FAREHAM COLLEGE

# AUDIT COMMITTEE

14th March 2018

# M I N U T E S

Present: Ms K Allen

 Mr T Rudd

 Mr A Spires

Dr C Thomas

In attendance: Mr N Duncan (Principal)

Mrs E Baxter (Director of Finance & Funding)

Mr D Canham (Mazars)

 Mrs J Eayrs (Clerk)

**01/18 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.

**02/18 Apologies for absence**

Apologies for absence were received and accepted from Mr Bishop and Mr Nicholls from Grant Thornton and Mr Wilkins. The Clerk notified members that Mr Wilkins had emailed her that afternoon to register his apologies for the meeting and tender his resignation as a co-opted member of the Audit Committee.

**03/18 Minutes of the meeting held on the 29th November 2017**

 The minutes of the meeting held on the 29th November 2017 were agreed as a true and accurate record and were signed by the Chair.

**04/18 Correspondence**

**(i) Email dated 25th January 2018 from Grant Thornton re: Audit Fees 2018** – Members of the Committee were provided with a copy of an email which had been sent to the Chair from Grant Thornton regarding Fareham College audit fees. The email explained that Grant Thornton, as a firm, had been reflecting on their client portfolio and how they could ensure that they were generating a fair return for the work they were doing. As a result, they had considered the fee levels they were currently charging their clients. Historically, the fees for the College had been relatively low in comparison to the fees charged to a commercial organisation of the same complexity. This meant that, in order for Grant Thornton to continue to work with the College, they would need to increase their base fee in comparison to 2017’s fee by approximately 50%. Members noted that this would increase the External Audit costs from approximately £22k to £33k. Members agreed to tender for external audit services and noted that the arrangements for this were outlined at agenda 7(ii) to be considered later in the meeting.

**05/18 Termly Risk Management Report**

 Members of the Committee received the College Risk Register 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 Principal spoke to the paper and advised members that the Risk Register currently held 37 risks with an overall residual net risk of 6.87.

 The committee reviewed, considered and discussed the risks which had deteriorated since the last report to the committee and the mitigation in place to reduce them:

* **Risk 1: Poor student attendance leading to non-achievement and poor outcomes** – The Principal confirmed that this was low as a risk but had deteriorated in respect of attendance issues related to adults;
* **Risk 2**: **Poor outcomes leading to loss of reputation and reduction in student recruitment** – Members noted a decline in adult retention (English and Maths in the evening and Hairdressing) could result in lower than planned adult achievement. In addition, it was noted that apprenticeship achievement was also forecast to be lower than targeted;
* **Risk 8: Lack of capacity within curriculum middle-management team** – Members were advised that all curriculum managers at the BRC campus had been further supported by the addition of two Curriculum Area Leads (CALs). The Principal emphasised the fact that it was proving very difficult to appoint Heads of Construction, Sport and Uniformed Services and CETC;
* **Risk 16**: **Financial position deteriorates leading to a decline in the College’s financial health grade (SFA)** – Members noted the 2017/2018 forecast deficit year-end position was cause for concern. The Principal reminded members that the College was currently in ‘Early Intervention’ and the ESFA were engaging with the College to monitor how the position was being managed. Members noted the ESFA were due to receive an update the following day. The Principal went on to say that the College was proactively entering into discussions with other local colleges as part of a strategic options review with a view to strengthening its position in the market and the ESFA had endorsed this approach;
* **Risk 24**: **Property** – The Principal provided members with an update on the C Building roof. He confirmed that the tender process had now been completed for the roof repair and the contract had been awarded to HiTec Roof Systems who were well known to the College. Members were advised that the internal repairs were yet to be tendered (although due to be sent out by the end of the week) and could not begin until the external repairs had been completed;
* **Risk 26: An over-reliance on subcontracting activity** – It was noted that recent discussions around the transfer of apprenticeships back to Steve Willis Training to support the initiation of their new contract had highlighted the potential for in-year changes to subcontracted activity. The Principal reported that it was likely that this would completely disappear over the next 3 years;

 **Members of the Committee reviewed and noted the contents of the paper and the mitigation in place to reduce the risks identified.**

**06/18 Internal Audit Report: Core Financial Systems – Payroll and Expenses (Draft) (01.17/18)**

 Members of the Committee received the Internal Audit Report: Core Financial Systems – Payroll and Expenses (01.17/18). Members noted that the focus of the audit visit had been on controls and processes for payroll and expenses given the significance of expenditure in this area relative to total expenditure for the College.

 Members noted that ‘substantial assurance’ had been given for the review with only one ‘priority 3’ (Housekeeping) recommendation having been made which related to retaining the bank details of three members of staff who had left the College the previous year. Members of the Committee noted the management response and the actions in train to address the issue identified.

**Members of the Committee reviewed and noted the contents of the Internal Audit Report, the recommendation which had been made and the management responses to address the issues raised by the audit visit.**

**07/18 Internal Audit Report Follow-up (02.17/18)**

 Members of the Committee received the Internal Audit Report Follow-up (02.17/18) which provided a summary of the progress made by the College in implementing internal audit recommendations from prior years.

Members noted that the audit areas considered as part of the follow-up review included:

* HR Recruitment, retention and Succession Planning (02.16/17);
* Follow-up (report 03.16/17 referred);
* Learner Journey (04.16/17); and
* Core Financial Systems – New Finance System (06.16/17).

Members noted that the recommendations arising from the review of Subcontracting Controls (01.16/17) and Learner Number Systems (05.16/17) would be followed up as part of the specific review of these areas which formed part of the 2017/2018 Internal Audit Plan.

Members were advised that there had been a total of 18 recommendations accepted by Management within the reports referred to above. Of those 18 recommendations, 10 had been categorised as ‘priority 2’ (Significant) and the remaining 8 categorised as ‘priority 3’ (Housekeeping).

Members noted the status of implementation of these recommendations as:

* 9 completed (50%);
* 6 in progress (33%); and
* 3 had been superseded (17%).

**Members of the Committee reviewed and noted the contents of the Internal Audit Follow-up Report.**

**08/18 Internal Audit Report Subcontracting Controls**

 Mr Canham from Mazars advised members that it had not been possible to finalise the Internal Audit Report: Subcontracting Controls as the ESFA guidance had not yet been published. Mr Canham confirmed that there was nothing fundamental within the report to bring to the Committee’s attention. It was envisaged that the guidance would be published shortly and the report could be finalised for the June meeting of the Committee.

 **Members of the Committee noted the position regarding the delay in the publication of the ESFA guidance and noted there was nothing fundamental within the Sub-Contracting report to cause concern.**

**09/18 Review of Performance of External Auditors for the Year 2017/2018**

 Members of the Committee received and reviewed the proposed assessment of performance for 2017/2018 for the Regularity and Financial Statements Audit Service Provider (for work completed on the financial statements year ending 31 July 2017). Members acknowledged that there were no significant issues of concern and the performance of Grant Thornton had been excellent and consistent. However, in view of the correspondence received from them which had been discussed earlier in the meeting the Committee would not be considering their re-appointment for a further year.

 **Members reviewed and noted the contents of the paper.**

**10/18 Tender for External Audit Service Provider 2018/2019**

Members of the Committee received a paper which outlined the Arrangements for the Tendering of the External and Regularity Audit Service 2018. In view of the discussions related to the correspondence received from Grant Thornton earlier in the meeting it was agreed appropriate to recommend to the full Corporation that the External and Regularity Audit Service be retendered in the summer term. Members reviewed the contents of the paper which outlined the proposed arrangements for the tendering process and the timescales involved.

 **Members of the Board reviewed and agreed to recommend the process for tendering for the External and Regularity Audit Service to the full Corporation for formal approval at its meeting on the 28th March 2018 as outlined in the paper.**

**11/18 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.

 **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.**

**12/18 Date of next meeting**

 Members noted that the next meeting of the Audit Committee would take place on 13th June 2018 at 5.30pm.