



MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON MONDAY 11 JULY 2016 AT 3.00 PM IN T106, THE ROUNDHOUSE

Present: Kevin Slack (*Chair*), Jack Atwal, Rosslyn Green, Jonathan McCluskey

In attendance: Lesley Hatton (*Financial Controller*)
Heather Simcox (*Director of Corporate Affairs*)
Michael Ford (*Director of Business Improvement*)
Mike Rowley (*KPMG – External Auditors*) – minute number 38/15-16
Rose Matthews (*Clerk*)

Remote Attendance: Will Simpson (*Grant Thornton – Internal Auditors*) – minute numbers 40 and 41/15-16

	Action	Date
34/15-16 Apologies for absence There were no apologies for absence.		
35/15-16 Declaration of Interests and Eligibility and Quorum No new declarations had been received, all members were eligible and the meeting was confirmed to be quorate.		
36/15-16 Minutes of the last meeting The minutes of the meeting held on 30 March were approved and signed as a true record.		
37/15-16 Matters arising 26/15-16 The Clerk had circulated a copy of the financial dashboard. The Lesley Hatton confirmed sub-contractors are monitored on a monthly basis and credit checks are already carried out. Heather Simcox advised the three year corporate strategy was being revisited and an element of this was maximising on the corporate strategy. With this in mind this was carried forward to a future meeting. The Lesley Hatton confirmed processes around the student ledger had changed and a new member of staff with responsibility would be recruited for the new academic year. The deadline for action relating to the sales ledger had been brought forward and appeared on the monitoring report. The Treasury Management Policy and Procurement Policy featured on the agenda for this meeting.	RM	Nov '16

27/15-16	The Internal Audit Report on Procurement was an agenda item for this meeting.		
28/15-16	Electronic monitoring was progressing and currently being trialled. Further progress will be reported at the next meeting. Michael Ford confirmed Anita Straffon and himself had been agreed as Trustees for the Derby College Student Union. Charlie Baker had been re-appointed as President for another term of office.	LH	Nov '16
29/15-16	The section of the risk management report on litigation had been amended to reflect which area it related to.		
38/15-16	External Audit Plan and Strategy for 2015-16 Financial Statements Mike Rowley presented the External Audit Plan and Strategy for the 2015-16 Financial Statements. He confirmed the College would adopt the FRS 102 and SORP for the financial statements for the year ending 31 July 2016. The areas of focus would be around revenue recognition (including fraud risk); and risk of management override of controls. Materiality was similar to the previous year set at £747,000 (1.5% of forecast revenue). Rosslyn Green asked for clarification on operating lease incentives under FRS102. She thought there were transitional provisions on certain companies. The briefing paper on FRS102 indicated there was no choice relating to such leases. Mike said he would investigate. Uncertainty was raised in relation to European Social Funding following Brexit. In principle, colleges can still bid, but what wasn't clear is when the funding would be cut. The Clerk agreed to arrange a meeting between Mike and the new CFO.		
	Mike advised the Government had released its Insolvency Consultation, which he recommended be circulated to all Committee members and shared at Corporation specifically in relation to the changes in roles and responsibilities.	MR	Nov '16
	Michael Ford briefed Members on the FE Commissioner's expectation that colleges will have a 3-5% surplus and the expectation that there will be between 50-70 college mergers as part of the Area Review process. Opportunities highlighted were good employer linkages, particularly through the Apprenticeship levy. Michael Ford explained a working group had been tasked with looking at opportunities for the College. Mike agreed to deliver a sector update at the next meeting.	RM	Nov '16
	Mike Rowley left the meeting.	MR	Nov '16
39/15-16	SFA Audit Summary Report Heather Simcox briefed Members following the ESF Match Funding Audit which showed no major issues.		

Rosslyn questioned the report referred to a learner review. Lesley Hatton explained the paperwork wasn't produced on the day to show all the reviews had been carried out. Jonathan McCluskey asked for assurance of what other evidence was available. LH to clarify.

LH

Nov' 16

40/15-16 Internal Audit Report 2015-16
• **Procurement**

Will Simpson of Grant Thornton, the Internal Auditors summarised the scope of their assessment relating to Procurement.

The overall assessment was amber consisting of three low and one medium rating.

As part of the audit there were instances of non-compliance with Procurement Regulations, which included payment of invoices which a purchase order would be expected. A supplier being taken on by a business area, when recurring expenditure would likely exceed the threshold for a tender process, use of individuals who had not been DBS checked and not using the new supplier form to provide supplier details.

A new Procurement Manager had been appointed 8-9 months ago and a lot of work had been carried out around procurement processes and arrangements.

It was noted the Procurement Manager was addressing these issues which had occurred during the early stages of her appointment.

Whilst the auditors found weaknesses there were no issues or losses.

41/15-16 Annual Internal Audit Report

Will presented the draft Annual Report which would be finalised at the end of July.

The Report summarised the three reviews carried out during the year:

Sales Ledger – Green rating
Cash Flow Management – Amber rating
Procurement – Amber rating

On the basis of the agreed management action plans and discussions, the auditors were satisfied that the College had taken, or will take the appropriate actions to address the issues and control weaknesses that were raised in the reviews.

42/15-16 Review of Internal and External Audit Recommendations

Michael ford presented the monitoring report which outlined the Internal and External recommendations and actions taken.

15 of the 35 audit recommendations had been completed with 14 of 35 awaiting completion.

The two ongoing actions related to Corporate cards and the Student Union, both of which have already been reported on and would be achievable by September.

Rosslyn Green left the meeting.

43/15-16 Risk Management and Risk Register Review

Members were made aware of the high priority risks identified in the Corporate Risk Register and the actions taken to mitigate against these.

Particular focus was made in relation to Safeguarding and Prevent. It was noted the College work closely with the Channel team and have all preventative measures in place.

44/15-16 FRS102 Report

This item had already been covered as part of the External Auditors Report.

Approval was sought to approve the following changes to the College's accounting policies as a result of the implementation of FRS102.

All Government grants, both capital and revenue related would be treated under the accruals approach (as opposed to the performance approach).

Under the first time adoption of FRS102, all land with a fair value in excess of current book values, would be revalued.

Questions were raised why the land was being valued as opposed to the buildings. Lesley had discussed with the auditors prior to submitting the paper, however the Chair requested Lesley speak to Mike Rowley to seek further clarification.

The Committee gave approval to treat all Government grants under the accruals approach.

LH

July '16

45/15-16 VAT Report

The Committee were provided with an update on the latest position regarding outstanding VAT cases for the College.

46/15-16 Cash Loss Report

Lesley Hatton informed the Committee of a cash loss which had occurred within the College.

Members noted the changes in procedures which had been adopted to mitigate against the risk of future cash loss.

47/15-16 Financial Regulations

In light of further changes required to the Financial Regulations it was agreed to defer this item to the next meeting. However, the Committee approved the change in signatories.

LH

Nov '16

48/15-16 Treasury Management Policy

This item was deferred to the next meeting.

LH

Nov '16

49/15-16 Procurement Regulations and Tendering Procedures

The Committee recommend the approval of the Procurement Regulations and Tender Procedures to the Corporation meeting on 18 July 2016.

KS

18/07/16

Signed: _____ Date: _____