

Minutes of a meeting of the Audit Committee held on Monday, 23rd November at 5.30pm in the Executive Boardroom of the College

Present: Andrew Oldham (Chair); Norma Boyes (from Minute No 20/15); Claire Madden; Sarah Graham

Apologies: Sarah Farquhar

Also present: Lyn Carroll, External Auditor, Armstrong Watson; Mark Ashton-Blanksby, Internal Auditor, Icca Ets; Karen Wilson, Deputy Principal, Finance and Corporate Services; Jane Murray, Clerk.

15/15 **Chairmanship**

Agreed – that Andrew Oldham be appointed as Chairman (under periodic review as found in the standing orders).

16/15 **Minutes**

Agreed– that the minutes of the meeting held on Monday, 22nd June 2015 be approved and signed as a correct record, subject to the correction of a missing ‘s’ under 13/15.

17/15 **Declarations of Interest**

None received.

18/15 **Internal Audit Plan**

Changes to the internal audit plan for 2015-16 had been approved by the Board following consultation with the Committee and were tabled for the record.

It was asked whether the Audit Committee had failed to ask the right questions in respect of some of the audits. The internal auditor felt that issues had been picked up in internal audit in the high level data and had been fed through into action planning.

It was asked whether, in light of recent events, it was wise to put back the prevent/safeguarding item, but it was felt that the College was very well on top of its duties in this area and were looking to progress on their initial staffing and student training.

19/15 Internal Auditors' Annual Report

The internal auditors were able to supply 'reasonable' assurance in their audit opinion for 2014-15, that, based on the work undertaken and implementation of actions by management, that the College's systems of internal control, governance and risk management were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.

This level of assurance was the highest that could be offered.

It was their opinion that the College has adequate and effective management, control and governance processes in place to manage the achievement of its objectives.

Agreed – that the internal auditor's annual report be welcomed and forwarded to the Board.

20/15 Financial Statements, Management Letter and Regularity Assurance Report

The Financial statements covered the financial year from 2014-2015, although some elements of the narrative included up to the date of signing of the financial statements, which was to be 10 December 2015.

The External Auditor thanked the Lakes College team for their co-operation. She reported that there were no significant misstatements or deficiencies in internal control to report. She was able to present an unmodified audit report and an unmodified regularity audit.

Norma Boyes joined the meeting.

There had been an error with respect to VAT of £10,056.86 and assurance was sought by the Committee that processes had been in place to prevent the error recurring, and would be drawn to the attention of the external VAT consultant.

There had also been £25,000 of late invoices after the accounts had been closed off, but that was a question of timing and overall, it was a good outturn.

The Deputy Principal continued to explain that she had tried to re-write the operating and financial review in line with the Audit Committee's previous wishes. It was agreed that it read much better, but that the Chair felt that the Ofsted inspection should be seen solely as post-balance sheet event. It had been on the external auditor's advice, and continued to be their advice, that it had been structured as it was, with reference to the Ofsted inspection in the narrative, as although it was a post-balance sheet event, it was not material to the financial statements.

There followed several comments with respect to the financial statements, which were agreed for revision for the final version.

There were also some queries with respect to the audit management letter, including % changes under funding body grants and comments around £17k at points 1 and 4 of that section of the letter. It was also requested that the management response at 3.5 be strengthened.

There had been no issues to report in the Regularity Assurance Report, which was received and noted.

Agreed – that subject to the points agreed for revision, that the financial statements be recommended to the Board.

21/15 Audit Committee Evaluation 2015-16

In considering best practice, a formal evaluation of the Audit Committee's performance had been carried out for approval by the Committee, based on the National Audit Office's checklist.

Some discussion was held about the skills mix of the Committee, which included three governors with financial skills, one with legal skills and one with teaching skills. It was questioned whether, in light of the Ofsted report, there should not be more teaching and learning experience on the audit committee.

The Clerk felt that the skills mix did meet best practice guidance and the Audit Committee's terms of reference. Additional teaching and learning expertise had been recruited onto the Board.

The Clerk was also confident that succession plans were in place for the Board and the Committee.

Arising from the evaluation, the following actions were documented:

- Circulation of the standing orders
- Discuss and agree with the Audit Committee their training requirements
- Update evaluation for 2016-17 for internal and external auditors
- Review whistle-blowing and anti-fraud policies in Autumn 2016
- Risk Register to be reviewed by audit committee in Spring 2016

22/15 Financial Regulations

Some very minor changes were proposed for the financial regulations following review, in addition to some formatting and terminology issues put forward by the committee, the main changes were to intellectual property, which flexed the requirement for intellectual property to automatically belong to the College, adding a clause 'except where prior approval has been negotiated and approved by the Corporation in advance of any joint project or collaboration'. This would allow for negotiations under the National College for Nuclear.

With respect to tenders, 'public sector framework agreements' was added alongside 'recognised consortia' to provide clarity of terminology and some minor changes were made to processes for major building contracts and capital grants in light of a shift of capital funding to the Local Enterprise Partnership (LEP).

¹With respect to Senior Postholder expenses authorisation, it was agreed that as a Senior Postholder could deputise for another, that they could sign one another's expenses.

Agreed – that the changes to the financial regulations be recommended to the Board for approval.

23/15 Value for Money Report

The Committee considered a value for money report. There were lots of positives in terms of value the college brings to the local community and its students and the strong financial performance against sector performance. This included some independent analysis which suggests that taxpayers see an average annual rate of return of 13.2% from their investment in LCWC.

The main issue arising was the higher than average support costs. This was a known factor and it was thought it was either in respect of what other colleges attribute to support costs or that the College has a greater proportion of teaching support staff (rather than teachers). An audit had been commissioned, but was being put back to the following year owing to the changes previously agreed following the Ofsted report. However, work continued in the interim on staffing requirements.

It was noted that the economic value overall appeared to be good, with some strong performance and some areas for improvement.

¹ Action since: Owing to a change in structure and the deletion of a Senior Postholder position, this proposed change has been dropped from the changes to be submitted to Corporation on 10 December 2015.

24/15 Audit Tracking Report

The Deputy Principal reported her disappointment that a test of the second firewall had not been completed to deadline and it had been made very clear that it needed to be completed by Xmas.

The Committee also noted that some actions relating to mapping curriculum gaps in line with progression data was outstanding by some months and asked for this to be expedited.

It was also requested that more precise timescales be added for Key Performance Indicators, although it was noted under comments that actions were well underway.

25/15 SFA Audit of European Social Funding

It was brought to the Committee's attention that there had been a high level audit of European Social Funding by the Skills Funding Agency and that there had been no issues arising.

The meeting closed at 7.00 pm