

Brooke House Sixth Form College

Minutes of a joint meeting of the **Audit and F&GP Committees** held on 7 December 2018 at 0800hrs.

Present	Stephen Blackshaw (Corporation Chair)(FGP)	James Cross (AC Chair) (Items 01-5/18 only)	Sally Townsend (FGP Chair)
	Olga Venosa (AC) (Items 01-5/18 only)	Kevin Watson (Principal)(FGP) (Observer Items 1-4)	
In Attendance	Ralph Devereux (Clerk)	Mike Cheetham (RMS)(Items 01-5/18 only)	Adrian Cottrell (VP (F&R))
	Lizzie Craig (MacIntyre Hudson)		
Apologies	Jonathan Beake		

01/18 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS AND APOLOGIES

The apology was accepted. No notice had been received of any member becoming ineligible to hold office and there were no interests declared.

02/18 ELECTION OF CHAIR

It was agreed that James Cross would act as Chairman for the first element of the meeting. **(Action 1)**

- a. The information was received.
- b. Action had been determined. **(Register at 11/18)**

03/18 MINUTES OF THE LAST MEETING AND URGENT BUSINESS

- a. The Minutes of the last:
 - (i) AC meeting, held on 26 September 2018; and
 - (ii) FGP Meeting held on 5 October 2018,were confirmed for electronic signature. **(Action 2)**

- b. There were no requests for urgent business.

- a. The information was received.
- b. Action had been determined. **(Register at 11/18)**

It was agreed to consider IAS matters as the first business item.

04/18 IAS MATTERS

There were 3 IAS Reports to consider, the Annual Report for 2017/18, the final Governance Testing Report and the draft Annual Plan for 2018/19:

- a. IAS Annual Report. The IAS Annual Report for 2017/18 was a standalone document which would inform the Annual Financial Statement (AFS) "Statement of Internal Governance and Internal Control", and thus the ESFA on internal audit issues, it was a digest of previous information presented to the committee including the final report of "Governance" at 04/18b. The Report, which had been circulated for consideration in advance of the meeting was then considered; the report had also informed the annual committee report to the Corporation, which would be considered later in the meeting. The overall opinion (Para 1.1), was that "There are weaknesses in the framework of governance, risk management and control such that it could become inadequate and

ineffective". However, during discussions, it was made clear that the opinion had been formed on the report content alone and could not consider advances and improvements which had been established since that date. It was stressed that the report considered issues under the control of the previous administration and positive changes had now been established, evidenced in part by "Follow Up" work completed by the IAS and also by responses from the FE Commissioner's office. It emerged during consideration of the implementation report that four recommendations had not been implemented and it was confirmed that, although they had not been at the time of the testing, work was now in progress. A comprehensive "recommendation tracker" had now been developed which would inform on all progress of audit recommendations from all originators, it was agreed to circulate the current version to members and the IAS. **(Action 3)** The detail was noted and the report was recommended to the Corporation to inform their consideration of the AFS. **(Action 4)**

- b. Governance. (06.17/18). the scope, approach, risk and objectives of the testing were explained by the IAS before detailed consideration of the report. Partial assurance had been given, which provided that: "*within the scope set for this audit, the College can take partial assurance that the controls to manage this area are suitably designed and consistently applied. Action is needed to strengthen the control framework in this area*" Eight recommendations had been made, all of which were accepted with responsibility allocated and implementation dates identified; appropriate management input supplemented the comments in the Report, which was received. Comments regarding improvements in 04/18a equally applied in consideration of this report.
- c. IAS Plan. The internal audit strategy for 2018/9-2020/21, informed by but not limited to, the College strategic objectives and previous work had been jointly considered at length by the IAS and the College Executive; the areas to be tested during the 2-year life of the plan were tabulated, at Annex B, and after discussion and reference to Appendix A (Detailed Plan for 2018/19 and associated fees for each) were discussed and it was suggested that, in the light of emerging issues, early assurance on procurement issues was desirable. That was discussed and it was agreed that the proposed assignments on Agency staffing and catering arrangements could be subsumed into a more comprehensive review of procurement processes. **(Action 5)** The plan was linked to identified key risks. Appendix C was an explanation of the Internal Audit Charter. The Plan and the associated fee was recommended to the Corporation for consideration and approval. **(Action 6)**
- d. Risk Management (RM). The annual RM Report and Policy were considered and recommended to the Corporation. **(Action 7)** It was agreed that detailed scrutiny of the greatly improved and revised risk arrangements would be considered at the next AC meeting. **(Action 8)**
 - a. **The information was received.**
 - b. **Action had been identified. (Register 11/18)**

05/18 AFS

- a. Audit Committee Annual Report to the Corporation. The committee's annual report to the Corporation, which would inform the Corporation's consideration of the AFS, was considered and discussed, there were some small corrections identified and with these incorporated it was recommended to the Corporation. **(Action 9)**. The informative matrix would not be included with the ACAR but would be discussed at the next FGP Committee meeting. **(Action 10)**
- b. External Auditors Management Report. The external auditor's Management Report, which reviewed the systems and financial arrangements in the College, was then considered. The Report comprised several sections and each was considered in turn; with reference to the AFS, there were no qualifications to either the main or regularity reports. The key financial performance issues were considered and noted. The assessment as a going concern was discussed; the cash position was healthy since receipt of funds from the sale of the car park and gymnasium, however these, as "Designated" funds, were not available

for general and further use and the External Auditors would review the College plans to safeguard the going concern assessment for future years. It was agreed that a paper detailing the intentions and arrangements for this would be taken to the Corporation meeting on 13 December for consideration. **(Action 11)** Sections one and two of the report were considered and noted with no particular issues.

- (i) Section 3 detailed material adjustments to the treatment of depreciation and gains on disposal of assets, which were discussed and noted.
 - (ii) Section 4 detailed noted control points, their implications and the management responses. There were four matters relevant to the current year; one unresolved matter from the prior year related to the Free School Meals funding and it was explained that a voluntary return to the ESFA would be made, which would settle the matter.
- c. Corporation Statement and Accounts. The Audit Committee remit was to scrutinize the narrative of the AFS, in particular the Corporate Governance Statement with respect to the systems of financial control, RM and governance processes and the financial performance as detailed in the accounts; the outcome was noted. The AFS was then discussed in general and it was noted that the audit process had gone smoothly; factual and presentational changes arising from the consideration of the Management Report had been identified and agreed and would be incorporated into the document before presentation to the Corporation. **(Action 12)**. It was agreed as important that the positives that had arisen from the last Ofsted Inspection Report were stressed and that the negatives, whilst not being obscured, should be given less prominence. **(Action 13)** Thanks were recorded to the auditors for their open and professional approach to the work. The AFS Governance Statement and accounts were conditionally recommended to the Corporation for approval. **(Action 14)**

- a. The information was received.
- b. Action had been identified. (Register 11/18)

James Cross, Olga Venosa and Mike Cheetham left the meeting

Sally Townsend assumed the Chair.

06/18 MANAGEMENT ACCOUNTS.

The comprehensive summary of accounts, supplemented by graphical and tabulated information accurate to 31 October was studied and discussed, essentially there had been little change from the previous month's position. The current ytd forecast was for an increased deficit (c£70k); all variations from budget were clearly detailed in the accompanying papers and were discussed individually. Income was negative by (£53k) and expenditure was also adverse, staff costs were in line with expectations although the recent recruitment of the three Vice-Principals and their respective start dates would prompt some revisions. The non-pay element was also over budget (£69k), all contributing factors were detailed in the papers and were explained. Financial Health remained as "Satisfactory" The balance sheet was considered and noted. Key PIs were noted; there were 24 cash days in hand, the adjusted CR was 2.39 and the staffing ratio was 81.2%. All covenants remained in scope. The information was received and recommended to the Corporation. **(Action 15)**

- a. The information was received.
- b. Action had been identified. (Register 11/18)

07/18 RECOVERY PLAN

- a. The RAG rated and tabulated recovery plan was scrutinised and discussed; it was agreed as a very useful management tool. Many "in progress" actions remained assessed as "Amber" until completion and this explained the high proportion of Amber outcomes. Assurance was given that priority was being maintained on the "Red" indicators. It would be essential to maximise the value of the Tracker that close liaison between the VP (F&R) and all colleagues involved in the process, particularly the Principal should be maintained.

- b. Strategic College Improvement Grant (SCIF) Full details of the income and expenditure for the SCIF funding at £235k including College matched funding, had been tabulated into four strands and was discussed. The improvement Partner would receive 25% of the grant. The allocation was welcomed and would directly fund cross college improvements.

The information was received and noted.

08/18 SUPPLIERS LIST

A listing of all college suppliers had now been detailed, as yet the information was incomplete and work continued. The list showed suppliers by the amount of annual services or purchases, for what and to whom and whether they were current and contracted. The information would be valuable in management of expenditure and facilitate negotiation of lower rates. Greater detail would be provided, initially for the top 20 on the list, and the full information would be brought to the meeting on 8 March 2019. **(Action 16)**

09/18 URGENT BUSINESS

There had been no urgent business requested.

10/18 DATE OF NEXT METING

The next meetings would be on:

- a. Audit 7 March 2019 at 1600; and
- b. F&GP, 25 January 2019 at 1000.

11/18 ACTION REGISTER

See referenced minute for full detail.		Resp	Date
Action 1	02/18. JC to Chair first element of meeting.	all	wie
Action 2	03/18. Minutes confirmed for electronic signature.	Clerk	asap
Action 3	04/18. "Recommendation Tracker" to be circulated to all inc IAS	AC	
Action 4	05/18a. IAS Annual Report recommended to Corporation.	Chair	13.12.18
Action 5	06/18c. IAS work on Agency Staffing to include Procurement.	IAS	asap
Action 6	06/18c. IAS Plan and fee recommended to the Corporation.	Chair	13.12.18
Action 7	06/18d. RM Annual Report recommended to the Corporation.		
Action 8	06/18d. Detailed scrutiny of RM at next AC meeting.	AC.JC	07.03.19
Action 9	05/18a. Amended ACAR recommended to the Corporation.	Chair	
Action 10	05/18a. Information matrix tbc at next AC meeting,	AC.JC	
Action 11	05/18b. "Going Concern" information to Corporation asap.	AC	13.12.18
Action 12	05/18c. Agreed amendments to AFS to be incorporated.	AC.ExtA	asap
Action 13	05/18c. Positive performance aspects to be given prominence.		
Action 14	05/18c. AFS conditionally recommended to Corporation.	Chair	13.12.18
Action 15	06/18. Mgt Accts recommended to Corporation.	FGP Chair	
Action 16	08/18. Supplier list information to March meeting.	AC	08.03.19