

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 11 JUNE 2014, 1700 HRS, IN ROOM B110**

Present:

Dr Chris Davis (Chair)
Mr Colin Davidovitz
Miss Shirley Nellthorpe

In attendance:

Mrs Laura English	Southern Internal Audit Partnership
Dr Janet Edrich	Chief Executive Designate
Mr Rob Jarvis	Finance Director
Mr Phil Stone	Clerk to the Board
Mrs Moira Attridge	PA to Senior Management Team (minutes)

PART 1 OF THE MEETING

A.08.14 GOVERNORS' MEETING TIME WITHOUT SMT

A.09.14 COMMITTEE MATTERS

i Apologies

Apologies were received from Mr Tony Lau-Walker, Mrs Philippa Baldwin and Mr Paul Sahota. Dr Davis thanked Miss Shirley Nellthorpe for her attendance which made the meeting quorate.

ii Declarations of interest

There were no declarations of interests made by those present, financial or otherwise, in any item on the agenda.

iii Minutes of last meeting

The minutes of the meeting held on 12 March 2014 were agreed as a true and accurate record.

iv Matters arising

- a)** Re A.06.14ii. Mr Jarvis confirmed that the recent settlement of a claim for damages by a member of staff for a back injury had not had a significant impact on the College insurance premiums. He said that the College was part of a consortium which was currently in the process for tendering for new insurance contracts, both of which had helped mitigate the impact of the claim.

A.10.14 GOVERNORS' MONTHLY REPORT, APRIL 2014

i Financial aspects

Referring to the Capital Update, Mr Jarvis advised that the building contract for the College House Study Centre had been let to Homelodge Buildings Ltd and work had commenced on site. Work would commence on the Refectory Roof Replacement & Refurbishment Project on Monday 23 June 2014. He said that the College's bid for capital funding from the Solent LEP was currently ranked second in their list of priorities and if successful would deliver the remainder of the College's Property Strategy 2013-2018.

Mr Jarvis referred to the Income & Expenditure Account which reported a forecast historic deficit of £115k. He said the position was unlikely to improve and he had spoken to the External Auditors and the bank regarding the implications arising from a breach in the loan covenant which was likely to result in increased interest costs. He emphasised the importance of taking steps to deal with the potential breach early. Mr Jarvis reported that the closing cash position at the year end was likely to be better than currently forecast due to a lower fixed asset spend.

Dr Davis asked what the impact of the increase in teaching staff workloads and redundancy savings would be and Mr Jarvis replied that an increase in teaching staff contact hours would save £250k and reductions in support staff costs would total £630k. Mr Jarvis also advised that variable other operating costs had been reduced by one third since 2010/11 but not enough had been done to reduce staff costs during that time. The College's energy consumption and maintenance costs were high because of the aging buildings on the College's estate but the proposed new development would improve this.

ii Equality & Diversity updates

Dr Edrich stated that there were no significant Equality & Diversity updates to bring to Audit Committee's attention. She did report however that data indicated that female students were 4% more successful than male and the College did need to form strategies to address this gender imbalance. A Governor commented that this was a conundrum also experienced by schools.

iii Safeguarding updates

Dr Edrich advised that Child Protection training was being updated to differentiate between refresher and initial training. She also spoke about a recent student disciplinary matter which resulted in a student being excluded. Governors were given details of a student with a serious health issue and Dr Edrich reassured members that guidance from Public Health England (Wessex) was being followed and the situation was being monitored closely.

Governors noted the financial aspects, safeguarding and equality and diversity updates in the Governors' Monthly Report, April 2014.

A.11.14 AUDIT MATTERS

i Progress report on implementation of recommendations of previous audit reports

Mr Jarvis reported that the three actions from the audit of employer responsive provision had been completed.

Governors noted progress on the implementation of recommendations made in previous audit reports.

ii Internal Audit report, visit three 2013/14

Mrs English stated that a substantial assurance audit opinion had been issued for their audit work on Learner Numbers System which was an assurance not easily achieved in this area. An adequate assurance had been received on the audit of Procurement & Payments and the College had put in place actions in response to the recommendation regarding separation of duties.

She reported that the auditors were satisfied that all issues raised at their previous review of Information Management had been cleared. The audit of IT General Controls had resulted in one action plan regarding the risk that staff who had left the College may still be able to access College information and a robust process was now in place to ensure leavers' IT accounts were disabled promptly. The College had strengthened controls regarding short term loans of equipment and the IT Contingency Management Plan had been reviewed.

Governors noted the contents of the Internal Audit report, visit three 2013/14.

iii Annual Internal Audit plan 2014/15 and strategic Internal Audit plan 2014-2017

Mrs English informed Governors that revisions to the JACOP Part 2 had removed the requirement for colleges to have an internal audit service but that the College had decided to continue. She said the College had a substantial framework of control in place and the auditors could therefore place reliance on the College's risk management process. She outlined the plan for 2014-2017 and the annual internal audit plan for 2014/15 which would include three visits and a total of 32.75 contact days.

Governors noted the Annual Internal Audit plan 2014/15 and strategic Internal Audit plan 2014-2017.

iv External Audit plan – financial year 2013/14

Mr Jarvis highlighted the salient points from Baker Tilly's audit plan for the financial year 2013/14. Audit Committee noted the position regarding the potential breach of loan covenants and that this had been identified as a key audit risk, as well as the impact of SFA software delays. Mr Jarvis drew attention to the ruling regarding accounting for VAT on supplies to the public on catering in training restaurants and he was confident that the College would be able to reclaim a substantial sum from HMRC.

Governors noted the External Audit plan for the financial year 2013/14.

A.12.14 RISK MANAGEMENT

i Risk Management Board minutes, 21 May 2014, including annual review of effectiveness of systems of internal control 2013/14

Mr Jarvis referred to the minutes of the Risk Management Board meeting held on 21 May 2014. Risk Management Board had agreed that Risk 1.3, changes in Government/SFA/EFA policy, major funding reduction, was a major risk which should be reviewed at each meeting. A Governor enquired about the Apprenticeship Trailblazer programme and Dr Edrich replied that this was being monitored but that SMEs would be likely to struggle. Following F&GP's comment at their last meeting that safeguards/controls had not appeared to mitigate Risk 8.11, failure/breakdown in relations with franchises, sub-contractors and other partners, the scoring had now been updated.

Mr Jarvis explained that Risk Management Board were required to report annually to Audit Committee on the effectiveness of the College's systems of internal control and capacity to handle risk. Risk Management Board agreed that – it is satisfied that the College has in place a formal ongoing process for identifying, evaluation and managing the College's significant risks, and it is satisfied that the College has in place an effective system of internal control.

Governors noted the minutes of the Risk Management Board meeting held on 21 May 2014.

Governors endorsed the annual review of the effectiveness of systems of internal control 2013/14.

Dr Davis said that the College had a very comprehensive risk management process in place and Mr Stone reminded Audit Committee that they had a standing invitation to attend Risk Management Board meetings. Miss Nellthorpe expressed an interest in attending. Dates for 2014/15 would be circulated when agreed next term.

Action: MA

ii Risk Register

Governors noted the Risk Register updated by Risk Management Board on 21 May 2014.

iii Risk Reduction Plan

Governors noted the Risk Reduction Plan updated by Risk Management Board on 21 May 2014.

A.13.14 SAFEGUARDING AND CHILD PROTECTION

i Safeguarding and Child Protection report – spring term 2014

Dr Edrich drew members' attention to safeguarding and child protection matters contained in the report for the spring term 2014. There had been one reported/recorded child protection matter. She spoke about the near miss incident in the classroom concerning a student with learning difficulties who had since been excluded.

Governors noted the Safeguarding and Child Protection report for the spring term 2014.

A.14.14 DATE OF NEXT MEETING

Wednesday 12 November 2014 commencing at 1700 hrs

Review of operation of Committee
Internal Audit annual report
Internal Audit report – visit one 2014-15
Progress report on implementation of recommendations of previous audit reports
External Audit progress re 2013-14 closure and associated audit report
External Audit management report
Fraud risk assessment
Audit Committee annual report to the Board
Approve procedure for appointment of external and internal auditors 2015-16
Risk Management Policy – to approve
Review Risk Management
Feedback on External Audit liaison with Southern Internal Audit Partnership
Governors Monthly Report –updates re safeguarding & E&D
Safeguarding & Child Protection – termly report
Governance SAR
Governance Risk Management Board

There being no further business, the meeting closed at 1755 hrs.