

EASTLEIGH COLLEGE BOARD AUDIT COMMITTEE

MINUTES OF MEETING HELD ON WEDNESDAY 12 NOVEMBER 2014, 1600 HRS, THE RED CARPET RESTAURANT

Present:

Mr Colin Davidovitz (Vice Chair)
Mrs Kathryn Rankin

In attendance:

Mrs Laura English	Southern Internal Audit Partnership
Mr Chris Mantel	Baker Tilly UK Audit LLP
Dr Jan Edrich	Chief Executive and Principal
Mr Rob Jarvis	Finance Director
Dr Chris Davis	Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.15.14 GOVERNORS' MEETING TIME WITHOUT SMT

A.16.14 COMMITTEE MATTERS

i Apologies

Apologies were received from Mr Jonathan Sendell and Mr Paul Sahota.

ii Declarations of interest

There were no declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 11 June 2014 were agreed as a true and accurate record.

iv Matters arising

Mr Jarvis reported that Governor, Shirley Nellthorpe attended the Risk management Board on the 23 October 2014.

v Operation of Committee

The Clerk highlighted the fact that the Chief Executive's title had now been changed to Chief Executive and Principal and that the committee's terms of reference would now need to be altered to reflect this change.

It was agreed

To recommend the operation, including the terms of reference, for Audit Committee to the Board for approval.

Action: Cold

A.17.14 GOVERNORS' MONTHLY REPORT, AUGUST/SEPTEMBER 2014

i Financial aspects

Mr Jarvis referred to the Income & Expenditure Account, which reported a reduced forecast outturn of £152k currently; this is because at the beginning of the year the College had some LEP funding which should have been available at the beginning of 2014/15, but has now been deferred until 2015/16. Although still in surplus, it was disappointing to lose the LEP funding. Mr Jarvis reiterated that we are still in the black, but we are yet to see where we really are in terms SFA funding.

Mr Jarvis referred to the Cash Flow Statement, which reported a £4million closing cash position, largely due to timing of payments to partners and a forecast outturn cash position of £2.5million.

The two summer capitol projects have now been completed on time and on budget. Indeed the refectory roof replacement was completed well within budget and Mr Jarvis explained that he is in negotiation with the SFA to use the surplus funding to refurbish the corridors leading to the refectory.

Mrs Rankin asked if the College's initial funding allocation from the SFA was likely to change. Mr Jarvis stated that the allocation had already increased slightly, but the budget was based on the original allocation of £15.1million. He confirmed that if the College is performing well, then the College would bid for growth in those priority areas where we can, primarily apprenticeships and traineeships.

ii Equality & Diversity updates

Dr Edrich reported that at the start of the year a tremendous emphasis had been placed on imbedding good classroom working practises, which included recognising the diversity and establishing ground rules for new learners.

In terms of the performance data for students of different diverse origins, which is currently being analysed, this will go to the Standards Committee and then to the full Board for approval.

iii Safeguarding updates

In terms of Safeguarding issues, Dr Edrich reported that it had been a difficult start to the College year. The College had received one or two applications from adult learners who had declared criminal records. When these had been further investigated it was decided for safeguarding reasons to turn down their applications. The College has spoken to the Probation Service and they were fully supportive of the College's decision.

Dr Edrich also stated that the FE sector had fallen foul of having inadequate procedures and policies for preventing radicalization amongst the student population. The College is waiting for advice and guidance to be supplied from the appropriate authority.

Dr Davis confirmed that at a recent Clerk's networking brief, that radicalization is now an important area of inspection criteria for OFSTED.

Mr Jarvis also commented that the subject of radicalization needed to be discussed at the next F&GP Committee meeting with regards to terrorism insurance. At present the College does not have cover for this risk.

Action: ChD/RJ

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

A.18.14 AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD

Mr Jarvis reminded the meeting that Audit Committee is required to produce an annual report to the governing body on the effectiveness and adequacy of the College's framework of internal control, he also stated that since 2013 the guidance had now changed and that the report must now be inline with the JACOP (Part 2). Reports from Internal Audit, the financial statements and regularity Auditors, the Risk Management Board and compliance with the UK Corporate Governance Code give comfort that the College has adequate and effective controls, which provides reasonable assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The Committee reviewed the Audit Committee's annual report, 1 August 2013 to 31 July 2014.

It was agreed

To submit the Audit Committee's annual report, 1 August 2013 to 31 July 2014, to the Board for approval.

Action: Cold

A.19.14 AUDIT MATTERS

i Progress report on implementation of recommendations of previous audit reports

Mr Jarvis reported that there was very little outstanding, however disappointingly there was still a follow up outstanding regarding the prompt disablement of IT access of leavers. HR is aware of the importance of notifying the IT department and they are doing this but on a batch basis rather than individually the same day. It is intended that a new procedure will be quickly put in place.

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

ii Internal Audit annual report 2013/14

Mrs English said that she was satisfied that during the three visits in 2013/14 sufficient work was undertaken to give assurance that the College has adequate risk management, control and governance processes in place which are operating in practice. She advised that there were no significant or common findings in the year; of the nine business areas reviewed, four areas had substantial assurance and five areas had adequate assurance. Mrs English commented that this was an impressive result. No significant issues were identified during the reviews.

It was agreed

To recommend the Internal Audit annual report for 2013/14 to the Board for approval.

Action: Cold

iii Internal Audit report, visit one 2014/15

Turning to the Internal Audit Report for their first visit of 2014/15, Mrs English stated that there were no significant issues arising from the scope of business areas covered in the report and that an audit opinion of adequate assurance was given for all these areas.

With regard to financial planning an audit opinion of adequate assurance was given on the effectiveness of the framework of risk management, control and governance to support the achievement of management objectives. There were no action plans recommended with regard to this area resulting from this review. There was one recommendation arising from the audit on Offsite Activities and three recommendations in respect of Human Resources, resulting in an adequate assurance audit opinion. There were no recommendations with regard to Marketing following this review. Mrs English commented that once again this had been a good result.

Governors noted the Internal Audit report in respect of Visit One 2014/15.

iv Feedback on External Audit liaison with Southern Internal Audit Partnership

Mrs English reported that the Internal Auditors had worked with External Audit as necessary throughout the year and there were no issues arising. Mr Mantel confirmed that they had a good working relationship and reviewed Internal Audit paperwork, which informed Baker Tilly UK Audit LLP's work.

Audit Committee noted feedback regarding liaison between the Internal and External Auditors.

v External Audit progress re 2013/14 closure and associated audit report

On behalf of Baker Tilly UK Audit LLP, Mr Mantel summarised progress on the audit of the financial statements for the year ended 31 July 2014 and the Independent Auditor's Report to the governing body and said there were no significant issues to report. He thanked Mr Jarvis, Mr Sabin and their team for the exceptional quality of reports and audit files, which he was pleased to say, had resulted in a clean opinion on both the true and fair opinion and also on the regularity of the opinion.

Audit Committee noted the progress made and the contents of the Independent Auditor's Report for the year 2013/14.

vi External Audit management report

Mr Mantel drew attention to the key points of Baker Tilly UK Audit LLP's management report for the year ended 31 July 2014. Mr Mantel informed the committee that the College's income is certified by the funding agencies and the auditors have received confirmation of these figures. The auditors have received confirmation from the EFA over their income and the SFA will issue a final current statement in early December. As a result the auditors are comfortable that they predict the College's outturn is likely to be an immaterial difference between what the College has in its accounts and what the final claim is.

The auditors were comfortable with the contract and payment arrangements made to partners and the accounting for it. Restructuring has taken and the redundancy payments pension implications of this had been accounted for correctly.

Significant matters discussed with the finance team included Capital Expenditure, Loan Covenants and an outstanding VAT claim. A key area outlined in the report by Mr Mantel was the Going Concern of the College which is the responsibility of the Governors to ensure that the College has sufficient funds to continue to trade for a period of at least twelve months from the date the financial statements are approved. The auditors are comfortable at the moment, but the Governors must remain vigilant. Mr Mantel made the committee aware that the sector will reduce in income moving forward and although they do not have any concerns for these accounts the Board's focus must always be on the horizon.

Mr Jarvis drew the Committee attention to the deficit for the year in the financial statements of £621k. This was after charging "one off" restructuring costs of £290k and a "one off" re-financing charge of £137k. The underlying deficit was £194k.

It was agreed

To recommend the External Audit management report for the year ended 31 July 2014 to the Board for approval.

Action: Cold

vii Approve procedure for appointment of External and Internal Auditors for 2015/16

Mr Mantel and Mrs English declared an interest in this item and were asked to leave the meeting while it was discussed.

Mr Jarvis clarified that Southern Internal Audit Partnership had secured a three-year contract in 2012 and therefore did not need to be considered at this time for re-appointment. In the case of Baker Tilly UK Audit LLP however, they would need to seek a new contract. The College were proposing to reappoint the incumbent auditor for a further year. He said that the quality of service was excellent and there was a staff rotation mechanism in place, which ensured that independence was maintained. The Committee agreed that a contract with Baker Tilly UK Audit LLP should be extended and agreed for Mr Jarvis to negotiate an inflation related fee increase with them outside of the meeting.

It was agreed

To reappoint Baker Tilly UK Audit LLP for the year 2015/16 subject to successful negotiation of an increase in fees as detailed above.

Action: RJ

Mrs English and Mr Mantel re-joined the meeting.

A.20.14 RISK MANAGEMENT

i Risk Management Board minutes, 23 October 2014

Dr Edrich reminded the committee of the potential future reduction in funding especially with regard to the proposed apprenticeship funding change. The funding will go to the employers and there is a strong swell of discontentment from small businesses, Federations and colleges saying it will be very difficult to operate under these conditions. The risk to Eastleigh College is that the funding for apprenticeships of some £9 million will be routed via employers and that consequently volumes will significantly decline.

The redevelopment project is now part of the Risk Management Plan and minor changes were made at the meeting. Key risks are obtaining funding, planning permission, final grant approval and building costs.

Governors noted the minutes of the Risk Management Board meeting held on 23 October 2014.

ii Risk Management Board Policy

There were no proposed revisions

Governors approve the Risk Management Policy.

A.21.14 SAFEGUARDING AND CHILD PROTECTION

Dr Edrich referred to the safeguarding report for the summer term covering the period 1 May 2014 to 31 July 2014 and explained that there were minor changes in number updating in terms of statistical analysis.

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

A.22.14 DATE OF NEXT MEETING

Wednesday 11 March 2015 commencing at 1700 hrs

Progress report on implementation of recommendations of previous audit reports

Internal Audit report – second tranche 2014-15

Review Performance of External Auditors against PIs

Review risk management

Regularity Audit SAR

Governors' Monthly Report – updates re Safeguarding and E&D

Safeguarding & Child Protection – termly report

Review Safeguarding Strategy – for approval by the Board

Child Protection Policy – to approve

There being no further business, the meeting closed at 1710 hrs.

Governors' action:

To approve the minutes of the Audit Committee 12 November 2014.