

FAREHAM COLLEGE

AUDIT COMMITTEE

16th March 2015

M I N U T E S

Present: Mr S Carter (Chair)
Mrs J Lancaster
Dr C Thomas
Mr A Wilkins

In attendance: Mr N Duncan (Principal)
Mr P Marsh (Deputy Principal)
Mrs J Robinson (Head of Finance)
Mr G Clarke (Mazars)
Mrs J Eayrs (Clerk)

01/15 Presentation on Student Numbers and Funding

Members of the Committee received a presentation from the Deputy Principal which provided an update on student recruitment in the current year, the impact on future funding and how the associated risks were being mitigated in the medium term.

The slides used for the presentation are an **Appendix** to these minutes.

In addition, the Deputy Principal drew the following to members' attention:

- Initial 2015/2016 Budget figures presented to the Finance and Resources Committee had indicated a deficit in 2015/2016 due to the lower than expected student numbers in 2014/2015 and a surplus in 2016/2017. Members of the F&R Committee had requested further refinement to the budget figures to secure a 'break-even' position in 2015/2016 which meant spreading the impact over a two year period;
- An online enrolment process had been launched this year which could have resulted in increased numbers at this stage in the year. The Deputy Principal stated that, as conversion rates were currently unknown, the College would need to secure approximately 2000 enrolments to meet the 1800 target required;
- It was likely the impact of the CEMAST and BRC developments would provide a degree of 'bounce' in the first 3 years due to raised profile and, as a result, student numbers should increase during that period;
- CEMAST was looking strong next year but a prudent approach to budgeting had still be adopted;
- Members were advised of a potential covenant breach in 2015/2016 due to a large LEP capital repayment. The Deputy Principal confirmed that discussions were currently taking place with Santander and a number of options were being explored to address this issue.

02/15 Declaration of Interests

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting. No interests were declared.

03/15 Apologies for absence

Apologies for absence were received and accepted from Mr Spires.

04/14 Minutes of the meeting held on the 25th November 2014

The minutes of the meeting held on the 25th November 2014 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

05/15 Termly Report on Risk Management – March 2015

Members of the Committee received the College Risk Register (including Health and Safety risks) which provided an update of the College's current risk exposure, provided assurance that risks had been evaluated and which outlined the mitigation which had been put in place to reduce the risks identified.

The Deputy Principal spoke to the paper and drew the following to members' attention:

- **Risk 1: Fall off in performance outcomes (success rates) as a consequence of changes to curriculum design leading to damage of reputation, declining numbers and loss of income**
 - Members were advised of the actions in train to address the decline in success rates which had occurred in 2013/2014;
- **Risk 5: Failure to recruit sufficient students in 2013/2014 and for 2014/2015 leading to future year's allocation reductions and associated impacts** – The Deputy Principal confirmed that the key focus was to secure in-year growth in apprenticeship work to mitigate the shortfall in recruitment;
- **Risk 9: Lack of contingency planning cover for specialist posts within teams** – The Deputy Principal advised members that the Executive Director HR had produced a succession plan for each of the posts identified on the risk register which outlined the action to be taken on a medium term basis and the internal arrangements for succession planning;
- **12: Failure to improve Maths and English success rates could lead to poor inspection results and affect students' futures** – members noted that this continued to be a key focus for the College. The Principal outlined the revised arrangements for 2015/2016 with functional skills being delivered within the vocational areas. In addition, members were advised that non English and Maths teaching staff were being up-skilled;
- **Risk 27: 2015/2016 EFA funding allocation is reduced by +£300k leading to cost cutting and financial stress** – Members noted further reductions in the EFA budget of approximately £700k due to non-recovery of learner numbers in November 2014. The discussions which had taken place at the Finance and Resources Committee meeting regarding the budget strategy for 2015/2016 were outlined.

The Chair proposed that a risk related to the late completion of the new building be included in the Risk Register and this was agreed by members present. The Deputy Principal confirmed that a full review of the Risk Register was planned with the SMT on the 17th March 2015.

The Chair also sought clarification on an incident which had occurred on the campus regarding the disposal of an item of toxic waste. The Principal outlined the circumstances surrounding this incident, confirmed that the waste had not been radioactive and/or toxic and assured members that no danger to the public had existed.

Members of the Committee reviewed the contents of the paper and noted the current position.

06/15 Internal Audit Operational Plan 2014/2015

Members of the Committee received the Internal Audit Operational Audit Plan 2014/2015. Mr Clarke spoke to the report and thanked members of the Committee for appointing Mazars as the Internal Audit Service provider.

Members reviewed the content of the report which included:

- The scope and purpose of internal audit;
- The operational audit plan 2014/2015.

Members provided feedback on the draft plan and there was a discussion about assurance mapping, the ownership of it and how it linked to the College Risk Register. Mr Clarke confirmed that the assurance mapping work would be completed in April/May 2015 and a report presented to the June 2015 meeting of the Committee.

Members of the Committee reviewed and endorsed the Internal Audit Operational Plan 2014/2015 as outlined in Appendix A1 to the report.

07/15 Review of Performance of External Auditors for the Year 2014/2015 and establishment of performance indicators for the year 2015/2016

Members of the Committee received and reviewed the proposed assessment of performance for 2014/2015 for the Regularity and Financial Statements Audit Service Provider and noted there were no significant issues of concern. The Deputy Principal did highlight a minor concern related to the continuity of staff but confirmed that this would not affect the decision to propose Grant Thornton for re-appointment for a further year. In addition, members endorsed the continued use of the current performance questionnaire and the performance indicators enshrined within them for the 2015/2016 year.

08/15 Contract for External Audit Service Provider 2015/2016

Members of the Committee received a paper on the Contract for External Audit Services. Members were aware that the current External Audit contract with Grant Thornton had been awarded in June 2010 following a tender exercise.

Members of the Committee had reviewed the performance of the External Auditors under a previous agenda item and had noted that there were no significant issues of concern.

Members of the Committee agreed to formally recommend the re-appointment of Grant Thornton as the External Audit Service Provider to the full Corporation for formal approval at its meeting on the 23rd March 2015 for a further financial year to run from 1st August 2015 to 31st August 2016.

09/15 Review of Internal Audit Recommendations

Members of the Committee received the Internal Audit recommendations as part of the 'tracking' system which had been established to monitor progress. Members reviewed and accepted the proposed actions, the target dates for achievement and the actions which had been completed as follows:

- **Action Plan 4: Learner Numbers** – Replacement of manual withdrawal change request system with electronic system via ProSolution in 2103/2014 in order to improve data accuracy – action completed;
- **Action Plan 1: Financial Regulations** – To review and update the Financial Regulations – action completed;
- **Action Plan 1: Business Continuity Plan** – Members noted that the BCP had been finalised and was due to be presented to SMT the week commencing 16th March 2015;
- **Action Plan 2: Procurement and payments** – The passing of invoices to the Finance Department as soon as possible – action completed.

Members reviewed the contents of the paper and noted the progress achieved to date and the actions in train to address the remaining audit recommendations.

10/15 Any other business

- (i) **FRS 102** – The Chair requested an update on the position and sought clarification on whether the SFA had provided FE colleges with any regulatory guidance. It was agreed that the Deputy Principal would provide a full update at the next meeting in June 2015.

11/15 Date of next meeting

Members noted that the next meeting of the Audit Committee would take place on 17th June 2015 at 5.30pm.