

**Minutes of the Meeting of the Audit Committee held on Thursday 14<sup>th</sup> November 2013, 5.00pm, The Conference Room, Prior Pursglove College**

**Present:** Mr M Loftus (Chair), Mr J Kay, Mr B Pearce

**In Attendance:** Mrs E Grove (Clerk), Mrs J Burton (Principal), Mr T Stephenson (Assistant Principal, Finance), Mr D Robertson and Ms H Wilson (Anderson Barrowcliff (AB), Financial Statements and Regularity Auditors)

*Meeting quorate*

*100% attendance*

1) **Apologies for Absence**

Wyie Bissett (Internal Auditors)

Mrs Grove informed the meeting that Mr Harvey, governor, who had been due to join the committee, had tendered his resignation.

2) **Financial Statements and Regularity Auditors 2013-14**

The committee was reminded that AB had first been engaged eight years ago. The company's performance over that period was discussed and considered to be satisfactory. Audit staff had changed over time and there were professional working relationships with the college's finance team. Mr Stephenson informed the committee that AB had indicated that, if re-appointed, they would continue to restrict fee increases to inflation subject to any significant audit changes being imposed by funding bodies. After further discussion, it was agreed to recommend to the Corporation that AB be re-engaged for a further two years, subject to annual review. **Action**

Mr Robertson and Ms Wilson joined the meeting at 5.08 pm and were advised of the recommendation.

3) **Minutes of the Meeting of Tuesday 21<sup>st</sup> May 2013**

The minutes were agreed and signed as a true record.

4) **Matters Arising**

4.1) IT Systems Disaster Recovery: Mrs Grove reported back on discussions with Mr Zoryk, Assistant Principal, Resources. Staff email accounts were limited in size and emails had to be deleted when capacity had been reached. There was a facility for senior managers to archive emails. A brief discussion followed and this policy accepted.

4.2) Internal Audit Reports: The Corporation had accepted the internal reports and management responses at its July meeting.

4.3) Control Issues: Mrs Grove reported that Mr Zoryk had reviewed the process for removing staff access to email accounts once they had left college. It was explained that accounts had been suspended where there was a possibility of staff being re-engaged. Accounts were now deleted rather than suspended. The potential impact of this on returning employees was discussed. Mr Stephenson reported that the process for HR to notify IT Support when staff left had been tightened up.

4.4) Financial Returns 2011-12: The Corporation had approved publication of the amended auditors' report in the 2011-12 financial report. This was now on the website.

4.5) Annual Review of Auditors' Performance: Mrs Grove confirmed that the performance report had been amended as requested.

5) **Progress of Audit Recommendations**

Progress on action points was discussed with particular reference to the number due for completion in January 2014. The action point relating to the staff appointment pro forma had been completed and could be removed.

6) **Risk Management**

6.1) Annual Report 2012-13: The report was considered. The role of the audit committee in reviewing risk management and ensuring its consideration by the Standards and Strategy (S&S) Committee was discussed. It was agreed that Mr Pearce, as a co-opted committee member, should be given access to the S&S papers via the Governors' portal.

6.2) 2013-14 Mid-year Review: Mr Stephenson informed members that the report will be considered by S&S at its December meeting.

7) **Audit Committee's Annual Report to the Corporation**

The report, which was essentially a summary of the year's activity, was considered. The recent changes in the audit and accountability regime and its effect on the report for the year ended 31<sup>st</sup> July 2013 were discussed. It was confirmed that the effective date for the majority of the changes was 1<sup>st</sup> August and therefore the old style report had been used. Future reports would follow the new requirements.

It was agreed to recommend the Corporation accept the report at its meeting in December. **Action**

8) **Financial Statements and Regularity Audit**

8.1) Engagement Letter 2012-13: The letter which was in standard format was considered. It was noted that the funding agencies no longer provided a model letter. It was confirmed that the letter required the Education Funding Agency signature in respect of the Regularity Audit. It was agreed to recommend the letter to the Corporation for signature by Dr Gavens, Chair. **Action**

8.2) Annual Report 2012-13, Governance Statement: The statement was reviewed and it was noted that it followed the standard wording provided within the 'Casterbridge model'. Mr Stephenson informed members that the list of governors required updating due to recent appointments and resignations. A number of other minor amendments had been identified and would be acted on prior to the report going to the Corporation.

**Action.** The figure of £0.831m in the 'Going Concern' note on page 25 of the report was questioned and confirmed as correct.

It was agreed to recommend the Governance Statement to the Corporation. **Action**

8.3) Financial Statements and Regularity Audit for the Year Ended 31<sup>st</sup> July 2013 Report to Management: Mr Robertson spoke to the report and reminded the committee that it needed to be with the Education Funding Agency (EFA) by 31<sup>st</sup> December 2013. The audit work had been carried out within the EFA framework. Confirmation of grant funding had been received from the EFA and the Skills Funding Agency. The latter had requirement significant reconciliation due to the way in which the SFA had reported but this had been thoroughly undertaken with the assistance of the Finance and Procurement Clerk, Mrs Williams. AB had been able to provide an unqualified report. Ms Wilson took members through the report drawing attention to the adjusted errors and misstatements and unadjusted errors and deviations. Two system weaknesses had been identified during the audit and these, together with the management responses were discussed.

Mr Anderson drew attention to FRS102 which colleges will have to adopt from 1<sup>st</sup> January 2015. The potential impact of this was considered.

It was agreed to recommend the report to the Corporation. **Action**

8.4) Management Representations letter: Mr Robertson spoke to the letter which was in standard format. He drew attention to the salient points. The inclusion of paragraph 14 relating to the ESF was queried and an explanation provided. Members asked that the need for its inclusion in future reports be reviewed. It was agreed to recommend the letter to the Corporation for acceptance. **Action**

Mr Robertson thanked Mr Stephenson and his team and reported that the audit had gone smoothly.

9) **Oversight of Financial Regulations, Fraud Policy and Fraud Response Plan**

Mr Stephenson spoke to the paper, reporting that the Finance Committee had just approved changes to the above documents. The responsibility of the Audit Committee, under the terms of the Joint Audit Code of Practice (JACOP), for oversight of college policies on fraud and irregularity and 'whistleblowing' were discussed. It was noted that any potential fraud could not be investigated prior to notifying the EFA. The potential mechanisms for doing this were discussed and it was recognised that this would be dependent on the nature of any fraud and possible parties involved.

Further discussion followed and it was agreed that an annual report should be made to the Audit Committee following review of the above policies by the Finance Committee.

10) **The Evolving Finance and Audit Landscape**

Mr Kay gave a slide presentation on a recent Association of Colleges' event he had attended. Key action points for audit committees and the need for a strong audit regime were discussed. It was agreed that a summary of the slides should be taken to the Corporation in December. **Action**. The idea of pairing up with other sixth form college audit committees was discussed. Mrs Grove was asked to seek the views of the NORVIC clerks on this matter. **Action**

11) **Control Issues**

Mr Stephenson reported that he was not aware of any matters which needed to be brought to the attention of the committee.

12) **Committee Terms of Reference**

The proposed amendments to bring the terms of reference into line with the requirements of the revised JACOP and Funding Agreement/Financial Memorandum were discussed and agreed for recommendation to the Corporation.

13) **Date and Time of Next Meeting**

It was reported that Mrs Burton would not be able to attend the meeting scheduled for 5.00pm, 17<sup>th</sup> March 2014. It was agreed to retain the date but if something of significance should arise which required her attendance then the meeting would be moved.

14) **Any Other Business**

There was no business other than that on the agenda.

15) **Publication of Documents**

It was agreed to publish all documents except those in draft ie Items 6, 7, 8 and 12.

Mrs Burton and Mr Stephenson left the meeting at 6.20pm.

16) **Invitation for Auditors to speak with Committee Members**

Mr Loftus reported that Wylie + Bisset had nothing they wished to bring to the attention to members.

Mr Robertson advised members that their audit had gone well. The Finance team were able to provide information needed when Mr Stephenson had not been available.

The slippage of dates on the completion of outstanding audit recommendations was discussed. It was agreed that if dates continued to slip, management would be questioned at the next meeting.

The meeting closed at 6.24pm.