

CANTERBURY COLLEGE

Minutes of the MEETING OF THE AUDIT COMMITTEE held on Tuesday, 16 June 2015 at 5.30pm in Room J221

MEMBERSHIP: Hugo Fenwick (Chair), Anne-Marie Nelson, Steve Solly, *Hugh Summerfield*,
Co-opted vacancy

By Invitation: Alison Clarke, (Principal)
Sharon Hollingsworth (Clerk to the Corporation)

Adrian Cottrell (Vice Principal - Finance & Corporate Services)
Omer Tauqir (Grant Thornton)
Anna Lancefield (Grant Thornton)

Italics denotes absence

856 APOLOGIES NOTED

- i. Apologies were noted from Anna Lancefield and Hugh Summerfield.

857 DECLARATION OF INTEREST

- i. There were none declared.

858 MINUTES OF THE MEETING OF 5 MAY 2015 NOTED

- i. The minutes were approved and signed by the Chair as an accurate record.

859 MATTERS ARISING NOTED

- i. Minute No: 846, Resolved: ii.
- ii. Clerk to arrange for the Risk Management Plan and Policy to be reviewed by the External Auditors.

CLERK'S REPORTS PART A

860 INTERNAL AUDIT FOLLOW UP REPORT 2014-15 NOTED

- i. Members recognised that the principal objective of the review was to assess whether agreed action plans had been implemented from their previous audit reviews. The Internal Audit Director reported that the follow up reviews had involved an appropriate level of scrutiny and is an important part of their work.
- ii. The follow up review covered the following areas: Quality Arrangements (2013-14), Commercial Income (2013-14), Payroll & Pensions (2013-14), Budget setting and Control (2014-15), Learner Deliverables (2014-15).
- iii. A total of 16 recommendations were reviewed. Of the 16 recommendations reviewed, seven were satisfactorily implemented, with sufficient evidence in place to support this; seven were in the process of being implemented; and two were not implemented.
- iv. Members were concerned that agreed deadlines had not been met. It was reported that in some cases when staff come to complete the work they find it more difficult and subsequently it can take longer to complete in some cases. If there is good reason then timescales can be amended, but approval should be sought from the Committee.
- v. The Committee were satisfied with the updated reported progress being made in respect of the seven recommendations in progress, in particular Budget Setting and Control had made good progress and co-ownership will be important going forward. It was reported that sensible profiling was evident. The College has an effective check and control system in place and is better set up as it enters into a tighter budgetary environment ahead.
- vi. It was reported that the College has decided to change its current peer review process and will be using the AoC Peer Review Scheme (at a cost) which will have a much wider pool of expertise to draw on.
- vii. The Committee were assured that the Corporations' Quality Committee are being kept up to date with progress being made against relevant recommendations relevant to Curriculum and Quality issues.
- viii. It was acknowledged that the budget setting and income target process was complete. Performance against budget is monitored on a monthly basis. The next step will be the development of the detailed Income Generation Action Plan.
- ix. Member raised serious concern in respect of the two recommendations not implemented, both from the Payroll and Pensions review.
- x. The VP reported that the newly appointed Payroll Team Leader was working well. There is

- currently a supply member of staff assisting the Payroll Team Leader. The team has been working on stabilising the payroll function rather than developing it.
- xi. The Committee expressed their dissatisfaction and questioned whether the current Payroll Team can achieve the actions being asked. It was suggested that outsourcing the function might be an alternative option if the College is not achieving internal resilience. It was also acknowledged that outsourcing is not always the best solution.
 - xii. The IA Director reported that some FE and HE institutions have properly explored the option of outsourcing.
 - xiii. The Committee agreed that a swift review of the Finance/Payroll function to ascertain if the College can meet the targets is needed prior to exploring the outsourcing option.

RESOLVED

- i. The Internal Audit Follow-Up Review report was agreed.
- ii. The VP Finance to provide an update report to the Principal within four weeks from the date of the Audit Committee Meeting to ascertain whether the current Finance /Payroll function have the resilience to provide an effective and efficient payroll service for the College within a credible time period.
- iii. An update report in respect of the Finance/Payroll Function to be presented at the next Audit Committee Meeting.

861 DRAFT INTERNAL AUDIT PLAN 2015/16

NOTED

- iv. The Internal Auditor (IA) provided an overview of the report.
- v. The Internal Auditors, Principal and Clerk undertook a planning exercise on 21 May. The review included consideration of the wider sector and the College Risk Register.
- vi. The exercise identified 4 review areas for 2015-16, Student Progression, Enterprise and income grow and Budget Management and Follow-up of previous recommendations.
- vii. The Principal and Internal Audit Director explained the rationale behind each of the proposed areas.
- viii. Members questioned if the new Ofsted Framework had been considered in respect of the audit review of Student Progression. It was reported that the reviews would cover Progression and Outcomes. The IA Director confirmed that the report would be made clearer.
- ix. Concern was raised in respect of whether the draft plan provided sufficient assurance to the Committee in relation to their duty to provide an opinion to the Board on the adequacy of the College's internal systems and controls. Members acknowledged that both the Internal and External Audit Service should provide this assurance.
- x. The Committee agreed that the audit review of Budget Management is business critical as the college faces extremely challenging financial times ahead.
- xi. It was reported that the SMT Members are being held to account to help create the right kind of culture across the teams in terms of budget management.

RESOLVED

- i. The Draft Internal Audit Plan for 2015/16 to be recommended for approval by the Corporation in June.
- ii. The Clerk to arrange for the External Audit Partner, Rakesh Shaunak for his judgement on the Draft Internal Audit Plan.

862 TERMLY RISK MANAGEMENT REPORT

NOTED

- i. There are no significant Risk Management concerns to report from the College Risk Management Group.
- ii. The scoring evaluation system of the Risk Register has been amended to better illustrate the RAG rating of Risks.
- iii. The updated Risk Register and planned actions to control and mitigate risks were examined by the Committee. The Committee were satisfied that sufficient actions were being undertaken by the SMT.
- iv. The Capital Risk Register had been updated by the Capital Projects Manager in consultation with Aecom consultants. The latest comments from the Capital Projects Manager were noted.

RESOLVED

- i. The Risk Register and Capital Risk Register are recommended for approval by the Corporation in June.

863 ANNUAL CYCLE OF BUSINESS REPORTING

NOTED

- i. Members received the Committees' draft cycle of business reporting.
- ii. There was concern that the External Auditors input was not detailed within the cycle of

- business reporting.
- iii. Members recognised that it is the Committees' responsibility to provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework for governance, risk management and control, the solvency of the College and the safeguarding of its assets.
- iv. Members turned to the report on Financial Statements Audit Strategy Agenda item 6.1 (report 548). Members expressed disquiet that the External Audit Strategy did not appear to provide a descriptive meaning in respect of the External Audit Approach.
- v. Members discussed the importance of gaining an understanding of what measures are being taken by the External Audit Service to ensure that the Committee is provided with complete assurance.

RESOLVED

- i. The Clerk to clearly detail the input from the Internal and External Audit service within the cycle.
- ii. The External Auditors to be asked to review and expand upon their external audit approach with their Financial Statements Audit Strategy document.
- iii. The External Audit Partner, Rakesh Shaunak to attend the next meeting of the Audit Committee to present their Audit Strategy in respect of their audit of the Financial Statements for the year ending 31st July 2015.

864 REVIEW OF TERMS OF REFERENCE

NOTED

- i. The Audit Committee last reviewed its terms of reference in June last year.
- ii. No recommended changes were reported.

RESOLVED

- i. The Committee recommends the approval of their Terms of Reference to the Corporation at their next meeting.

PART A

865 COLLEGE MANAGEMENT ACCOUNTS TO APRIL 2015

NOTED

- i. There is an operating deficit for the period of £1,164k on the management accounts, against a budgeted deficit for the period of £834k.
- ii. The April result is £330k worse than the whole year budget outturn. The VP reported that the position will improve by the year-end to approach budget, but some considerable efforts are required to achieve that position.
- iii. The VP reported that expenditure will be for essential items only. Members were assured that the hold on expenditure would not have a detrimental effect on providing a quality education provision.
- iv. The VP reported that the College will be within budget by the year end. The VP is anticipating a deficit of £576k, although it might be a better position when the final position is confirmed.
- v. The main actions to achieve the budget were scrutinised by the Committee.
- vi. The College will receive an additional £297k in respect of its Adult Skills Budget.
- vii. Members acknowledged that a considerable amount of expenditure had been spent on consultants, however Members were satisfied that the expenditure is having a positive impact.
- viii. Members questioned whether the costs of the demolition of the buildings had been written off. The VP confirmed that the demolition costs had been written off.
- ix. The Balance sheet reported at year end shows a weakened position, largely as a result of the construction of Block 18.

RESOLVED

- i. To recommend for approval to the Corporation, the financial results as at 30th April 2015.

866 THREE YEAR FINANCIAL FORECAST

NOTED

- i. The three year forecast should be agreed by the Corporation, signed by the Principal and submitted to the SFA by the 31 July 2015.
- ii. The VP explained that the reported financial forecast was in draft format and is not the finalised position.
- iii. The reported two year financial forecast is based on the latest ten year financial forecast that includes the contracted cost of constructing Block 18.
- iv. The summary of the reported current forecast results 2015-16 detailed the incorrect operating surplus figure. The VP was asked to correct the figures.
- v. The forecast includes the latest mainstream funding allocations for 2014-15.
- vi. The forecast is based upon the most recent statements and briefings of funding strategies issued by the EFA and SFA.

- vii. 7-12% ASB Funding cuts are anticipated.
- viii. The College will work hard to capitalise on the Adult Funding Loans and a complete review of Marketing is planned.
- ix. The Corporation Strategy session on 29th June will focus on Income Generation.
- x. The forecast shows operating surpluses throughout the period of the forecast. In the reported version of the forecast, the financial health will be "Satisfactory" for the foreseeable future. Members challenged this as the reported schedule 4 Financial Health grade detailed 'Inadequate' for 2015. The VP reported that the finalised version to the Board will detail 'Satisfactory'.
- xi. The forecast for 2015-2016 forms the draft budget for that year.
- xii. The Committee complimented the VP on his relevant and accurate forecasting.

RESOLVED

- i. The Committee recommends the financial forecast for approval by the Corporation prior to its submission to the Skills Funding Agency by the 31st July 2015.

867 BUDGET AND PAY AWARD (RESTRICTED)

868 FINANCIAL STATEMENTS AUDIT STRATEGY

NOTED

- i. The Financial Statements Audit Strategy document is noted and resolved under minute 863 above.

PART B

869 CAPITAL PROJECT UPDATE (RESTRICTED)

870 DATE OF THE NEXT MEETING

NOTED

- i. The next meeting is scheduled for Tuesday 22 September 2015 at 5.30 pm in J221.

871 EVALUATION OF THE MEETING

NOTED

- i. The evaluation form from the last meeting was noted.
- ii. Members were asked to complete the evaluation of meeting form and to return to the Clerk who will take forward any matters raised.