

**NON-CONFIDENTIAL
MINUTES OF JOINT AUDIT & RISK COMMITTEE AND
FINANCE & RESOURCES COMMITTEE
28TH NOVEMBER 2018**

Present:

Jonathan Lake	External Governor
Mark Crowther	External Governor
Jan Fielding	External Governor
Andrew Wren	Principal
	<i>In attendance only for Audit items</i>
John Sidney	External Governor
James Rawnsley	Staff Governor
	<i>In attendance only for Audit items</i>
In attendance:	
Nicola Cove	Deputy Principal - F&R
Megan Hughes	Head of Human Resources
June Fielding	Financial Controller
Karen Johnson	Clerk

PROCEDURAL ITEMS

FR/18/61 The Chair drew Governors’ attention to the two paragraphs at the top of the agenda, formerly agenda items, reminding Governors of their responsibilities and to declare any interests relevant to agenda items, and that this also included responsibilities around Equality, Diversity and Inclusion, and Health & Safety. In addition governors were reminded of their duty to report any changes in year with regards to their declarations on the register of interest to the Clerk.

**NON CONFIDENTIAL ITEMS
APOLOGIES FOR ABSENCE**

FR/18/62 Apologies for absence were received from Julie Barton (External Governor)

MINUTES OF PREVIOUS MEETING

FR/18/63 The minutes of the Finance & Resources Committee, held on 3rd July 2018 were agreed as a true and accurate record and duly signed by the Chair

MATTERS ARISING AND ACTION POINTS

FR/18/64

FR/18/27	Head of HR to include a breakdown of absence by college area in the termly HR reports	Partially complete
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FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017-18

FR/18/65 The DP F&R presented the members report and financial statements for the financial year 2017-18 for approval. The following points were noted:

- The report format of the accounts is consistent with the financial reporting standard FRS102 and the 2015 Statement of Recommended Practice (SORP) – Accounting for Further & Higher Education
- There are no variations in outturn from the July 2018 management accounts presented to governors in October. The auditor’s work and report found no material errors, either informative or requiring adjustment
- The auditors still require confirmation from the Funding Agencies of actual income - the final reconciliation statements have now been received by the College but will be received independently by the External Auditors
- The audit opinion will be unqualified
- Accounting surplus of £31k
- In the compilation of the statutory financial statement, there are an number of accounting adjustments which translate the operational performance of the underlying College to the reported accounting position and an overview of these was provided to the Committee
- College financial health, as assessed by the ESFA is now expected to remain as outstanding

- Attention was drawn to net current liabilities, which although decreased in 2017-18, reflect various changes required within the accounts as a requirement of FRS102; the adjusted current ratio (reported ESFA indicator is strong at 1.77). The following additional points were made:
- Higher than expected fixed assets costs is due to the spend involved in the development of the Welding Workshop
- Repayment of the short term revolving credit facility is reflected in the accounts
- From an operating perspective, the cash flow is very strong.
- In response to a question the increase in other Debtors was due to the number of Microsoft licences purchased at year end and therefore shown as prepaid.

FR/18/66 The DP F&R provided some context to the restructuring costs noted within the accounts and the impact that this has had on the accounting surplus at year end, however, this was due to an appropriate response to the local demographics and lower enrolments than expected.

FR/18/67 Staff costs as a percentage of income 60.36% which is below sector average of 62.5% (this excludes the restructuring costs).

FR/18/68 The Committee queried the enhanced pension charges and the DP F&R advised that this is due to contractual liabilities in existence from historic pension provision which is accounted for within the financial statements and this can vary from year to year dependent upon the assumptions involved.

Following approval by the Committee, the accounts will go to Board next week for formal approval and signature.

The signed documents, along with other required documents will then be sent to the ESFA via the external auditors and by the end of January a copy of the signed financial statements will be uploaded onto the College website. This is all in line with the relevant regulations.

FR/18/69 Resolved: The Committee approved the financial statements and recommended these for full approval by Board

MANAGEMENT ACCOUNTS FOR THE PERIOD ENDING 31.10.18

FR/18/70 The management accounts for the period ending 31.10.18 were presented to the Committee by the DP F&R, the following points were made:

- Busy start to the year which has had some impact on the processing of paperwork – particularly apprenticeships which is due to the increased processes involved as a result of the move to apprenticeship levy
- Operating surplus to end of October is £740k – against a budgeted surplus of £1m, this is primarily due to lower funding than expected being received from funding agencies, however, the full year funding is showing to be on track
The DP F&R added that only validated income is included in the accounts and so there is a variance as a result of this
- 16-18 key return for the year will be submitted around 6 December and we are currently reporting 1340 learners in the system and validated
The College will be working to the deadline of submission of R04 (deadline 6 December) and as we validate learners on the system this will increase

FR/18/71 The Principal advised that the College has agreement from funding agencies to be funded for up to an additional 30 learners in year over and above the funding allocation of 1,369, and any learners enrolled after the R04 deadline will still contribute to future years funding allocations.

- Adult Education Budget – working hard to maximise this
- Apprenticeships at period 3 were behind profile, data processing issues are adding to this – this is around the incredibly protracted process involved between the employer/college/external systems before the apprentice can be put onto the system. It is expected that this position will change and even increase on target as the year progresses
- Changes to way in which CITB were previously funded in that apprentices now have to be directly enrolled via Colleges rather than the CITB (virement between apprenticeship and fees budget lines)
- Pay – showing underspend at P3, however, it is too early to draw any conclusions by year end, posts are subject to very close scrutiny and will continue to be monitored

- Non pay – broadly in line with year to date budget and forecast out turn in line, will continue to be monitored
- Balance sheet – continuing to show a strong balance sheet, attention drawn to trade debtors, no concerns, this is due to the reporting period of invoices
- Capital – very careful control of capital spend
- Bank covenants – no concerns
- Comfortable at the present time that we will be in line with year end predictions

FR/18/72 The Committee questioned the increased level of additional learning support staffing and were advised that this is due to a larger number of high needs learners this year

FR/18/73 Resolved: The Committee noted the management accounts

HR ANNUAL REPORT FOR 2017-18

FR/18/74 The Head of Human Resources presented the annual report which outlined the key HR activity over the previous year. The following points were highlighted to governors:

- Overview of staffing levels – average for the year 272.56 FTE, headcount 342
At year end the headcount was 336
- Turnover – overall 17.25%, slightly higher than the previous year (16.57%) and below the AoC average of 17.4%. This was broken down to staff levels
- Leavers – 59 leavers, with teaching staff being the highest affected group with 28 leavers, 25 members of support staff left.
- Starters – 48 (31.42 FTE) an increase on previous year of 34. 17 of which were new posts
- Internal staffing changes – 142 contractual changes during the year, a slight reduction on the previous year of 160. All the restructure changes were completed without any grievances without consultation
- Managing and planning for future needs – overview of priorities for the current year
- Continue with the role out of iTrent - HR system utilised by the College
- Review CPD strategy and associated procedures
- Review the restructure requirement of the outreach programmes offered by the College
- Performance: In house management training programme delivered to members of the management team which included training on various internal performance related procedures
- Professional support: one member of staff was successfully managed under the professional support procedure and remains in employment
- Capability: no employees were managed under the capability procedure
- Performance management: overview of performance management activity
- Discipline & grievance: 5 investigations, 4 under disciplinary procedure, 1 grievance – overview of the grievance provided and the satisfactory outcome of the procedures implemented
- Employee Relations: approach to surveys for this academic year by having more frequent but shorter themed survey. With timely feedback to staff
- Staff absence: higher than in previous years, number of reasons, larger number of staff, differences in culture and approach to absences, 52% of staff had at least 1 day of sickness absence during the year. Overview of the reasons for absence – there is some streamlining involved in this area since we are currently matching these to AoC list since this causes confusion when reporting the nature of the absence on the system
- Referral of staff to the North West Fatigue and Anxiety Clinic has been very successful in helping staff to remain in work whilst receiving support

FR/18/75 The Committee questioned the impact on learners arising from when members of teaching staff are off sick, the Head of HR advised that long term absences are covered by the use of short term employed staff or use of agencies by exception, for short term absences these are typically covered by existing members of teaching staff.

FR/18/76 Resolved: The Committee noted the HR annual report

RECRUITMENT & SELECTION POLICY

FR/18/77 The Head of Human Resources presented the policy for approval and reminded the Committee that this had been brought to the Committee following a revision arising from the recent updates to Safeguarding legislation, which Governors had been advised of during recent Board meeting and development session, the policy had been updated to reflect the revision to legislation around recruitment of staff and the required pre employment checks.

FR/18/78 Resolved: The Committee approved the Policy

FR/18/79-83 CONFIDENTIAL ITEM

ITEMS FOR THE NEXT AGENDA

No items were raised in addition to the normal cycle of business.

CONFIDENTIALITY

The Committee agreed that items FR/18/79-80 remain as confidential items

DATE OF NEXT MEETING

The date of the next meeting was agreed as 5pm on 20th March 2019 *(later updated to 18th March 2019 due to availability of Committee members)*

The staff governor and staff members in attendance at the Committee, with the exception of Senior Postholders, left the meeting

MINUTES APPROVED

Signed _____ Chair of Finance & Resources Committee

Date _____ Subject to Amendments / No Amendments



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John Sidney	External Governor (Chair F&R Comm items)
Jan Fielding	External Governor
Andrew Wren	Principal <i>In attendance only for A&R Comm items</i>
Mark Crowther	External Governor
James Rawnsley	Staff Governor <i>In attendance only for A&R Comm items</i>
In attendance:	
Nicola Cove	Deputy Principal - F&R
Megan Hughes	Head of Human Resources
June Fielding	Financial Controller
Zee Walker	Director of PPQ
Patrick Clark	ICCA
Amanda Latham	KPMG
Karen Johnson	Clerk

PROCEDURAL ITEMS

AR/18/61 The Chair drew Governors' attention to the two paragraphs at the top of the agenda, formerly agenda items, reminding Governors of their responsibilities and to declare any interests relevant to agenda items, and that this also included responsibilities around Equality, Diversity and Inclusion, and Health & Safety. In addition governors were reminded of their duty to report any changes in year with regards to their declarations on the register of interest to the Clerk.

NON CONFIDENTIAL ITEMS
APOLOGIES FOR ABSENCE

AR/18/62 Apologies for absence were received from Julie Barton (External Governor)

MINUTES OF PREVIOUS MEETING

AR/18/63 The minutes of the Audit & Risk Committee meeting, held on 21st June 2018 were agreed as a true and accurate record and duly signed by the Chair.
There were no matters or actions arising from the previous meeting.

REGULARITY AUDITOR'S MANAGEMENT LETTER AND LETTER OF REPRESENTATION

AR/18/64 Amanda Latham, on behalf of the External Auditors, KPMG, presented the Regularity Auditor's Management Letter and Letter of Representation for approval, this is a regulatory requirement within the process of signing the College accounts for the previous financial year. The External Auditor made the following key points:

- This is a clean report and happy to recommend for Committee approval
- Audit work has been completed with no further issues which need to draw Governors' attention to.
- Testing of risks at inherent level were carried out – as outlined in detail within the report and there are no issues arising from this.
- Regularity – separate opinion is noted within the accounts and there are specific questions and responses which have to be clarified within this opinion. As an element of this there is a requirement to note any deficiencies in the report, the auditor pointed out that these are all low value deficiencies
- In terms of the appendices, no material statements needed to be adjusted which is an extremely positive outcome
- Recommendations, all priorities are low and there are no issues which External Auditors believe require any further discussion within the meeting
- Statement of independence is outlined within the report.

The Committee questioned the controls which are in place and asked for some detail as to how these were tested and an opinion was formed. The auditor explained the approach and the detail of the

testing involved and also commented on the management approach to financial transactions which is a significant strength of the College.

AR/18/65 Following questioning from the Committee regarding details of pension fund valuations for accounting purposes within the report, the External Auditor provided further explanation around this.

AR/18/66 The Committee questioned the difference in opinion by management on one of the responses to the recommendations within the report, the Auditor advised that this was a low level priority and was considered to be an apparent deviation from documented policy / procedure and therefore should be highlighted to the Committee. The item was not considered fundamental and had been graded low risk accordingly, and would not impact the clean regularity opinion provided.

AR/18/67 The EA added that the Letter of Representation is a series of statements which the Committee has to agree and recommend to the Board that they are satisfied that this can be signed along with the Financial Statements by the Chair.

AR/18/68 Resolved: The Committee approved the Management Letter and Letter of Representation and recommended this for Board approval prior to the financial statements for the year end being submitted to the ESFA which is the final requirement within the process

REGULARITY SELF ASSESSMENT QUESTIONNAIRE

AR/18/69 The Deputy Principal Finance & Resources, presented the Regularity Self Assessment Questionnaire for approval, prior to signing by Chair and Accounting Officer in conjunction with Financial Statements at December Board. The DP F&R asked the Committee to consider the responses to the questionnaire and advised that this is a series of declarations for the Committee to agree. The DP F&R advised that the draft checklist would normally be presented to the Summer Committee for consideration prior to audit review but that this had not happened due to staffing changes, however normal cycle would revert for the future.

There were no further questions or clarification raised by the Committee.

AR/18/70 Resolved: The Committee approved the Regularity Self Assessment Questionnaire

INTERNAL AUDIT TRACKING REPORT

AR/18/71 The DP F&R presented the internal audit tracking report, which tracks the progress against fully meeting all recommendations arising from previous internal audits.

All recommendations from internal audits are populated into the report and then tracked until completion.

The following points were made:

- 45 recommendation were noted in the previous report to the Committee (June) of which 22 had been completed but still remained within the report as a point of reference
- A further 17 are now reported as having been completed
- 7 recommendation are progressing towards completion and these are noted within the report circulated to the Committee
- 2 actions are overdue and relate to items around encryption software and discrete apprenticeship strategy and these will be completed before the next planned Audit Committee meeting in March
- One action relates to an accommodation strategy, to include a number of other aspects including a full maintenance assessment, this is a significant piece of work and the timeline previously provided was unrealistic in terms of the work required
- Colleagues in Internal Audit also follow up on the management responses to recommendations and this provides assurance to the Committee that the recommendations are being responded to and also that appropriate controls are in place to ensure that actions are complete and embedded

AR/18/72 The Committee asked for clarification on the member of staff who would have responsibility for completing the Accommodation Strategy and the DP F&R advised that she would be leading on this.

AR/18/73 The Principal added that traditionally due to the new campus at Channelside this had not been on a list of priorities, however, post merger we now have the 6th Form Campus to consider and consequently this will also be included within the accommodation strategy.

AR/18/74 Resolved: The Committee noted the tracking report and the progress being made to meet outstanding recommendations. It was suggested that in future the completed actions be more clearly identified within the report so that there is clearer distinction between open and closed actions.

INTERNAL AUDITOR'S ANNUAL REPORT

AR/18/77 The Internal Auditor, Patrick Clark, ICCA, presented the annual report of the internal audit activity undertaken by ICCA during the academic year 2017-18, along with planned activity during the academic year. The report forms part of the assurance to the Committee relating to internal audit activities.

The key points of the report raised by the IA, were:

- No breakdown in control resulting in material issues
- Corporate governance – no significant issues identified
- Risk management – adequate and effective
- Internal controls – no limited assurances found as part of the internal audits during the previous year
- Assurance ratings for each of the internal audits carried out, 5 x reasonable assurance, 5 x substantial, 1 x advisory
- Planned and delivered 41 days of internal audit activity during 2017-18; this will reduce to 29 in 2018/19. The high level in 2017-18 was as a result of increased activity post merger
- All recommendations made by management were accepted
- For testing of previous recommendations (2016/17) 88% of were completed, with 12% having good progress reported towards completion. No issues were found
- Accuracy of reporting to committee was tested and this were no issues found as a result of this testing
- Overview of the planned and actual activity.

AR/18/78 The Committee asked for further detail with regards to the advisory recommendation regarding working with sub-contractors, the DP F&R explained the reasoning behind this and the controls that the College had put in place in response to this recommendation.

AR/18/79 Resolved: The Committee approved the Internal Auditor's Annual Report

ANNUAL REPORT OF THE AUDIT COMMITTEE

AR/18/80 The Chair presented the Annual Report of the Audit Committee, which provides a detailed overview of the activity undertaken by the Audit Committee during the previous academic year with the aim of providing assurance to the Board using the basis of the independent audit reports received and the assurances provided throughout the academic year by management.

The report also included an overview of the risk register and annual risk management activity.

It is a requirement that the Committee approve an annual report, which is then approved by Board, and this is then submitted to the Funding Body - which is a regulatory requirement.

The Committee considered the detail of the report and were of the opinion that the College does have in place an adequate and effective assurance framework. As a result of the assurances received throughout the academic year, the Committee is able to confirm that the College has in place adequate and effective audit arrangements.

It is the Committee's opinion that the framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets are sufficiently robust to provide a reasonable opinion.

AR/18/81 Resolved: The Board approved the Report and associated assurances and recommended this for full approval by Board.

ANNUAL DECLARATION OF GIFTS & HOSPITALITY

AR/18/82 The Clerk presented the annual declaration of Gifts & Hospitality, which included Governors, senior members of the leadership team and managers with a major financial or budget responsibility in the College. There were no items declared.

Following a question from the Committee, the Clerk clarified that there is a small tolerance within the previously approved Policy which allowed, for example, routine low value hospitality (refreshments) when attending external meetings.

AR/18/83 Resolved: The Committee approved the annual declaration of gifts and hospitality

RISK MANAGEMENT REPORT

AR/18/84 The Director PPQ referred the Committee to a number of reports which outlined the risk process and monitoring which had taken place since the last Committee meeting:

Key points were:

- Risk register is monitored on a termly basis
- On an annual basis the structure of the risk register is fully reviewed
- Risk rating of recruitment/retention of appropriately skilled staff has reduced from 3 to 2.
- Risk rating physical resources fail to keep pace with need has increased from 2 to 3, this is in light of the need to develop a long term accommodation strategy in line with future long term plans and the direction of travel with T levels, apprenticeships, A levels and off site provision
- Risk management remains strong with a high proportion of mature risk controls effective in mitigating the key risks faced by the College
- Marketing activities are in development to support the in-year recruitment of classroom based learners
- The sustained improvements within English and maths and apprenticeships remain a focus for the college and therefore the control around English and maths had been updated to reflect this

AR/18/85 The Committee received a number of reports to provide further detail with regards to the risk register, action plan associated with the risk register and also the risk register commentary which provides further detail.

AR/18/86 The Committee asked for clarification around how the risk ratings are identified and were informed of the high level process and decision making around this.

Mark Crowther, external governor, asked if he could attend a meeting of the Risk Management Group to understand how the College approach this in more detail

AR/18/87 The Internal Auditor provided further positive commentary as to the levels of approach that the College has towards risk management.

AR/18/88 Jan Fielding, external governor, commented on the reference to English & maths within the risk register and the relevance of this to the issues the College has in this area.

AR/18/89 **Resolved: The Committee noted the risk register reports presented.**

AR/18/90 **Action: Director of PPQ to invite Mark Crowther to a future meeting of the Risk Management Committee**

RISK MANAGEMENT POLICY

AR/18/91 The Director PPQ presented the Risk Management Policy for annual approval and advised the Committee that there had been no changes to the Risk Management Policy since the last Committee approval in November 2017.

AR/18/92 **Resolved: The Committee approved the risk management policy and recommended for full approval by Board.**

RISK MANAGEMENT STRATEGY

AR/18/93 The Director PPQ presented the Risk Management Strategy and advised that this had been brought for information purposes only since the next review was due in November 2019. The Strategy outlines the College's approach to Risk Management and was last approved by the Committee in November 2017.

AR/18/94 **Resolved: The Committee noted the risk management strategy**

AR/19/95 The internal and external auditors left the meeting.
The Director of PPQ left the meeting.

PROPOSAL FOR THE RETENDER OF INTERNAL AND EXTERNAL AUDITORS

AR/18/96 The DP F&R presented the proposal for the retender of internal and external auditors and made the following key points:

- Internal Auditors were initially appointed on a 3 + 2 year basis and this contract expires at the end of the current academic year.
- External Auditors are appointed on an annual basis, however the college has utilised KPMG for at least 15 years.
- Given the time since the last appointments it is recommended that the College seeks a retendering process.

AR/18/97 Given the above, the DP F&R feels it is appropriate to tender for both internal and external audit services. Context was included in the report distributed to the Committee which includes

details of the typical firms who operate in the area (North West), with the exception of one company all are within the top 10 firms within the sector by turnover (Accountancy Age).

There are also a number of potential alternatives that the College could utilise, for example use of options within the Crescent Purchasing Consortium, with the choice of utilising this service, or opting for our own process.

The DP F&R added that for external audit the College are serviced, fairly extensively off site, so, on this basis it is reasonable to assume that we could utilise an EA service out of area.

An overview of the costs involved at the present time was provided with a comparison to average costs within the sector.

The DP F&R summarised that the costs for the internal audit service provided by ICCA were competitive, however, the external audit service provided by KPMG has a high cost associated and is significantly above the sector average.

AR/18/98 The Committee discussed the current service received from both audit firms and felt that given the costs and also the length of time that the external auditors in particular been engaged by the College it would be particularly beneficial to seek a retendering process, particularly in comparison to benchmark costs.

The DP F&R advised on the proposed process in that a tender document will be drafted and then a committee which includes member(s) of the Audit Committee will agree the tender and then be involved in the tendering process and interviews. Jonathan Lake (External) agreed to be involved in the process.

AR/18/99 The DP F&R asked for agreement from the Committee to seek interest from outside of the Crescent Purchasing Consortium, the advantage of this is that we will be able to engage with a wider range of companies for the tendering process.

The Committee questioned if there was a need for the range of companies approached to be outside of the area (North West) and asked if there should be consideration given to this prior to the tender process being implemented.

The DP F&R advised that in order to ensure that we are achieving the efficiencies required it may be beneficial to have a wider range of engagement.

AR/18/100 The Committee suggested that the scope could be Top 15 firms engaged with the FE sector and with a base in the north-west with a proviso that this is subject to an initial scoping exercise with regards to appropriateness at which point the range may be widened,

AR/18/101 Resolved: The Committee agreed to implement the tendering process for the engagement of internal and external auditor services and further agreed that this does not need to be limited to the CPC

ITEMS FOR NEXT AGENDA (Audit & Risk)

AR/18/102 Tendering of internal and external auditors in line with the discussions outlined at today's Committee meeting.

CONFIDENTIALITY

AR/18/103 The Committee considered the items and concluded that none required confidential classification.

DATE OF NEXT MEETING

AR/18/104 The next scheduled meeting of the Audit & Risk Committee was agreed as 5pm Wednesday 13th March 2019.

MINUTES APPROVED

Signed _____ Chair of Audit & Risk Assurance Committee

Date _____ Subject to Amendments / No Amendments
