

**Minutes of the meeting of the  
Audit Committee held on  
Monday 3 December 2018, at 3.00pm in the Boardroom**

**Present:** Mark Bass - Chair  
Elaine James

**In attendance** Wijay Pitumpe - Chief Finance & Enterprise Officer (CFEO)  
Mike Cheetham – RSM (MC)  
Rakesh Shaunak - MacIntyre Hudson (RS)  
Victoria Eastwood - Clerk to the Corporation  
Maxine Deslandes – Director of Finance & Estates

**1. Welcome and apologies for absence**

The Chair welcomed those present to the meeting. Apologies for absence were received from Sarkis Mazmanian.

**2. Declarations of Interest**

Members were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. The Chair declared an interest in Agenda Item 5.

**3. Minutes of the Previous Meeting – Monday 19 March 2018**

The Minutes of the previous meeting held on Monday 19 March 2018 were agreed as a true and accurate record.

**4. Matters Arising**

An update on outstanding actions from the March 2018 Committee meeting were provided:

Ref.	Action	Responsibility	By (Deadline)	Update
5	Appointment of the Committee Vice-Chair be deferred to the November 2018 Audit Committee Meeting.	Clerk	November 2018	Included on the Agenda for the December Meeting.
5	Membership of the Audit Committee be strengthened as soon as possible.	Clerk	ASAP	Ongoing – Meeting taking place with candidate for Co-opted Governor on 17 December 2018.
9 (b)	RSM Benchmarking report be provided to Committee Members.	Clerk	ASAP	Complete
9 (d)	Investigate whether delegated authority for set periods would be available on the College system.	DOFE	ASAP	There is not a function that can automatically set the delegation authority for set periods.
9 (e)	Progress/completion of the high recommendation for the learner numbers internal audit report be included on the November 2018 Meeting	DOFE	November 2018	Complete

agenda.			
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There were no further matters arising that were not covered by the Agenda.

The Auditors confirmed there were no matters requiring College staff to withdraw.

Chair referred to the Minutes and questioned whether the NCRW staff training had been completed by staff by the end of July 2018. The Director of Finance and Estates (DOFE) advised that the training was now part of monthly meetings and would be undertaken accordingly.

The Chair asked if the fixed asset system was now live. The DOFE confirmed that this was being rolled out across the College.

**5. (a) Election of Chair and Vice Chair of the Committee**

The Clerk advised that in the absence of Sarkis Mazmanian it was not appropriate to discuss the appointment of Vice-Chair of the Committee and this was deferred to the next meeting.

The Clerk stated that discussions had taken place prior to the meeting and no nominations for the position of Chair had been received. It was unanimously agreed that Mark Bass would continue as Chair of the Audit Committee for a further one year term.

**Approved: That Mark Bass be re-appointed as Chair of the Audit Committee for a further one year term.  
That the appointment of Vice-Chair be deferred to the March 2019 Audit Committee Meeting.**

**(b) Audit Committee Terms of Reference**

The Clerk reported that no amendments had been made to the previous version of the terms of reference presented in November 2017.

**Approved: That the Audit Committee Terms of Reference be approved for 2018/19.**

**(c) Audit Committee Schedule of Business 2018/19**

The Clerk presented the Audit Committee Schedule of Business 2018/19 advising that the schedule took into consideration the remit of the Committee, terms of reference, funding requirements, audit factors and the changing FE landscape.

**Approved: The Audit Committee Schedule of Business was approved for 2018/19.**

**6. (a) Internal Audit Annual Report**

The Internal Auditor, Mike Cheetham (MC), presented the Internal Audit Annual Report to the Committee, highlighting the following:

- An overall amber/green rating had been given (MC advised that it was unlikely that a GFE College of this size would ever achieve a green rating)
- An unqualified opinion had been issued
- The assignment work undertaken in Appendix B

The Chair referred to the recommendation to improve the monitoring and recording of governor training. The Clerk advised that a training log was now in place to record both individual and group training. In response to a question from the Chair, it was agreed that the training log would be presented at the February and July Corporation Meetings to ensure this was monitored.

The Clerk added that a new training plan would be completed when all individual governor skills audits had been received and self-assessment had taken place.

The Chair queried the position of the advisory recommendations relating to Health and Safety. The Chief Financial Enterprise Officer (CFEO) responded that an action plan was in place to address the recommendations which was reviewed weekly by SLT and progress was presented to the Policy & Resources Committee. MC added that progress against the recommendations would form part of the 2018/19 internal audit follow up.

**Action: Corporation Training log to be included on February and July Corporation Agendas.**

**(b) Progress on Previous Internal Audit Recommendations**

The DoFE provided a summary of progress to date on the implementation of the outstanding internal auditors recommendations advising that some were completed and some were still ongoing.

In response to a query from the Chair, the DoFE advised that it was anticipated that the recommendations referring to examinations would be completed by the next meeting of the Committee.

**Agreed: That the current position be noted.**

**7. (a) Draft Report & Financial Statements for y/e 31 July 2018**

**(b) Draft Financial Statements Audit Management Letter**

The College's External Auditor, Rakesh Shaunak (RS), reported that the Financial Statements and Draft Financial Statements Audit Management Letter were submitted for the Committee to recommend to the Corporation for approval. He presented the Draft Financial Statements and Draft Financial Statements Audit Management Letter to the Committee in great detail including the following key points:

- The opinion of the external auditors was unqualified.
- The college met its learner number and funding targets and were also able to deliver additional funding by the end of the year.
- The College's group surplus for the financial year 2017/2018 was £0.367m.
- The surplus on the College operating activities was £0.437m. A £0.019m favourable variance against the original target surplus of £0.350m. The College's subsidiary companies made net deficits of £70k. Thus the total surplus for 2017/2018 was £0.367m.
- The College's positive financial position was rare in the sector as many colleges were facing financial difficulties.
- No independence issues/no inconsistencies/no instances of non compliance
- Overall staff costs increased to £21.9m compared to £20m previously which resulted in a 61.7% staff cost ratio –very good percentage for an FE College.
- Unfavourable variance regarding increase in debtors. The DoFE clarified that this had been because of the Levy – The ESFA had been unable to advise which student the payments belonged to and it could therefore not be allocated. Once the report was the appropriate allocations were made.
- Pension adjustments largely relating to subsidiaries
- All previous audit recommendations had now been cleared.
- Accounting within subsidiaries was not as tidy as previous years but there was nothing substantial to cause any concern and it was noted this was most probably due to staffing issues.
- Dependency on funding body income – average was 85% and the College sat at 76%
- College at 62% for pay expenditure – below sector average.

RS recorded his thanks to the CFEO, DoFE and the Finance Team for their work and assistance in producing the Financial Statements.

The Chair thanked both the Internal and External Auditors for their work.

**Recommendation: That the Draft Financial Statements y/e 31 July 2018 and Draft Financial Statements Audit Management Letter be recommended to the Corporation for approval.**

**(c) Annual Report of the Audit Committee to the Corporation**

The Clerk presented the Annual Report of the Audit Committee advising that the report incorporated the findings from both the Internal and External auditors that had been reported earlier in the meeting.

The Committee were asked to consider the following:

'Having considered the work of the College's internal audit service and its financial statements auditor and taking account of reports received throughout the year from the College's management and assurance provided by other sources e.g. ESFA, the Audit Committee advises the Corporation that the College's systems of internal control and its arrangements for risk management and governance processes are adequate, operating effectively and can be relied upon when the Board of Corporation are considering the financial statements for the year ended 31 July 2018. This was unanimously agreed.

The Chair signed a copy of the report to be presented at the December Corporation Meeting.

**Recommendation: That the Audit Committee approve the Annual Report of the Audit Committee to be recommended to the Corporation and for the Corporation to rely upon when considering the Financial Statements.**

**8. (a) Risk Register**

The CFEO reported that the Risk Strategy had been agreed at the October Corporation Meeting. The College's strategic objectives, Vision and Mission would be discussed at the December Corporation Meeting which would impact on both the Risk Register and the Risk Strategy. Both would be updated accordingly.

The Committee were advised that the Senior Leadership Team (SLT) had reviewed the full Risk Register and similar methodology had been used. Any new additional risks were highlighted in purple for reference.

The Chair referred to the Publicity and PR related risk and asked if the College had relevant strategies in place to respond to an emergency situation with regards to handling the press etc. The CFEO responded that PR was outsourced in terms of brand and the College had a disaster recovery strategy in place. In addition some media training had taken place for the SLT but it was agreed that this would be beneficial for Governors and would be included at the April Strategic Planning Event.

**Action: Media training for Governors to be included at the April Strategic Planning Event.**

**9. Pension Statement**

The CFEO advised that Further Education colleges and sixth form colleges were required by the TPS and LGPS membership regulations to offer either Teachers' Pension Scheme (TPS) or Local Government Pension Scheme (LGPS) to their staff.

The Committee were informed of the changes to date but it was noted that there was no 'concrete' information available. The CFEO added that the last valuation for the College's LGPS scheme in March 2016 was favourable.

**Agreed: That the position be noted.**

**10. Internal Audit Plan 2018-19 – For Information**

MC presented the Internal Audit Plan for 2018/19 advising that the same format from previous years had been adopted. The Committee were referred to Appendix A which detailed the areas selected to be audited and MC informed Members that the schedule could be flexible if required.

**Approved: The Internal Audit Plan for 2018/19 was approved.**

**11. Any Other Business**

There was no further business.

**12. Date and Time of Next Meeting – Monday 25 March 2019, 4pm.**

The Chair thanked all present for their contributions.

The meeting concluded at 4.00pm

Signed.....  
Mark Bass (Chairman)

**ACTIONS FROM MEETINGS OF THE AUDIT COMMITTEE**

<b>Ref.</b>	<b>Action</b>	<b>Responsibility</b>	<b>By (Deadline)</b>	<b>Update</b>
5a	The appointment of Vice-Chair be deferred to the March 2019 Committee Meeting.	Clerk	25 March 2019	
6a	Corporation Training log to be included on February and July Corporation Agendas.	Clerk	ASAP	Complete – the training plan has been added to the Corporation schedule of business as appropriate.
9	Media Training for Governors to be included at the April 2019 Strategic Planning Event	Clerk	April 2019	