

# AUDIT COMMITTEE

WEDNESDAY 24 JUNE 2015



GATESHEAD COLLEGE

**Report:** Minutes of the meeting held on Wednesday 4  
February 2015  
**Author:** Clerk  
**Action:** Approve  
**Status:** Open

**Present:** Chris Macklin (Chair)  
Darren Heathcote  
Neil Weddle (Co-optee)

**In attendance:** Judith Doyle  
John Holt  
Emma Moody (Clerk)  
Claire Leece (Baker Tilly)  
Robert Auty (PWC)

## **A/538 Welcome/Apologies**

The Chair welcomed members to the meeting. Apologies were received from Karen Finlayson (PWC).

There were no conflicts of interest to be declared at this stage. Members were reminded to declare any conflicts that arose during the meeting.

## **A/539 The Minutes of the meeting held on 8 October 2014**

The Minutes were approved as a true record.

## **A/540 Matters Arising**

The Principal confirmed that she and the Finance Director had met with Karen Finlayson in relation to the scope of the Auditors' work for this year.

## **A/541 Internal Audit Report – Fixed Assets 14/15**

The report was presented by Robert Auty.

There were a number of positive findings which had been noted. There were four findings for further consideration – two low and two advisory rating.

The low findings were:

- (a) access to fixed asset register was to be improved;
- (b) physical verification of assets to be carried out (the Director of Finance confirmed this would happen in the next few weeks).

The advisory findings were:

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- (a) there was a need to “tidy up” the depreciation policy;
- (b) a need to revise the financial assets procedure notes.

A member of the Committee asked if there was anything in the financial regulations to determine the regularity of the verification of physical assets. Claire Leece confirmed not. The current policy was to not revalue fixed assets because otherwise if you did that, you would be obliged to do so thereafter. The value of the assets was held at cost. This was similar to the approach taken by other colleges.

The Director of Finance confirmed that some moveable assets had trackers inbuilt into them in the event of theft. Physical verification was quite simply identifying the assets of the College through physical means such as photographs, visits etc.

The Chair of the Committee asked if the College wanted to consider if asset values had improved and therefore revalue them? Apparently the NHS had done that on the “modern equivalent value” basis.

Claire Leece said that under the new SORP, the College could revalue the buildings as a one-off and give a new carry forward value. The College would need to consider impairments should there be a decision to revalue the buildings. There were some downsides to doing that, for example, increased depreciation costs. There could also be potential impact on the bank covenants. The College would need to consider impairments should there be a decision to revalue the buildings.

It was agreed that we would consider the pros and cons of revaluation of the buildings and then make a decision based on that.

***The report was noted.***

### **A/542 External Audit of Gateshead College Sports Management Malaysia**

There was a requirement in Malaysia to do an audit report by the end of April. It had been agreed that Baker Tilly would prepare that work and provide to a Malaysian accountancy firm for them to do the audit. Claire Leece confirmed that the transactions carried out were minimal. However, they would need to provide sufficient information for the Malaysian firm to sign off their audit report.

***The report was noted.***

### **A/543 Follow up on previous recommendations**

The report was presented by the Director of Finance.

Where completed, the action point would be removed.

In relation to the outstanding items:

- (a) the key financial controls in relation to debt collection – the College was looking to recruit a debt collector;
- (b) in relation to IT disaster recovery mechanisms. There was some impromptu testing being carried out. Problems had been identified with one server that was particularly old and a need to improve the links between college sites;

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- (c) in relation to strategic planning, this was continuing;
- (d) policy and procedure last review and debt recovery guidelines – policies and procedures will be reviewed and noted regularly and the debt recovery guidelines will be reviewed by the new person in post in due course;
- (e) learner agreements – would be updated the next time they were printed;
- (f) CSR statements – work on this was ongoing;
- (g) terms of reference for each quadrant should stipulate that decision making would be in line with the College's CSR policy. **The Clerk would action this.**

A member commented that it would be helpful for the Committee to see the proposed completion date for these outstanding actions.

***The report was noted.***

**A/544 Risk Management Plan**

The plan was presented by the Director of Finance:

Red items were around the recruitment of 16-19 which was lower than projected. The College thought this was linked to schools retaining more and the reduced demography of students of that age range. However, the yield had improved for those recruited which will impact on 2016-17.

The Principal confirmed that there were fewer young people moving from school and therefore the College was actively looking at its recruitment strategy to encourage as many learners as possible.

There was no impact on the current allocation. There was a big transition from part-time to full-time learners which was positive news.

There was a failure to grow 19+ apprenticeships. The College was short of target but had made progress due to the Nissan requirements for re-training.

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**The discussion 'is closed to the public' until such time as it is no longer commercially sensitive**

91% of destination data had shown that students experienced positive outcomes at the end of their course. This needed to be tied in with the College's marketing strategy.

19+ funding - there was ongoing costs related to this which would result in a 19% cut over the next two years. The cuts were falling on non-apprenticeships. There was a problem with saturation of apprenticeships in the current market. Money was ring-fenced for this purpose but it had to be handed back if not utilised. The government would have to realise that it couldn't continue to pile money into apprenticeships. The forecast for the apprenticeship provision would be in for the year by 9 February. There was a need to secure apprenticeships with bigger businesses and better opportunities.

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HR staff utilisation was as good as possible under the review.

In relation to the pending Ofsted visit, it was important to look at the assessment of the College to secure the good outcome.

***The report was noted.***

**A/545 Internal Audit Progress Report 14/15**

The report was presented by Robert Auty.

It outlined the work that had been planned over the next year. The next reports would be ready for the next meeting. In relation to the audit plan, this had been discussed with the Principal. They had agreed to hang fire on the international work and better use the time looking at HR and performance management.

In relation to governance, PWC would look at the new committee structures in the context of compliance and check we have included everything as a college. The Committee approved the changes to the audit report.

**A/546 Any Other Business**

There being no other business the meeting then closed.

**A/547 Date of the next meeting**

The date of the next meeting is Wednesday 24 June 2015 at 4.30pm.