performance indicators had been included at page 2 of the report and reminded itself that consideration had been given to how more specific metrics could be identified. R Ryan noted that the real value of internal audit arrangements surrounds the assurance that is obtained. The

committee noted that this would not necessarily result in a higher number of recommendations and therefore requested that additional qualitative or narrative information be provided within reports where appropriate.

The committee **RECEIVED** the report and noted the content.

5. Internal audit reports

R Ryan presented the regular audit tracking log and drew the committee's particular attention to the fact that no audit recommendations were requesting extensions to the agreed timescales. He also drew the committee's attention to one audit recommendation that had not been accepted by management, relating to the use of two-factor verification for engineer access to IT hardware, and advised that this is due to the fact that the cost of implementing the software would be disproportionate to the benefit and the fact that assurance had been sought that the existing level of security is sound. He also noted that use of two-factor verification for engineer access to certain systems can cause additional challenges in emergency situations. The committee accepted this explanation.

K Gilmour commended the management team on its rigour in monitoring the completion of audit recommendations. In response to a question from J Mills, R Ryan advised that if there were to be a recommendation raised within an internal audit that had the potential to be highly significant or to expose the organisation to significant risk, it would be escalated to the committee chair immediately outside the meeting, rather than waiting to the next meeting to be discussed. It would also be raised directly with the Principal and Chief Executive and an appropriate action plan would be developed.

The committee **RECEIVED** the report and noted the content.

6. Financial statement and regularity auditors' report 2017-18

E McIntyre presented the financial statement and regularity auditors' report 2017-18 and conveyed the audit team's thanks to the finance team for a smooth audit. She summarised the key observations within the report and, in response to a suggestion from K Gilmour, R Ryan agreed that it would be beneficial to include any recommendations made by external auditors to be included in the overall audit tracking log. With regard to the minor recommendations included in the report circulated with the agenda, confirmation was provided that all had been completed.

The committee discussed appendix 4 to the report, relating to pensions, and noted that the assessment for the discount rate had been rated as outside KPMG's usual range. E McIntyre confirmed that it is not unusual for this assessment to be made within the FE sector.

J Mills commented that the report was very positive and noted that this was an indicator of a strong finance team.

The committee **RECEIVED** the report and noted the content.

7. Annual report and accounts 2017-18

R Ryan presented the draft annual report and accounts 2017-18 for scrutiny by the committee. The committee's particular attention was drawn to the reported surplus within the statutory accounts and a summary of the differences between this and the management account reports presented to the Board was provided. R Ryan noted that it is likely that a deficit position would be reported in the statutory accounts for the following year, but that this was the result of necessary technical adjustments and would not represent a deficit within the management accounts. In response to a question from J Mills, R Ryan confirmed that the organisation has a good level of reserves and management was focused on delivered improvements to the financial position wherever possible.

S Yeoman reminded the committee that the measurement of financial performance by the ESFA was informed by the management accounts rather than statutory accounts, and advised that the college would remain within the good to outstanding range.

R Ryan reminded the committee that its co-opted subject specialist, S Dunstan, had reviewed the accounts in advance of them being presented for consideration and thanked him for his helpful comments and suggestions.

Following review, the committee **RECOMMENDED** the annual report and accounts 2017-18 to the Corporation Board for approval.

8. Audit Committee annual report

J Mills presented a draft annual report which had been prepared on behalf of the committee and circulated with the agenda.

The committee **APPROVED** the report as presented.

9. Risk management report

R Ryan presented a report which had been circulated with the agenda to present the risk register and to provide an update on changes since the last meeting. Given the fact that the majority of the risks had been closed, he noted that a new risk register was in the process of being developed and would be presented to the next meeting of the committee for consideration. R Ryan noted a number of items which were put forward by the committee for consideration.

The committee **RECEIVED** the report and noted the content.

10. Annual procurement report

R Ryan presented a report which had been circulated with the agenda to summarise the organisation's procurement performance during the 2017-18 financial year.

The committee **RECEIVED** the report and noted the content.

11. Students' union accounts

The committee **RECEIVED** a report which summarised the students' union accounts.

12. Committee self-assessment

As in previous years, the co-opted subject specialist had coordinated a self-assessment of the committee's effectiveness and a copy of his summary had been circulated with the agenda.

The committee **APPROVED** the self-assessment as presented.

13. Other items to note

In response to a question from J Mills, P Howard summarised the role of the Audit Committee in line with its terms of reference and described the responsibilities of the Corporation Board in relation to the organisation's overall financial position.

14. Review of auditors' performance

J Butterfield and E McIntyre left the meeting and the committee undertook a review of the auditors' performance.

15. Date, time and venue of next meeting

The next meeting of the Audit Committee will be held on 6 March 2019, 5.00pm on the Bispham Campus.