

Priestley College

Minutes of the Audit Committee meeting
held at 4.30 pm on Monday, 15 June 2015
in the Lewis Carroll Building

PRESENT:	Mr A Farquharson	(Chair)
	Mr P Dyke	
	Mrs K Hope	
	Mr A Osborne	
	Mr P McMellon	Clerk
BY INVITATION:	Mr M W Grant	Principal
	Mrs J McCann	Vice Principal (Resources)
	Mr D McGuire	Director of Finance
	Mr M Benson	Murray Smith (FS& R Audit)
	Mrs J Bickerton	Baker Tilly (Internal Audit)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr J Monaghan and Ms K Simcock.

2. DECLARATION OF INTERESTS

No member declared any personal interest in any item on the agenda.

3. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 16 March 2015 were accepted as an accurate record and signed by the Chair.

4. MATTERS ARISING

There were no matters arising.

5. RISK MANAGEMENT ACTION PLAN 2014/15 – SUMMER 2015 UPDATE

The Principal presented the full report which had been distributed with the agenda. He reminded the Committee about the risk management reporting process, including the three occasions on which formal reports on each Action Plan are presented. He confirmed that the update did not contain any unexpected developments, but he also advised that the production of the following year's Action Plan (see Item 7 below) naturally became the new focus of risk management attention at this time of year.

The Principal then drew attention to the following Identified Risks:

- (i) Failure to implement national requirements relating to recruitment and selection places learners at risk.

The actions taken to meet the College's 'Prevent' obligations were noted. Governors would receive further guidance in due course to complement that given at the February 2015 seminar.

- (ii) Staff absence disrupts College operations with financial and/or quality consequences.

There had been a range of temporary absences mostly affecting teaching staff (maternity leave and long term absence) amounting, in total, to slightly less than the previous year. Providing appropriate staff cover inevitably entails significant additional cost amongst other challenges, but

new measures to ensure adequate support for students and key systems have been introduced and are working effectively.

(iii) Further budget reductions impact negatively on staff morale.

Staff morale has been sustained against a backdrop of circa £500,000 in cost reductions. This inevitably means that many areas are experiencing additional pressures. By ensuring that all staff are kept informed about the circumstances and alternatives, there has continued to be a broad commitment from staff to assist with cost reductions.

(iv) Underachievement of funding/learner number targets impacting on future financial stability.

This probably constitutes the main challenge for the College. The Principal provided more detail on a range of local developments (affecting other institutions involved in the post-16 provision). He also reminded the Committee about the impact of the national GCSE results in 2014. Although the recruitment of students (for September 2015) had a number of positive indicators (eg., student acceptances are proportionally higher than in previous years), the competition was intense.

Mr P Dyke asked the Principal to outline the College's strategies and tactics deployed as/when other institutions faltered.

The Chair asked the Principal to outline the College's actions with regard to student transport to/from College.

The Principal then drew attention to the position with regard to the risks associated with industrial action, misalignment of staff/learners, partnership developments and local transport. With respect to the latter, there were grounds for anticipating more helpful responses from the bus companies in the coming year.

The Committee noted the current position as reported and concurred with the Chair's assessment that, with the information available and with assumptions reasonably made, the College's risk assessment remained robust and effective.

RESOLVED: That the Summer 2015 Update of the 2014/15 Risk Management Action Plan is noted.

6. RISK MANAGEMENT : POLICY AND CALENDAR – 2015/16

The Principal presented the draft Policy and Calendar for 2015/16. The Committee noted that, other than to accommodate the new timeline for the production of the Strategic Plan, no changes of substance were proposed and, given that the current format had served the College well in recent years, it was agreed that continuation along similar lines in the coming year was appropriate.

RESOLVED : That the Governing Body is recommended to approve the draft Risk Management Policy and Calendar for 2015/16.

7. RISK MANAGEMENT ACTION PLAN 2015/16 - PROPOSED

The Principal presented the draft Risk Management Action Plan proposed for 2015/16.

He drew attention to the other key documents which contribute to the overall management of risk in College and he reminded the Committee about how links to the Sensitivity Analysis section of the Financial Plan were accommodated.

The Principal then went through the identified risks. The 'Underachievement of funding/learner number targets impacting on future financial stability' risk was examined at length. Consistent with the discussion under Item 5 (iv) above, the elevation of the status of this risk to 'High' (from 'Medium' in recent years) seemed entirely appropriate. The Principal provided more detail on the 'Further Actions Required' points, and the Committee concurred with the dedication of much management time to the matter.

The Principal elaborated on the two new risks ('Failure to comply with Prevent duties places learners/staff at risk' and 'Failure to comply with new FRS/SORP resulting in qualification of accounts') with the FRS/SORP risk covered in more detail later in the agenda (Item 16 below).

In response to the Chair's question about the Prevent actions, the Principal provided further details on the various training activities already staged or intended, and also on the changes to key documentation (College policies) which had been effected so as to promote Prevent compliance.

The Committee considered each of the identified risks and the controls and responses which College Management proposed. It was agreed that these were appropriate.

The Committee also considered whether there were any unidentified risks, and concluded that the Action Plan was sufficiently comprehensive.

RESOLVED : The Governing Body is recommended to approve the Risk Management Action Plan for 2015/16.

8. FINANCIAL STATEMENTS AND REGULARITY AUDITORS – ANNUAL PLAN : 2014/15

Mr M Benson (Murray Smith) presented the annual plan proposed for the external audit of the College's 2014/15 financial statements following his discussions with College Management.

He reminded the Committee about the purpose of the 'Audit Strategy Memorandum' and he commented on the separate roles of Internal Audit and the Financial Statement & Regularity Audit. He confirmed that, as he had predicted last year, it was now appropriate for the classification of the College to be changed to 'Low risk'.

Mr Benson then went through the proposed programme for Priestley College and, in more detail, the Significant Audit Risks.

RESOLVED : That the Governing Body is recommended to approve the Financial Statements and Regularity Audit Annual Plan for the 2014/15 financial statements.

9. INTERNAL AUDIT REVIEWS

(i) Cashless Catering System and On-line Payments

Mrs J Bickerton (Baker Tilly) presented the report of the review of the College's introduction of the new 'cashless' system at the beginning of the 2014/15 academic year. She confirmed that there had been no recommendations arising from the audit, and that the College could take substantial assurance from the outcome.

Mr P Dyke asked about student response to the new system. Mr D McGuire (Director of Finance) advised on issues connected to vending machines (which could not be used on a 'cashless' basis) and to the expected resolution of these issues. The relative ease with which *new* students (in contrast to *returning* students) had accepted the cashless system was noted. A minor issue linked to the use and replacement of student ID cards was also noted.

RESOLVED: That the report on the Cashless Catering System and On-line Payments is accepted.

10. AUDIT SERVICE REPORTS : RECOMMENDATIONS TRACKING

The Committee noted from the updated Recommendations Tracking report that all required action arising from previous audits had been completed.

RESOLVED: That the Recommendations Tracking report provides adequate evidence of progress on agreed action points.

11. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Progress Report prepared by Internal Audit and presented with commentary by Mrs J Bickerton.

Mrs Bickerton also advised on the impending (October 2015) name change which will see 'Baker Tilly' being replaced by 'RSM'.

12. INTERNAL AUDIT SERVICE : 2014/15 PERFORMANCE

(Mrs J Bickerton and Mr M Benson left the room at this point)

The Committee discussed the service provided by Baker Tilly in 2014/15.

It was generally agreed that the Internal Auditor had met the standards stipulated in the agreed Performance Indicators.

College Management confirmed that there were no performance-related issues.

It was agreed that the current providers had acquitted themselves satisfactorily.

13. INTERNAL AUDIT SERVICE : APPOINTMENT FOR 2015/16

Following on from Item 12 above, the Committee was satisfied that it would be appropriate to recommend the re-appointment of Baker Tilly (RSM in due course) as Internal Audit service provider for 2015/16

RESOLVED: That the Governing Body is recommended to appoint Baker Tilly as Internal Audit service provider for 2015/16

(Mrs J Bickerton and Mr M Benson rejoined the meeting at this point)

14. INTERNAL AUDIT ANNUAL PLAN – 2015/16

Mrs J Bickerton presented the draft Plan for 2015/16. She confirmed that the Plan had been compiled with the assistance of College Management and that it reflected the College's own risk management plans. She went through the key risks generally affecting the post-16 sector and the College, and then she described in more detail the four substantive areas for review in 2014/15.

The Committee noted the areas proposed for review, and discussed these. It was agreed that these were relevant and appropriate for review.

The Chair asked for an update on the contracting arrangement, formerly between the College and Warrington Borough Council. Mrs J McCann (Vice Principal – Resources) indicated how the wording for the review of the Learner Number Systems (SFA Provision) would need refining in the light of recent developments affecting contractor/grant relationships.

RESOLVED : That, subject to the re-wording of the LNS review, the Internal Audit Plan for 2015/16 is recommended to the Governing Body for approval.

15. PERFORMANCE INDICATORS FOR AUDITORS – ANNUAL REVIEW

The Committee reviewed the current Performance Indicators. Mrs J Bickerton drew attention to the Internal Audit KPIs stated in the Internal Audit Charter (enclosed with the Annual Plan covered in Item 14 above). It was agreed that the additional detail in the Internal Audit Charter KPIs was consistent with the broader indicators applied by the College.

Mr M Benson (Murray Smith) and Mrs J Bickerton (Baker Tilly) confirmed their satisfaction with the current PIs.

RESOLVED: That the current Performance Indicators are approved for use in assessing performance in 2015/16.

16. FE SECTOR ACCOUNTING ARRANGEMENTS

The Committee noted the Mr D McGuire’s (Director of Finance) interim report on a key issue which would have to be addressed by all colleges in the sector. The Committee recognised that there were a number of major considerations and specifically, the reaction of the College’s bank (if the College were to elect to change its accounting approach). Mr McGuire advised on how discussions with the bank would proceed in time for more informed consideration (firstly, by F&GP Committee) at the start of the new academic year.

On noting the issues which needed to be addressed, the Committee agreed that an appropriate sequence of events would be for the F&GP Committee to produce a provisional recommendation (informed by the outcome of the discussions with the bank and by any other developments/considerations which emerge) and to allow the Audit Committee the opportunity to reflect upon that recommendation. In this way, the Governing Body would then have the benefit of the input of both Committees ahead of the final decision. It was agreed that the Clerk would facilitate any joint discussion (between the Committees) so as to enable the matter to proceed in good time. It was noted that the F&GP Committee would also receive the report now under consideration on 1 July 2015, but would only move to a provisional recommendation at the meeting on 30 September 2015.

(College Management left the meeting at this point)

17. CONFIDENTIAL DISCUSSION : COMMITTEE/AUDITORS ONLY

The Chair invited the auditors (Internal and Financial Statements) to raise any causes of concern arising from the year’s audit work.

Mrs J Bickerton confirmed that relationships were effective and professional and that College Management responded and co-operated as appropriate. The systems operated by the College were broadly robust and served the College well.

Mr M Benson concurred with the Internal Audit assessment.

Committee members considered these opinions and concluded that there were no causes for concern.

(College Management returned to the meeting at this point)

18. DATE OF NEXT MEETING

The next meeting of the Committee is provisionally arranged for 4.30pm on Monday, 30 November 2015. In the light of Item 16 above, an earlier meeting may be called for.

19. ANY OTHER BUSINESS

FINANCIAL RETURNS 2013/14 – EFA RESPONSE

The Committee received the letter dated 27 May 2015 from the Head of Assurance at the EFA. The letter confirmed that the EFA agreed with the College’s ‘Outstanding’ financial health grade, and that there were no issues with the Financial Statements and Finance Record submitted by the College in December 2014.

PMcMellon
15 June 2015

Accepted as a true record and signed by the Chair

Signature

Date

Initials of the Chairman: