



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
TUESDAY 28 NOVEMBER AT 9.00 AM IN
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Peter Lewis, Martyn Marples

In attendance: Richard Eaton (MIS Director)
Jon Fearon (*CFO*)
Kate Martin (*Vice Principal - Academic and (College Based) Technical Education*) – *Agenda item 6 only*
Heather Simcox (*Deputy CEO*)
Mandie Stravino (*CEO*) – *Agenda item 8 only*
Jonathan Creed (*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
24/17-18	Apologies for absence		
	Apologies for absence were received from Jonathan McCluskey, Simon Smith and Mike Kapur.		
25/17-18	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.		
26/17-18	Minutes of the last meeting		
	The minutes of the meeting held on 27 September 2017 were approved and signed as a true record.		
27/17-18	Matters arising		
01/17-18	The Search and Governance Committee resolved this item.		
04/17-18	Richard Eaton confirmed he had not received a report from the ESF Match Funding Audit. He would share with the Committee when this was received.		
11/17-18	The Corporation approved the Internal Audit Plan and Strategy at their meeting on 30 October 2017.		
12/17-18	The Clerk had resent the missing meeting dates and deadlines to the BDO to include in their External Audit Progress Report.		
14/17-18	The Risk Register had been updated for this meeting.		
15/17-18	The Treasury and Cash Flow Management Policy was approved by the Corporation on 30 October 2017.		

The Prevention, Detection and Reporting of Fraud Policy was approved by the Corporation on 30 October 2017.

The Travel and Subsistence Policy was approved by the Corporation on 30 October 2017.

The Cash Handling Policy was reliant on new safes being received for all sites. Once in place the CFO would present the revised Policy, which would hopefully be at the next meeting.

CFO 07/03/18

17/17-18 The Public Interest and Disclosure Policy had been approved at the Corporation meeting held on 30 October 2017.

19/17-18 The Terms of Reference were approved by Corporation at their meeting held on 30 October 2017.

28/17-18 'T' Levels Presentation

Kate Martin joined the meeting to share the share the College's strategy to address the education reform.

Kate discussed the reasons for the reform and the changes it presented to vocational education moving forward. The College would need to make changes to the curriculum and outlined what these included.

The Committee Chair questioned impact on Level 2 provision and Kate confirmed it would be reduced. She explained the shift would be getting some students onto a Level 3. A level 2 qualification was 15 hours a week, 'T Levels are proposed to be almost full time.

She went onto explain applied general and academic provision will offer similar levels of contact. The shift is more onsite provision and more onsite assessment work.

Martyn Marples asked what the schools were doing about ensuring students were work ready. Kate explained they set the foundations with the core curriculum. Martyn went onto ask if students did not come prepared to undertake a Level 3 qualification would they have to take a Level 2, it was acknowledged they would.

The timescales for implementation were shared with proposed roll-out in 2020.

The Committee Chair asked how this would be funded. Kate explained it would be government funded.

Peter Lewis noted the College had taken on board the changes required to adapt to this policy change, however, he questioned what the opportunities were for the College. Kate explained the College had a well-established work network and have a lot of large and small employers. She said the College could support the City providing work placements, for example, in schools. She said it was an opportunity for the College to establish Key Stage 4 work and provided an opportunity to work with the local schools.

Martyn Marples asked if the presentation had been delivered to the Renaissance Board. The Deputy CEO explained the CEO sits on the Renaissance Board and the College have invited key employers to meet with the DFE when they have visited the College.

Kate left the meeting.

**29/17-18 Internal Audit – 2016-17
Annual Internal Audit report 2016-17**

Jonathan Creed, Head of Internal Audit at the College's Internal Auditors, ICCA, presented the Corporate Governance Internal Audit Report.

As a result of the work completed during 2016-17 the Internal Auditors were satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given on the adequacy and effectiveness of the College's governance, risk management and systems of internal control. Based on the work undertaken during the year and the implementation of previous internal audit recommendations, they provided reasonable assurance that controls were operating adequately and effectively. A total of 45 days were allocated, with 41 expended.

Overall assessments for the year were summarised.

Peter Lewis asked if the Committee reviewed Internal Audit Strategy for 17-18.

The Chair confirmed the Internal Auditors had presented their Internal Audit Plan and Strategy at the last meeting. The Clerk would send a copy to Peter.

Clerk 30/11/17

**30/17-18 Internal Audit 2017-18
External Assurance of Sub-Contracting Report**

Jonathan Creed presented the External Assurance of Sub-Contracting Controls.

The scope of the review included covering all aspects of the ESFA's "External Assurance Review of Sub-contracting Controls" in order to also provide a certificate for submission to the ESFA by 31 January 2018, completed by an "independent external auditor".

Five actions were identified and management responses provided.

The Deputy CEO confirmed the Corporation received a mid-year report on Sub-contracting aspects.

The Committee Chair asked if there was now constant financial monitoring of the contracts, in terms of the credit check. The CFO confirmed the College used the same tool as the ESFA.

The Committee Chair also asked if monthly management accounts were received from the sub-contractors throughout the year. The CFO said annual accounts were received, as due to the scale of operations monthly accounts were not provided.

31/17-18 Fundamental Financial Accounting Controls

Jonathan Creed provided a verbal response on Fundamental Financial Accounting Controls as the report had not been received yet. A cyclical approach had been taken to look at different aspects. This review focussed on cash handling and back office management.

Jonathan indicated the report would provide substantial assurance and would be available for the next meeting.

32/17-18 Prevent Duty, Wellbeing and Incident Management

Jonathan Creed explained this was a routine internal audit report looking at the College's compliance with the Prevent Duty, staff and student wellbeing and incident management.

The scope was to provide independent assurance the College had effective systems and controls in place to:

- Meet Statutory duties, legislative requirements in respect of 'Prevent';
- Deploy effective wellbeing strategies; and,
- Manage serious incidents on and off site.

Jonathan covered the control objectives and the overall assurance conclusion was substantial with one recommendation relating to external event risk assessments.

The CEO joined the meeting.

33/17-18 External Audit 2016-17 Financial Statements and External Audit –

- **Management Letter**
- **Representations Letter and College Accounts**
- **Representations Letter and MBS Accounts**

Kyla Bellingall and Sam Lifford represented BDO, the External Auditors at the meeting.

Kyla explained the Audit Scope and Objectives had been revised in line with the changes to the International Standards on Auditing (UK). A statement was also provided on going concern and contains more detail than in the past.

Subject to the outstanding matters highlighted in the report, the auditors anticipated issuing an unqualified opinion on the financial statements.

The outstanding items related to;

- Signed directors' emoluments certificates – now received
- Conclusion of Lennartz liability assessment – to be discussed
- Final ESFA funding confirmation statement for the year – expected to arrive early next week.

Post planning, four deficiencies were identified relating to journal authorisation, related party transactions, signed contracts and the Itrent system. The CFO had provided management responses to these, and there was nothing that caused concern.

Identifying significant audit risk, the defined pension liability and VAT liability were identified under Mackworth Business Services.

A detailed discussion ensued with regard to the VAT liability in relation to interest and penalty charges from the HMRC. There had been a difference of opinion from the BDO's VAT partner compared with the VAT Angles, the company the College were using in respect of consent from HMRC for non-payment.

A telephone conference had been arranged for later in the week between the CFO, BDO's VAT partner and a representative from VAT Angles to agree how this would be presented within the accounts.

It was agreed the CFO would provide a briefing to the Committee later in the week to recommend the Financial Statements.

CFO 01/12/17

Rosslyn picked up on some adjustments. Kyla said she would ask for everything to be adjusted.

The CFO said it had been a positive experience working with BDO and he was assured by the depth and approach to the external audit.

The Chair complimented the CFO and his team for presenting a good Audit. The CFO commended Kyle Swann from his team in preparing for the Audit.

The Committee recommended MBS Accounts for approval by the Corporation at their meeting on 11 December 2017.

Chair 11/12/17

The Committee recommended the College Accounts for approval subject to the revisions agreed, to the Corporation at their meeting on 11 December 2017

Chair 11/12/17

The CEO left the meeting.

34/17-18 Review of Internal and External Audit Recommendations

The Deputy CEO shared the Internal and External Monitoring Report.

All recommendations were on track. A number of actions were due for completion on 1 December and an update would be provided at the next meeting.

Rosslyn Green queried why some of the actions relating to the Learner Records and Funding 19+ (including 16-18 Apprenticeships) indicated completed on the Strategic Risk Report did not appear on the Monitoring Report. Richard Eaton said it was because they had been resolved, but would raise with Michael Ford.

RE/
MF 07/03/18

35/17-18 Risk Management Annual Report

The Committee received the Risk Management Annual Report which provided a review of the previous year's risk management activities and provided a summary of litigation and health and safety risks to the Committee.

Point 3.3.3 under litigation had now been struck off and would be removed moving forward.

The updated Risk Register was also attached following on from comments raised at the previous meeting.

Rosslyn questioned risk 34 relating to the Mock Funding Audit, which she could not find on the Risk Register. The Deputy CEO said some of the Risks had been consolidated and suggested this

	was included within the Risk 36. However, she would confirm with Michael Ford.	HLS	07/03/18
36/17-18	Policy Review		
	<u>Financial Regulations</u>		
	The Financial Regulations were updated in March 2017, an annual review had been carried out and no changes were recommended.		
	<i>The Committee recommended the Financial Regulations to the Corporation for approval on 11 December 2017.</i>	Chair	11/12/17
	<u>Anti-Money Laundering Policy</u>		
	The Anti-Money Laundering Policy was last reviewed in November 2016 with no changes recommended. The Committee Chair said there had been some changes to the Money Laundering Regulations in 2017 and asked if these had been considered. The CFO agreed to revisit the Policy.	CFO	07/03/18
	<u>Bribery Policy</u>		
	The Bribery Policy was last reviewed in November 2016 and no further updates were proposal.		
	<i>The Committee recommended the Bribery Policy to the Corporation for approval on 11 December 2017.</i>	Chair	11/12/17
	<u>Risk Management Policy</u>		
	The Risk Management Policy had undergone and annual review with no changes recommended.		
	<i>The Committee recommended the Risk Management Policy to Corporation for approval on 11 December 2017</i>	Chair	11/12/17
	<u>Cashflow Procedure</u>		
	There were no changes to the Cashflow procedure.		
	<i>The Cashflow procedure was recommended to Corporation for approval on 11 December 2017.</i>	Chair	11/12/17
	<u>Cash Handling Procedure</u>		
	The Cash Handling Procedure was waiting for the provision of new safes at the main sites. This should be ready for approval at the next meeting.	CFO	07/03/18
37/17-18	Audit Committee Annual Report 2016-17		
	The Chair presented the Audit Committee's Annual Report for 2016-17, which had been reviewed with the Deputy CEO and Clerk.		
	Rosslyn Green suggested the paragraph relating to FRS102 on page 13 be removed.		
	<i>On the basis of the above change the Audit Committee Annual Report for 2016-17 was recommended for approval at the Corporation meeting on 11 December 2017.</i>	Chair	11/12/17

The Internal and External Auditors left the meeting.

Signed: _____ Date: _____