



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
27 NOVEMBER 2018 AT 10.00 AM IN
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Mike Kapur, Pete Lewis, Martyn Marples

In attendance: Richard Eaton (*MIS Director*)
Jon Fearon (*CFO*)
Michael Ford (*DPO*)
Heather Simcox (*Deputy CEO*)
Mandie Stravino (*CEO*) – *Financial Statements only*
Martin Harrison (*ICCA – Internal Auditors*)
Kyla Bellingall (*BDO – External Auditors*)
Sam Lifford (*BDO – External Auditors*)
Rose Matthews (*Clerk*)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO

		Action	Date
17/18-19	APOLOGIES FOR ABSENCE		
	There were no apologies for absence received.		
18/18-19	DECLARATION OF INTERESTS AND ELIGIBILITY AND QUORUM		
	All members were eligible and the meeting was confirmed to be quorate.		
	There were no new declarations of interest.		
19/18-19	MINUTES OF THE LAST MEETING		
	The minutes of the meeting held on 25 September 2018 were approved and signed as a true record.		
20/18-19	MATTERS ARISING		
37/17-18	The Cash Handling Procedure had been circulated to the Committee for information. The Committee were not required to approve it.		
49/17-18	The Clerk had sent the report on the bank covenant to the co-opted member.		
5/18-19.2	The action dates in section 4.1 of the Follow up Report had been updated.		
5/18-19.4	The Clerk had circulated the English and maths, A Level and GCSE results to the co-opted member.		

**21/18-19 INTERNAL ASSURANCE
2017-18**

21/18-19.1 FINAL INTERNAL AUDIT ANNUAL REPORT

Martin Harrison, of Internal Auditors, ICCA, presented the Final Internal Audit Annual Report. Committee members noted the draft report had been discussed in detail at the previous meeting.

ACTION: The Committee recommended the Final Internal Audit Annual Report to the Corporation at its meeting on 17 December 2018.

21/18-19.2 2018-19 ASSURANCE PLAN PROGRESS

Internal Audit visits were progressing and reports on 16-19 Curriculum Efficiency and Student Progression and Intervention would be available for the next meeting.

FINAL 2018-19 INTERNAL AUDIT PLAN

Martin Harrison, of Internal Auditors, ICCA, shared the final 2018-19 Internal Audit Plan, the draft version of which had been presented at the previous meeting. A number of days had been reallocated to other areas of the College in light of the planned merger with Bilborough Sixth Form College not taking place. The revised plan was identified on pages 6 and 7 of the report.

The Deputy CEO said the final quality data had been received as the final return had been submitted. The Clerk would send on to the Internal Auditors to include in the report.

Mike Kapur questioned the internal audit resource for the accuracy of data capture. The Deputy CEO confirmed the mock funding audit looked at that annually, they were scheduled for both 16-19 Study Programmes and 19+ AEB & Apprenticeships in February. Mike asked if the audits would have identified some of the errors highlighted in the press with regard to failing colleges and training providers. The Director of MIS said it would have picked up some but not necessarily all.

The Deputy CEO explained the wider approach for providing the Audit Committee with assurance. By carrying out a number of different audits across the different funding streams, they should provide overall assurance. There is no requirement to have an internal audit service and the College have opted to keep this and to have a mock funding audit. Other mechanism for providing assurance were discussed.

Rosslyn Green questioned the reduction of the apprenticeship achievement rate. It was confirmed that the final figure had increased to 68%. The Director of MIS explained this was a retention issue due to the length on programme. Changes in the methodology also affected that – a record that never completed and a break where a learner does not return were all counted under the methodology, which were not under the previous funding guidance.

Clerk 27/11/18

Martyn Marples asked if some of the learners could have moved into full-time employment. It was noted this could be the case with some learners. Retention and destination analysis was reported to the Standards Committee.

22/18-19

EXTERNAL ASSURANCE

2017-18

- **FINANCIAL STATEMENTS AND EXTERNAL AUDIT –**
 - **MANAGEMENT LETTER**
 - **REPRESENTATIONS LETTER AND COLLEGE ACCOUNTS**
 - **REPRESENTATIONS LETTER AND MBS ACCOUNTS**

Kyla Bellingall and Sam Lifford, of External Auditors, BDO, presented their Audit Completions Report and discussed in detail with the Committee.

The External Audit for the year 2017-18 was nearing completion and it was reported no significant amendments had to be made. They anticipated giving an unqualified opinion on the College and subsidiary accounts, although the accounts had not been finalised at this stage.

Kyla and Sam talked through their report, covering materiality and subsequent audit risks, which related to revenue recognition, management override, going concern and Lennartz VAT liability.

A discussion point related to the enhanced pension provision which had been amended following on from the assumption used against the EPP calculator for the LGPS scheme.

No issues were found in relation to covenant compliance. BDO did state they would expect to see any new covenants before the Financial Statements were signed off.

The Committee Chair asked if the new covenants were now in place. The CFO confirmed he had received confirmation. The Chair asked if the details could be sent to BDO. The CFO agreed to send by the end of the day.

CFO 27/11/18

The CFO provided an update on the current position in relation to the Lennartz VAT liability. The Committee were informed of the size of the liability and the penalties relating to it. BDO had consulted their VAT expert who said the College's assumption of possible, but not probable was a reasonable assumption. The Chair commented the liability figure needed to be updated in the Financial Statements.

CFO 27/11/18

The final point of note related to the ESCROW account. This wasn't recognised in the financial statements as an asset. It was agreed to book this as an asset on the balance sheet once the money had been received from the solicitors. Kyla explained as this wasn't material to the accounts a prior year adjustment did not need to be made.

The Committee Chair summarised the historic position in relation to this for those members who were not on the Board at that time. Mike Kapur commented it was worth considering how such a situation could be avoided in the future.

The DPO was asked to review the section on GDPR compliance. It was agreed to send the DPO reports (covered in confidential items to BDO).

DPO 27/11/18

The adjusted audit differences were discussed with a large majority relating to the subsidiary company.

Summarising the Management Letter two deficiencies relating to internal controls were highlighted and a follow up on the prior year had taken place.

The External Auditors informed the Committee of the outstanding matters, which were reviewed by the Committee and discussed with the CFO. None indicated a significant risk and the Chair asked that these be resolved immediately. The ESFA funding reconciliation statement had not yet been received and was expected the first week in December.

Sam Lifford agreed to revise the report as discussed and provide an updated report to the Clerk.

SL 30/11/18

The Chair raised concern at the timings for receipt of the Financial Statements by the Committee. He said they were not of the standard expected at this stage and noted some gaps within them and expressed his disappointment.

The Chair asked the reason for the delay and was informed this related to a resource issue. This had held back receipt by BDO to carry out their final checks.

The External Auditors said they would have expected to be in the final stages but were still carrying out basic cross checks. They did indicate they could resolve quickly.

Overall, they confirmed this was a positive audit and in terms of adjustments very few amendments were made with some minor adjustments relating to materiality with MBS subsidiary accounts.

The Committee reviewed the draft MBS accounts. The gross margin did not appear to be performing well. It was questioned why the gross margin had declined. The CFO provided the rationale and was asked to update the note relating to tax liability.

CFO 27/11/18

Rosslyn Green and Martyn Marples agreed to review the financial statements in more detail and feedback to the CFO asap.

**RG/
MM** 29/11/18

The Chair requested once the final Financial Statements had been signed off by the external auditors, they be circulated to Committee members to review with a view to recommending to the Corporation at its meeting on 17 December 2018.

Clerk 30/11/18

23/18-19

MONITORING ACTIVITY

- **REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS**

Michael Ford shared the Internal and External Recommendations Monitoring Report, 6 of the 18 actions had been completed. The others remained on target for completion.

A further update would be provided at the next meeting when some internal audit visits had been completed in for 2018-19.

24/18-19 ANNUAL RISK MANAGEMENT REPORT

The Annual Risk Management Report was shared with Committee Members and 'high' priority risks identified as detailed in the report.

The report covered audit activity during 2017-18 and reviewed those risks closed or reduced through successful implementation of preventative controls.

An update was provided on litigation. There were no significant safeguarding or prevent or health and safety issues to report.

It was noted Nick Freeman has taken up the role of Link Governor for Health and Safety and had been meeting regularly with the Environmental Compliance Manager.

A discussion took place with regard to Risk 57 (Broomfield Hall) and it was noted a detailed discussion had taken place at the H&S Committee. There was more information to be included in this item which was only available after the documentation for this meeting had been circulated. This would be updated for the next meeting.

MF 12/03/19

25/18-19 PUBLIC INTEREST DISCLOSURE

Committee members were informed in July 2018 via e-mail of an alleged Public Interest Disclosure.

A full investigation had since taken place and the Clerk outlined the conclusions.

The investigation found no fraudulent activity had taken place and the alleged incident related to inconsistencies in practice which had been addressed.

26/18-19 AUDIT COMMITTEE ANNUAL REPORT

The Audit Committee Annual Report was summarised by the Committee Chair.

It was agreed to remove a paragraph relating to accounting standards and include the updated internal audit reports which would be revised and circulated following the meeting.

Clerk 17/12/18

APPROVED: Subject to the aforementioned revisions, the Committee approved the updated Audit Committee Annual Report for presentation to the Corporation.

Chair 17/12/18

27/18-19 POLICY REVIEWS

An annual review of the Risk Management Policy had been carried out. The Policy had been circulated electronically to the Committee. There were no change other than migration to the new Policy template. The Committee recommended for approval by the Corporation.

RECOMMENDED: The Risk Management Policy was recommended to Corporation for approval.

The Cash Handling Procedure had been fully reviewed.



The Internal and External Auditors and Pete Lewis left the meeting.

Signed: _____ Date: _____