The Chair confirmed that the Committee had taken the opportunity to meet in private before the meeting. The Committee had agreed that it would do so before each meeting, with the attendance of the auditors being considered on a meeting-by-meeting basis.

1. Chairman and quorum

Judith Mills took the chair and noted that due notice had been given to all committee members and that a quorum was present. Accordingly she declared the meeting duly convened and constituted.

2. Apologies for absence

No apologies for absence were received.

3. Minutes of the previous meeting

The minutes of the previous meeting held on 15 June 2016 were APPROVED as a true and accurate record. With regard to minute reference 4, note was made of the forthcoming tender exercise for internal audit services and the ability to consider the performance metrics for inclusion within the specification was acknowledged.

4. Internal audit progress report 2015-16

W Simpson presented the final internal audit progress report 2015-16 and confirmed that no changes had been made since the Committee considered the draft version at its last meeting.
The Committee **RECEIVED** the report and noted the content.

5. **Internal audit progress report 2015-16**

W Simpson presented a report which had been circulated with the agenda to provide the Committee with an update on progress with the 2016-17 internal audit plan. Particular note was made of the fact that, since the plan was agreed, a request had been received from management to undertake an additional review which had taken five days to complete. The Committee was therefore requested to consider whether the overall plan should be expanded, or whether the previously-agreed plan should be amended. Following consideration, it was **AGREED** that:

1. The number of days allocated to the review of the PREVENT agenda would be reduced to 4 (a reduction of 2 days);

2. The number of days allocated to the review of commercial income and business development would be reduced to 5 (a reduction of 2 days); and

3. The number of days allocated to the review of the sales ledger would be reduced to 4 (a reduction of 1 day).

It was further **AGREED** that any necessary variation to the scope of the reviews as a result of the amendments above would be agreed with management outside the meeting.

6. **External audit findings report**

K Musgrave presented the final audit findings report for the year ended 31 July 2016 and discussed the content. Particular attention was drawn to section 2 of the report, which highlighted any audit, accounting and regularity issues identified at planning stage and confirmed how these had been reviewed and provided the auditor’s views. Confirmation was provided within the report that the auditors consider that the approach adopted would provide the Committee with the required confidence that thorough and robust audit and regularity assurance engagements had been carried out.

With regard to the section of the report entitled ‘significant difficulties identified during the audit’, the Vice-Principal for Finance and Planning (A Milloy) provided an overview of the difficulties encountered by both parties as a result of the failure of multiple SQL updates generated by a third party provider to apply retrospective SORP adjusting journals to prior year accounts as required for FRS 102 restatements.

The Committee **RECEIVED** the report and noted the content.

The Committee also reviewed the content of the draft letters of representation provided at appendix A to the report and **RECOMMENDED** that the Corporation Board approves them for signature as indicated.

7. **Draft annual report and financial statements for the year ended 31 July 2016**

The Vice-Principal for Finance and Planning (A Milloy) presented the draft annual report and financial statements for the year ended 31 July 2016 for scrutiny by the Committee.
The Committee considered the content of the document and in particular the control processes that are in place.

The Committee noted that the financial performance of the organisation had been rated as good rather than outstanding as a result of the prudent decisions it had taken with regard to the use of its revolving credit facility. It also acknowledged the changes to pension liabilities which had affected the majority of similar organisations.

Following due consideration, the Committee RECOMMENDED the content of the Annual Report and Financial Statements for the year ended 31 July 2016 to the Corporation Board for approval.

8. Teachers’ pension scheme


The Committee RECEIVED the report and noted the content.

9. Draft audit committee annual report 2015-16

The Company Secretary presented a draft audit committee annual report, which he noted is required under the Joint Audit Code of Practice to be presented to the Corporation Board prior to it considering the approval of the annual report and financial statements.

Subject to a minor amendment to paragraph 5.7.5 regarding the total number of recommendations made by the internal auditors, the Committee APPROVED the report for submission to the Corporation Board.

10. Audit findings tracking log

The Director of Quality and Standards presented the regular audit findings tracking log for consideration by the Committee. Confirmation was provided that no new recommendations had been added to the log since the Committee last considered the report in June 2016.

The Director of Quality and Standards drew members’ attention to section 1 of the report, which detailed those actions which are nearing completion but which require an extension to complete. With regard to item 1A, the Vice-Principal for Finance and Planning (A Milloy) advised that the majority of the actions would be completed before the end of December 2016 and that the remainder of the actions would be finalised by March 2017. The Director of Quality and Standards also highlighted the fact that items 1B and 1C were contingent upon completion of action 1A. With regard to item 1D, confirmation was provided that an interim solution was in place pending the commencement of a recently-appointed IT Manager who will be responsible for leading the project.

In response to a question from K Gilmour, the Vice-Principal for Finance and Planning (A Milloy) confirmed that the main strands of item 1A of the report would be live by the end of December 2016. S Dunstan commented that the Committee had originally requested that the action be RAG-rated red and whilst accepting of the need to agree to the requested extension, it should be considered a priority for completion.
The Committee RECEIVED the report and noted the content.

11. **B&FC Finance Department**

The Chair opened this item by advising that she had requested its inclusion on the agenda. The rationale for discussing the issue was to gain an understanding of the level of organisational memory within the finance department given the change at Vice-Principal level and a structure chart was provided to facilitate discussions.

R Ryan confirmed that a considerable handover period between himself and A Milloy had been agreed and that there was a considerable amount of experience within the team to deal with the transition. Following consideration, the Committee was satisfied that there was appropriate resilience within the department.

The Committee RECEIVED the report and noted the content.

12. **Risk management 2016-17**

The Vice-Principal for Finance and Planning (R Ryan) presented the risk register for the Committee’s consideration following review by the senior management team, and confirmed that risks are not removed from the register until considered by the Committee. In response to a comment from S Dunstan regarding item 13, the Principal and Chief Executive confirmed that the business continuity plan is regularly exercised and stress tested.

The Committee RECEIVED the report and noted the content.

13. **Committee’s assessment of its own effectiveness**

The Chair presented a report which had been circulated with the agenda to outline the process used by the Committee in taking a view on its own effectiveness and how it has fulfilled its terms of reference, as required by the Joint Audit Code of Practice. The Committee’s final, agreed statement was provided within the report, alongside suggested areas for focus over the coming year.

The Committee RECEIVED the report and noted the content.

14. **Items for future consideration**

The Committee considered that it would be beneficial at its next meeting to receive information on the IT recovery and estates control items that had been covered within earlier reports presented to the meeting.

15. **Confidential item**

The Committee requested that this item be minuted confidentially.
16. **Performance indicators for internal and external audit services**

The Head of Finance presented the results of the evaluation of the external auditors (RSM) and the Director of Quality and Standards presented the results of the evaluation of the internal auditors (Grant Thornton); both of which were favourable.

The Committee **RECEIVED** the report and noted the content.

17. **Date, time and venue of next meeting**

The next meeting of the Audit Committee will be held on 1 March 2017, 5.00pm, on the Bispham Campus. The Committee further agreed that all future meetings would commence at 5.00pm.