

**Minutes of the meeting held at 5.00pm on 24 November 2015**

**Present:**                    **K Golding (Chair)**                    **C Manning**  
                                  **A Maltpress**                                **J Gazzard**  
                                  **N Roberts**

**In Attendance:**        **S Jones, Vice Principal Finance and Resources**  
                                  **P Ewan, Head of Finance**  
                                  **H Catchpool, RSM**  
                                  **J Smith, RSM**  
                                  **L Keane, Scrutton Bland**  
                                  **J Bridges, Clerk to the Corporation**

No interests relevant to items on the agenda were declared by members.

**Action**

- 1 Apologies for absence**  
Apologies for absence were received from R Inman. C Sutherland of RSM and P Goddard of Scrutton Bland also passed on their apologies for absence.
- 2 Minutes of the meeting held on 22 October 2015**  
The minutes of the meeting were agreed as a correct record.
- 3 Matters Arising**  
From the minutes of the meeting held on 22 October 2015:
  - 5 Committee Terms of Reference**  
The amendments to the Terms of Reference are consider under item 4 of this meeting.
  - 7 2014/15 Internal Audit Report**  
Reference has been made to the Committee's deliberate approach to steer internal audit work based upon the risk register rather than areas where the College is known already to be strong (such as Finance) in the Annual Report of the Committee, considered under item 6 of this meeting.
  - 9 Internal Audit Programme Schedule**  
The Vice Principal, Finance and Resources has agreed with the Vice Principal, Employer Engagement that internal auditors are to undertake a health check of Computer Control Environment.
- 11.vi Governance**  
The Governance Audit brief has been amended to include coverage of the new Common Inspection Framework.
- 12 Assessment of Internal Control Systems (FMCE)**  
The text on pages 8 and 22 have been finalised and were considered by the Committee under item 7 of this meeting.
- 14 Risk Appetite Framework**  
The suggestion to use the framework as part of the Governors' Strategic Conference in January 2016 has been put to the Chair and Principal and is being considered.

**15 Committee Self Evaluation Results**

The Committee agreed to invite the sponsors of the internal audit work completed to answer questions of the Committee and share the progress made against meeting/achieving the recommendations made in reports. The Clerk will invite them to attend the meeting succeeding the meeting that the Committee has considered the report.

JBridges

The Clerk is reviewing whether more use of online facilities would be of benefit to governors. This is something she is completing outside of the work of this Committee.

**4 Revised Committee Terms of Reference**

The Committee asked the Clerk to prepare revised Terms of Reference to incorporate and/or recognise that teaching and learning is a priority for the College and to mention the risk management processes of assurance mapping and measuring risk appetite. The Committee considered and **approved** the amendments made. **Proposed** by C Manning and **seconded** by K Golding.

**5 Internal Audit Recommendation Tracking Report**

One recommendation has been completed since the Committee received the status report last month. Members commented that the responses were reasonable considering it was only a matter of weeks since the last report.

There are a number of recommendations made around improving how we purchase, implement and embed new software and the Committee questioned if there was any common learning that could be taken and shared from the individual pieces of audit work. Have the reports exposed for example how the College makes its decisions about how and which software to purchase and is this collective, are there any barriers from users to using something new, how and what training is offered and what is the uptake? It was recognised that the College does need to learn from its experiences and is moving toward a centralised sourcing process through IT rather than what has been a disparate approach in the past. Members would like to see some sort of review of our IT services that explores if the College has purchased the right product, is it providing value for money, fit for purpose and/or fit for the future. The Vice Principal, Finance and Resources will give this some thought and perhaps a solution is to draw up a College Software Strategy.

SJones

**6 Draft Committee Annual Report 2014/15**

The Joint Audit Code of Practice (JACOP) requires the Committee to present an annual report to the Corporation. The draft report has been prepared in consultation with the Chair of the Committee and responds to the Governance Briefing circulated to members a number of weeks ago, on how the Committee needs to fulfil its annual reporting requirements.

The report now includes the Committee's Terms of Reference appended to the report and new sections have been created to cover core elements required under the JACOP such as recommendation tracking, assurance mapping, fraud, irregularity and whistleblowing cases, value for money, Committee self assessment and section 13 now includes reference to adopting the new Code of Good Governance for English Colleges further to the Foundation Code of Governance ceasing to exist.

Subject to amending the fourth line of the second paragraph under item 11 Value for Money in the report to read “Internal Audit work has therefore focused on areas where the management continue to pursue new means to administer and deliver processes.....”, the Committee agreed the report. After the meeting members of the Committee in 2014/15 were asked to complete the Internal and External Audit Performance Indicator questionnaire. Where questions are not relevant members are asked to note N/A (not applicable) on the questionnaire. The aggregate results will be appended to the report. The Chair will recommend the annual report of the Committee to the Corporation for approval at the 11 December 2015 meeting.

JBridges

KGolding

**7 Assessment of Internal Control Systems (FMCE)**

The Committee received the completed FMCE return further to the relevant data added to page 8 to confirm the 2014/15 success rates and to specify the internal audit opinion of Scrutton Bland on page 22.

This assessment has been completed and determines that the financial management and control arrangements assurance level of the College is effective. The Chair will ask the Principal to sign the FMCE to this effect at the 11 December 2015 meeting of the Corporation and the document will be held on file by the Clerk.

KGolding

**8 FRS102**

With effect from financial reporting year 2015/16, Colleges are required to comply with the requirement of IFRS (International Financial Reporting Standards) under accounting standard FRS102.

To date, the College has been required to account under UK Generally Accepted Accounting Principles (UK GAAP). The introduction of FRS102 will effect changes that have a notable impact on the presentation of the financial statements and the Committee’s view was sought with regard to which action should be selected where discretionary accounting treatment is permitted.

The change that has generated the most interest concerns the treatment of government grants. FRS102 permits an element of discretion in the adoption of this aspect of the standard and the Committee’s view was sought to agree the application of the accruals or performance models. It appears that most Colleges are following a similar path and the proposal put to the Committee is to continue to follow the accruals model. Using this model will create less fluctuation in the accounts with only a slight modification on deferred grants that will be required to be shown in the top half of the balance sheet which thus reduces the reported net asset position. The performance model in contrast means that grants issued with performance conditions attached to them must be recognised as income and therefore has the potential to present a disproportionate income receipt in the accounts, increase depreciation (not mitigated by grant releases) and put pressure on the bottom line in future years. Members agreed the accruals model.

At the point of transition (1 August 2015) from the UK GAAP to the IFRS the College is required to consider its policy in relation to revaluation of fixed assets as there is a once only opportunity to change both the policy and the valued cost at this point. The three options available to the College are to adopt the cost, deemed cost or valuation methods. The proposal put to the Committee is to follow the cost method. Members agreed that adopting the deemed cost or valuation methods would serve no purpose to the College.

This would involve costly revaluation of the entire estate and enter the College into a rolling programme of valuations going forward. Due to the covenant restrictions on the College site valuation would serve no purpose other than strengthening the balance sheet and lessening the effect of pension deficits on the net position, however members recognised that this leads to additional administration and costs in the form of impairment reviews and valuation reports at a time when the College needs to be reducing its cost base. Members agreed the Cost method should continue to be applied using the inherited valuation undertaken in 1997. The Vice Principal, Finance and Resources will share the thoughts of members with the Resources Committee before informing the Corporation at the 11 December 2015 meeting.

Out of curiosity members asked external auditors to confirm the accounting position if the assets are revalued and the valuation goes up. While it is recognised that this would strengthen the balance sheet would a historic cost adjustment need to be made and would this go into reserves or revaluation reserves?

HCatchpool  
JSmith

## 9 **Audited Accounts for the year ended 31 July 2015**

As required by the Joint Audit Code of Practice the annual report and financial statements for 2014/15 were provided to the Committee to inform its consideration of the findings of the external auditors. The Resources Committee is tasked to scrutinise the financial aspects of the Annual Accounts.

Members considered the contents of the OFR (Operating and Financial Review) from pages 1 through to 11. Members commented that the Stakeholder Relationships section does not make reference to the Multi Academy Trust that the College joint sponsors with the Priory (SENDAT) and asked that this included within the report on page 10. The typo found in the sixth line of the top paragraph on page 5 is to be amended; the word 'of' should read 'or'. The Vice Principal Finance and Resources was asked to confirm that the figure of £2,092,000 stated under the heading of Cash Flows on page 4 was correct compared to the 2013/14 figure of £110,000. It was confirmed that the figure was correct as stated in section 24 (page 52) which details the reconciliation of operating surplus to Net cash inflow from operating activities for both 2014/15 and 2013/14 accounting years. Members also asked that all references in the OFR to 'Suffolk One' should be consistent and therefore should be referred to as 'One'.

The Chair noted that the College has a £2.5m loan that attracts interest at a fixed rate of 6.195% which compared to other borrowings is a high interest rate. The loan is repayable by instalments to 2030. The Vice Principal Finance and Resources commented that the College is currently reviewing its banking arrangements. At the time of borrowing the interest rate was fair and comparable however this review of College loan arrangements will consider the viability of moving the borrowing to better terms.

For clarification it was confirmed that the LGPS (Local Government Pension Scheme) is now a career average scheme but does have latent final salary scheme liabilities. The TPS (Teacher's Pension Scheme) is also defined benefit based on career average.

The Committee **approved** the content of the OFR. The Resources Committee will receive the Report and Financial Statements for the year ending 31 July

2015 at the meeting to be held on 2 December 2015 and a recommendation will be put to the Corporation at the 11 December 2015 meeting.

## **10 External Auditor's Report for the year ending 31 July 2015**

The audit of the Report and Financial Statements for the year ending 31 July 2015 received an unqualified opinion. The external auditor's report summarises the key findings in connection with the audit of the financial statements and subsidiaries and the regularity review of the College.

Pages 3 through to 8 set out the key areas of the audit focus; Funding, Pension Scheme Liabilities, Going Concern, Management Override of Control, Accommodation Strategy and the College's Relationship with Academy Trusts. Auditors confirmed that no issues arose from the work undertaken concerning the funding audit focus. The key data and underlying assumptions used by the actuary to calculate the pension scheme liability balance were reviewed. The liability that is required to be recognised under FRS17 in respect of the College's share of the LGPS deficit is expected to be significant. There is a risk that the amount may be materially misstated where the data and assumptions used are not appropriate. Auditors reviewed the related disclosure in the financial statements to ensure that this is appropriate and found no issue to report.

Audit work of Going Concern reviewed the College's bank covenants in place for the year and considered whether there were any breaches and whether there were any forecast breaches. No matters arose from this part of the audit work.

The report confirmed that audit work of management override of control did not identify any significant non-routine or contentious transactions.

It was noted that the audit work of the Accommodation Strategy identified the College's ongoing commitment in relation to the maintenance of the Barrack Wall and a provision of £85K included in the 2014 financial statements. A further provision of £25K has been included in the financial statements resulting a total provision, after £7K cost of commissioning a specialist survey on the condition of the wall, of £103K. A specific sentence in the letter of representation for the Chair of Governors and the Principal to sign has been included to confirm the reasonableness of the level of the provision. It was further noted that no cost has been included within the accounts concerning the purchase of the Engineering Block as at the year-end no agreement had been reached. Any costs incurred to date in relation to the Engineering Block have been deferred to capitalise with the cost of the Engineering Block when an agreement has been signed.

The audit work carried out in respect of the College's relationship with Academy Trusts confirmed that there were no transactions undertaken with either Suffolk Academies Trust (SAT) or the Special Educational Needs and Disabilities Academy Trust (SENDAT) in the year. Auditors are comfortable with the disclosures made in the financial statements of the relationship of the College to these entities. It is worth noting that these areas will continue to be an audit focus in the year.

There were no audit, accounting or regularity issues identified during the audit. Section 4 of the report details the unadjusted and/or adjusted misstatements that auditor's asked management to correct. The last journal relating to £51K

planned summer works was money committed by the Resources Committee for minor works that were not carried out and therefore not spent so no liability existed at the year end. Historically the College has consistently applied this approach to summer works spend.

**Action**

It was noted that no potential impropriety issues were identified during the audit. Auditors observations of internal control however identified that some governors who are now Members and/or Trustees of SAT and/or SENDAT have not disclosed their interest on their registers. The Clerk will review the relevant registers and request that governors update them as appropriate.

JBridges

Auditor's extended their thanks to the Vice Principal, Finance and Resources and the Head of Finance for their help and support during the audit work. The Chair will put forward a recommendation to the Corporation at the 11 December 2015 meeting to sign the letters of representation for the Financial Statements and Regularity Review and to approve the Report and Financial Statements for the year ending 31 July 2015.

KGolding

## 11 Internal Audit Reports

### i. ***Maths and English***

The report concluded significant assurance (green status). The purpose of the work was to ensure that the framework in place to deliver Maths and English in the 2015/16 academic year is adequate, that the lessons learned from the 2014/15 academic year have been acted on and that an appropriate means to determine the study level to be delivered is followed.

From the 2014/15 academic year all students starting a new study programme of 150 hours or more, aged 16 to 18 or aged 19 to 25 if they have a learning difficulty assessment or EHC Plan (Education, Health and Care), who do not hold a GCSE grade A\* to C or equivalent qualification in Maths and/or English, are required to be studying these subjects as part of their study programme. The audit work found for the 2015/16 academic year that the College's forecast learner numbers for Maths and English courses were significantly understated. This was in part due to the local Sixth Form schools not allowing learners to enrol where they had not achieved a grade C or above in GCSE Maths and English and this was not known by the College and would have been difficult to predict. This has been found as a common issue for some of the auditors other College clients. The Committee asked the Clerk to invite the Director of Maths and English provision, Trevor Hewlett, to attend the February meeting of the Committee to discuss the content of the recent internal audit and get his thoughts regarding current position and what can be improved in subsequent years.

JBridges

The College's Maths and English Strategy is currently being drafted and it is planned to link the Maths and English Strategy with the Action Plans that are in place within the curriculum areas. The College's timetabling and staffing processes are robust to help ensure that there are sufficient staffing and timetabling slots to deliver Maths and English to all students. Due to the significant increased student numbers required to undertake exams in Maths and English the College will need to find suitable accommodation to allow all students to take their examinations.

The main issues identified during the audit work related to Maths and English GCSE grades not being recorded on the ILR (Individualised Learning Record) in a timely manner and a low recommendation has been made to address the issue. Two further low recommendations have been made in relation to

improving communication of Maths and English on the College website and through the prospectus and to develop a report to show all enrolled learners who fall into the condition of funding category. Maths and English it was suggested may be an area to internally audit again in 2016/17.

ii. **Budget Setting**

The report concluded significant assurance (green status). The purpose of the work was to ensure that the process, rigour and accountability followed during the development of the College's 2015/16 budget are appropriate and fit for purpose to achieve the objectives of the College.

During the budget setting process for prior years, a system called Folio was used to record the budget details for each budget holder. This allowed budget holders and College Management to view the budgets throughout the process and provide commentary against each budget area. Folio was not used for the 2015/16 budget setting process, however, it is intended to develop Folio and reintroduce it as part of the 2016/17 budget setting process.

The budget for HE income from UCS was set at £3.6m however the budget was set in 2014/15 at £3.2m and the field work undertaken was unable to ascertain why a significant increase had been budgeted for the year. The Vice Principal Finance and Resources confirmed that there is no concern that the increased budget will not be achieved but accepts the low recommendation arising from the audit suggesting that the Senior Management Team receives a timely draft budget prior to its submission to the Resources Committee. The second low recommendation made relates to budgeting procedures being updated to reflect current practice.

**12 Progress Report**

The progress report confirms the two significant assurance (green status) provided on the Maths and English and Budgeting Setting Internal Audits. It was noted that the Estates Management Internal Audit work will now take place in April and the Governance Audit in February 2016.

**13 Risk Management Update**

The risk register has been updated to ensure that the key risks for the academic year are appropriate. The top three risks remain the same on the register; changes in government funding, impact of Area Reviews and Devolution.

The Heat Map shows a decrease of high risks (red zone) between the months of September and November and 8 risks have now dropped into the green (residual) zone demonstrating a positive downward trajectory in risk level.

An analysis of risk movement was also provided in the report and it was noted that new risks added to the register are to be profiled and mapped in the Board Assurance Map by the College Secretary.

There were no issues raised by members.

**14 Any other business**

None.

**Date of next meeting**

Tuesday 23 February 2015 at 5.00pm. Room TG1.16

The meeting closed at 7.10pm