AQUINAS COLLEGE AUDIT COMMITTEE

Meeting: 15 June 2015 Time: 4.30pm Venue: The College

GOVERNORS PRESENT

Mr A Martin (Chairperson), Mr A McCarthy and Mrs J Miller.

IN ATTENDANCE

Mrs A Barlow Baker Tilly LLP Mr G Hitchmough Mazars LLP

Mr D Pearson Principal (Item 3 only)
Mrs D Blackburn Assistant Principal (Finance)
Mr T Conlon Clerk to the Governing Body

Before the meeting started the Chairperson welcomed Mrs Miller, Mr Hitchmough, Mrs Barlow and Mr Pearson to the meeting. This was Mrs Miller's first meeting as a member of the Audit Committee.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received and accepted from Mr L Byrne and Mr P Carpenter.

2. DECLARATION OF INTERESTS

Governors and Staff were asked to declare any interest, which they may have in any items on the Agenda for this meeting. No interests were declared.

3. AUDIT REVIEW

The Chairperson asked the Auditors if there were any areas of concern in the College that they wished to raise with the Audit Committee. Baker Tilly indicated that there was nothing that they wished to raise and that the college is low risk. Mrs Blackburn is proactive and is up to date with emerging issues. Mazars echoed the comments of Baker Tilly in that they have a good challenging relationship with Mrs Blackburn, they have a good dialogue over the planning and timing of the audits and that she is proactive and there is rigour behind the processes.

The Committee and Mr Pearson acknowledged the professionalism and hard work of Mrs Blackburn and they recorded their appreciation of the work that Mrs Blackburn does across the College. Mr Pearson thanked the Auditors for their positive comments.

Mrs Blackburn joined the meeting at this point.

4 COMMITTEE MINUTES

RESOLVED – That the minutes of the meeting held on 26 January 2015, copies of which had been circulated previously be approved and signed by the Chairperson as a correct record.

5. MATTERS ARISING FROM THE COMMITTEE MINUTES

There was nothing that was not covered by the Agenda.

6. INTERNAL AUDIT PROGRESS REPORT

Baker Tilly circulated a report, which gave details of the use of audit resources, the outcome of work completed to date and incorporated cumulative data in support of internal audit performance. Progress against the Operational Plan was noted and that all the planned work had been carried out. There had been no changes to the agreed audit plan. A summary of the work undertaken in 2014/2015 and the levels of assurance given and the number of recommendations made was included in the report. There were 3 recommendations all of which were classed as low.

There have been two updates issued since the last Audit Committee i)Refreshing Internal Audit Reports 2015/2016 and ii) Emerging issues and financial reporting for further education colleges.

RESOLVED: That the Internal Audit Progress Report be received.

7. INTERNAL AUDIT REPORTS

A discussion took place on the internal audit reports that had been prepared by Baker Tilly on:

- a) Follow up 2012/2013
- i) Effective Governance formally assessing the effectiveness of the Governing Body and its committees. This will be considered by the Governing Body at its meeting on 23 June 2015. ii) Framework for Academic Quality Management Systems management should include the Learners progress to courses leading to higher level qualifications and into jobs that meet local and national needs outcomes for learners under their overall effectiveness as part of future SARs. This will be part of the SAR process in July 2015

All other recommendations had been implemented.

b) Framework for Academic Quality Management Systems Recommendations Substantial Assurance 1 Low Categorisation

The object of the audit was to ensure that the college's academic provision is of the highest possible standard. There was 1 recommendation in the report which was as follows;

Management should include Learners progress to courses leading to higher level qualifications and into jobs that meet local and national needs outcome for learners under their overall effectiveness as part of future SARs.

c) Student Records System – Bursaries Recommendations

Substantial Assurance 2 Low Categorisation

The object of the audit was to ensure that the adequacy of control within the framework for administering the Bursary Fund is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. There were 2 recommendations in the report which were as follows;

- i) Management should upload the Bursary Policy to the college's shared drive.
- ii) Management should continue to develop the automation of the Bursary payment list generated to remove risk of human error resulting in inaccurate payments to students.

8. STRATEGY FOR INTERNAL AUDIT 2015/2016 – 2017/2018

Baker Tilly submitted a Strategy for the provision of an Internal Audit Service for 2015/2016. Appendix A showed the Internal Audit Plan for 2015/2016. Appendix B set out the strategy for internal audit for 2015/2016 – 2017/2018. Appendix C showed the factors influencing the strategy. Appendix D – Internal Audit Charter. Appendix E – Internal Audit Approach

The Audit Plan for 2015/2016 would consist of 18 days with the addition of contingency days as necessary and would be utilised as follows:

Student Recruitment and Marketing	3 days
Financial Systems – High Level Review	4 days
Student Records –Study Programmes, Withdrawals and Destinations	4 days
Framework for Compliance with Legislation	3 days
Audit Management	4 days

As in recent years, reporting of progress made to implement previous Internal Audit recommendations will be included in a Progress Report to the Audit Committee. Therefore a separate allocation for follow up has not been assigned within the 2015/2016 Plan.

The fee for 2015/2016 would be £8,532 which is an increase of 3% from 2014/2015. The fee is inclusive of expenses but exclusive of VAT. This gives a daily rate for 2015/2016 of £474.

RESOLVED: That

- i) Baker Tilly be appointed as Internal Auditors for 2015/2016 and that with effect from 26 October 2015 they would become part of RSM International.
- ii) Two letters of engagement would be required.
- iii) The revised Audit Plan for 2015/2016 be approved
- iv) The updated Strategy for Internal Audit for 2015/2016- 2017/2018 be approved and
- v) The fees for 2015/2016 be agreed.

9. <u>ACTION ON INTERNAL AUDIT REPORTS</u>

Mrs Blackburn introduced a paper that had been circulated prior to the meeting that detailed the action taken by the College to implement the recommendations contained in previous Internal Audit Reports.

RESOLVED: That the action be noted.

10. <u>DRAFT AUDIT STRATEGY MEMORANDUM YEAR ENDED 31 JULY 2014</u>

Mazars submitted a Draft Audit Strategy Memorandum for the External Audit Service for the year ending 31 July 2014. The document set out the audit plan in respect of the statutory audit for the College for the year ending 31 July 2014. The following Appendices were attached.

Appendix A - Independence

Appendix B - Materiality

Appendix C - Key Communication points

Appendix D – Draft Letter of Engagement

Appendix E – SORPS 2015 – FRS 102 the new financial reporting framework

The fee for 2015 would be £10,000 which is the same as 2014. The fee is inclusive of expenses but exclusive of VAT.

RESOLVED: i) That Mazars be appointed as External Auditors for 2015/2016 and ii) That the fees for 2015 be agreed.

11. STATEMENT OF RECOMMENDED PRACTICE (SORP)

Mrs Blackburn introduced the paper that had been circulated to Governors prior to the meeting. The Resources Committee had considered the paper at its meeting on 9 June 2015. Mrs Blackburn advised Governors that the grading of the college's financial health may change as a result of the introduction of Statement of Recommended Practice (SORP).

The aim of the paper is to give Governors brief a outline of the implications for the college using the accounts for the college for the year ending 31 July 2014.

The SORP will detail how the accounts will be presented. The new framework will apply from July 2016 and will affect the 2015/2016 accounts. The main areas that will change are as follows:

- i) Treatment of Capital Grants
- ii) Holiday Pay Accruals
- iii) Pensions

The Financial Health of the college is determined by the following:

- a) Current ratio assets/liabilities
- b) Performance ratio surplus/income
- c) Gearing ratio loans/balance sheet total

It was agreed that there was a need to liaise with other colleges in the sector. Mrs Blackburn would be attending a meeting with other colleges next week. In addition advice would be sought from the Association of Colleges (AOC) and SFCA. It was agreed that it was important to do what is best for the college.

RESOLVED: That the paper be received.

12. FEEDBACK ON ACTIONS FROM RISK REGISTER FOR MAY 2015

Mrs Blackburn introduced a paper that had been circulated prior to the meeting that provided Governors with a brief overview on risk areas which are a focus for the current half term. The areas were as follows;

- i) Ongoing reduction in EFA/SFA funding
- ii) Drop in SFA funding and rise in fee charges
- iii) High level ALS
- iv) A Level Reform
- v) The college overspends its revenue
- vi) Recruitment of students
- vii) Failure to recruit and retain key staff
- viii) Student Issues Retention

The Resources Committee had considered the paper at its meeting on 9 June 2015.

RESOLVED: That the report be noted.

13. PERFORMANCE INDICATORS

The Clerk to the Governors introduced a paper that had been circulated prior to the meeting that provided Governors with a list of Performance Indicators for Internal Audit.

RESOLVED: i) That the list of Performance Indicators be agreed and ii) That Baker Tilly had met the Performance Indicators for 2014/2015.

Mrs Blackburn advised Members that there were no incidents of fraud or corruption to report.

15. <u>ANY OTHER BUSINESS</u>

i) Real Time Reporting

Mr McCarthy asked if the college had encounted any problems with the reporting to HMRC. Mrs Blackburn advised Members that there had been no problems in reports to HMRC.

16. <u>DATE OF NEXT MEETINGS</u>

Monday 9 November 2015 at 4.30pm, subject Governing Body at its meeting on 23 June 2015.	to the Calendar of Meetings being agreed by the
SignedChairperson	Date