

AQUINAS COLLEGE

AUDIT COMMITTEE

Meeting: 6 June 2016  
Time: 4.30pm  
Venue: The College

GOVERNORS PRESENT

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

IN ATTENDANCE

Ms A Barlow	RSM
Mr L Prince	RSM
Mr G Hitchmough	Mazars LLP
Mr C Barstow	Mazars LLP
Mr D Pearson	Principal (Item 3 only)
Mrs D Blackburn	Assistant Principal (Finance)
Mr T Conlon	Clerk to the Governing Body

1. APOLOGIES FOR ABSENCE

An apology for absence was received and accepted from Mr P Carpenter and from Mr G Hitchmough for his late arrival.

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. COMMITTEE MINUTES

RESOLVED – That the minutes of the meeting held on 25 January 2016, copies of which had been circulated previously be approved and signed by the Chairperson as a correct record.

4. MATTERS ARISING FROM THE COMMITTEE MINUTES

i) Review of Committee Terms of Reference – Minute 9

Since the last meeting RSM had provided details of further information that should be included in the Committee's Terms of Reference. These had been incorporated in the revised Audit Committee Terms of Reference that had been circulated to all members prior to the meeting. Mr Byrne agreed to undertake a tidying up exercise and it was agreed that the Clerk to the Governing Body would circulate a revised copy of the Committee Terms of Reference to all members for their agreement to the changes.

5. INTERNAL AUDIT PROGRESS REPORT

RSM 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 2015/2016 and the levels of assurance given and the number of recommendations made was included in the report. There were 5 recommendations, 2 were classed as medium and 3 were classed as low.

Appendix B of the report covered Emerging issues for further education colleges which were as follows;

- i) Academy status
- ii) Impact of Area Review
- iii) Sub-contracted advance loan fund provision
- iv) Reviewing post 16 education and training institutions
- v) College financial health score
- vi) How effective are your cyber defences?
- vii) New requirements for donating profits from charity subsidiaries
- viii) The latest decisions of the Upper Tribunal in the case of Wakefield College
- ix) FE Commissioner's annual report: top five areas for improvements 2014/2015

RESOLVED: That the Internal Audit Progress Report be received.

A discussion took place on schools and colleges converting to academies. Mr Martin advised members that Shrewsbury Diocese had stated what their position was on schools and colleges converting to academies. In addition the Department for Education (DfE) and the Catholic Education Service (CES) have to resolved the legal arrangements for Catholic schools and colleges to become academies. Mr McCarthy asked if the transfer of land and buildings would be included. Mrs Blackburn replied that this was the key issue for the DfE and the CES to resolve.

Mr Hitchmough arrived whilst this matter was being discussed.

## 6. INTERNAL AUDIT REPORTS

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

- a) Framework for Compliance with Legislation – Freedom of information Act (2000) and Data Protection Act (1998) Substantial Assurance

Recommendations 1 Medium and 2 Low Categorisation

The object of the audit was to ensure that the college has an adequate framework in place to ensure compliance with the selected key requirements of the Freedom of information Act (2000) and Data Protection Act (1998). There were 3 recommendations and 1 suggestion in the report which were as follows:

- i) A version control cover indicating approval and review dates will be introduced. (Suggestion)
- ii) The Freedom of information Publication Scheme will be updated to reflect the change in format which has been issued by the Information Commissioner. (Low)
- iii) The Staff Information Booklet that is provided as part of the Induction Process will identify the main contact at the college for Freedom of Information and data Protection Act queries. (Low)
- iv) The Freedom of Information Policy will be updated to reflect the legal requirement of 20 working days to respond to Freedom of Information Requests. (Medium)

b) Learner Records – Key Control Framework 16-18 Provision  
Recommendations

Substantial Assurance  
1 Low Categorisation

The object of the audit was to ensure that learner information is recorded accurately and in a timely manner to support any funding claims made by the college. There was one recommendation in the report which was as follows:

The college will ensure that “time spent at that address” (i.e. the current home address) is captured for each student. An additional field will be added to the student details screen. Data will be captured at enrolment for 2016/2017 and on the application form thereafter; further more the college needs to check whether the use of generic start and end dates affects funding for any students who start late and/or withdraw early. (Low)

## 7. STRATEGY FOR INTERNAL AUDIT 2016/2017 – 2018/2019

RSM submitted a Strategy for the provision of an Internal Audit Service for 2016/2017. Appendix A showed the Internal Audit Plan for 2016/2017. Appendix B set out the strategy for internal audit for 2016/2017 – 2018/2019. Appendix C – Internal Audit Charter. Appendix D – Client Care Standards

The Audit Plan for 2016/2017 would consist of 18 days with the addition of contingency days as necessary and would be utilised as follows:

Learner Number Systems - Core 16-18 Provision	3 days
Compliance Systems – Health and Safety and aspects of Safeguarding	4 days
Financial Systems – High Level Review	4 days
Human Resources – Restructure	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 2016/2017 Plan.

The detail of each assignment will be finalised by Mrs Blackburn prior to the assignment.

The fee for 2016/2017 will be £8,532 which is the same as 2015. The fee is inclusive of expenses but exclusive of VAT. This gives a daily rate for 2016/2017 of £474.

RESOLVED: That

- i) RSM be appointed as Internal Auditors for 2016/2017
- ii) The revised Audit Plan for 2016/2017 be approved
- iii) The updated Strategy for Internal Audit for 2016/2017- 2018/2019 be approved and
- v) The fees for 2016/2017 be agreed.

## 8. ACTION ON INTERNAL AUDIT REPORTS

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.

## 9. DRAFT AUDIT STRATEGY MEMORANDUM YEAR ENDED 31 JULY 2016

Mazars submitted a Draft Audit Strategy Memorandum for the External Audit Service for the year ending 31 July 2016. The document set out the audit plan in respect of the statutory audit for the College for the year ending 31 July 2016. The following Appendices were attached.

Appendix A - Independence

Appendix B – Materiality

Appendix C - Key Communication points

Appendix D – Draft Letter of Engagement

Mr Hitchmough advised Members that a number of colleges have not yet had last year's accounts signed off. He also reported that banks are taking a different view on the sector in relation to lending money. He also added that the college was in a very good position but it still faces challenges.

A discussion took place on FRS102(SORP), the new single comprehensive Financial Reporting Standard and Mr McCarthy asked how much time this would take up. Mr Hitchmough replied that between half a day and a day would be needed for audit transition. The fee for this work is likely to be in the middle of the range quoted £800 - £2,200.

The fee for 2016 which is inclusive of expenses but exclusive of VAT would be as follows:

Audit of annual report £8,800

Audit of FRS 102 transaction £800 - £2,200

Regularity assurance engagement £350

RESOLVED: i) That Mazars be appointed as External Auditors for 2016/2017 and ii) That the fees for 2016 be agreed.

## 10. STATEMENT OF RECOMMENDED PRACTICE (SORP)

Mrs Blackburn introduced the paper that had been circulated to Governors prior to the meeting. The Resources Committee would consider the paper at its meeting on 7 June 2016. The purpose of the SORP is to improve consistency between accounts. 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 a brief outline of the implications for the college using the accounts for the college for the year ending 31 July 2015. The balances need to be re-stated using the SORP which means that balances will flow through to the July 2016 accounts and both years will be presented as if the SORP has always been valid.

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 Committee was asked to approve the following action in respect of the main areas that will change.

- i) Treatment of Capital Grants – The sector appears to be continuing with the accruals method whilst it is still available as surpluses are protected. The balance sheet looks weaker but financial health calculations will take account of these entries so they have a nil effect on the current ratio so the financial health is unaffected.
- ii) Property Plant and Equipment - To continue to use the original cost of the building to be the

deemed cost at transaction and to not undertake an asset revaluation. At that point the revaluation reserve will move into general reserves.

- iii) Holiday Pay Accruals – To reflect the outstanding pay at the end of July which is paid in August. An additional amount will be included in accruals which will be £385,000 for 2014/2015 and beyond.
- iv) Pensions – Further information is required from the Greater Manchester Pension Fund.
- v) Leases – All leases to be reviewed to ensure that the notes to the accounts accurately reflect them.

The Financial Health of the college will be determined by the following:

- a) Current ratio – assets/liabilities(taking capital grants and holiday pay accrual out of liabilities)
- b) Performance ratio – surplus(earnings before interest, tax and depreciation)/income
- c) Gearing ratio – loans/income

These measures are changing to be more closely based on cash measures.

RESOLVED: i) That the paper be received and ii) That the proposed action outlined above be approved.

## 11. FEEDBACK ON ACTIONS FROM RISK REGISTER FOR JUNE 2016

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) Area Based Review
- iii) Drop in SFA funding and rise in fee charges
- iv) High level ALS
- v) A Level Reform
- vi) The college overspends its revenue
- vii) Recruitment of students
- viii) Failure to maintain the reputation of the college
- ix) Failure to recruit and retain key staff
- x) Student Issues - Retention

RESOLVED: That the report be noted.

Mrs Blackburn left the meeting at this point.

## 12. 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. Mazars 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. RSM echoed the comments of Mazars 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 and that there are no problems.

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 rejoined the meeting at this point.

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 RSM had met the Performance Indicators for 2015/2016.

14. FRAUD LOG BOOK

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

15. ANY OTHER BUSINESS

Mrs Miller asked if Mrs Blackburn arranges for other college staff involved in an audit to be briefed. Mrs Blackburn confirmed that she liaises with college staff and that she attends the clearance meeting along with the staff who have been involved in the audit.

16. DATE OF NEXT MEETINGS

Monday 7 November 2016 at 4.30pm, subject to the Calendar of Meetings being agreed by the Governing Body at its meeting on 28 June 2016.

Signed \_\_\_\_\_  
Chairperson

Date \_\_\_\_\_