

MINUTES

PRESENT: Craig O'Donnell
Coral Josephs – Staff Governor
Caroline Allen
Mark Wilson (co-opted Audit Committee member)

IN ATTENDANCE: **Internal:**
Keith Oxspring (Chief Operating Officer -COO)
Frances Wadsworth - Principal/CEO

Auditors
Mike Cheetham (RSM))
Paul Jagger (BDO)

CLERK: Evan Williams

APOLOGIES Bill Lumsden (BDO)

QUORUM The meeting was quorate

TIMING 6.05 – 7.45 pm

| Item no. | |
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| 11.1 | Welcome and apologies for absence Apologies were noted as above. |
| 11.2 | Declarations of interests There were no declarations of interests relating to items on the agenda. |
| 11.3 | Minutes of the meeting held on 8 June 2016 The minutes of the meeting on 8 June 2016 were approved as an accurate record and signed by the Chair. |
| 11.4 | Matters arising There were no matters arising. |
| 11.5 | Financial Statements and Regularity Audit 2015-16 <p>i. Financial statement and Regularity Audit Management letter <i>Supporting paper presented by Paul Jagger BDO</i></p> <p>PJ informed the committee that BDO had completed their audit in respect of the financial statements for the year ended July 2016 and that they anticipated issuing an unqualified opinion on the financial statements.</p> <p>PJ referred the committee to the matters that were outstanding on page 6 of the report and advised that at the time of writing there remained a small number of outstanding actions that needed to be completed but these were mainly standard items.</p> |

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| | <p>There were no issues relating to income recognition or going concern. There was a closer focus on the latter given the financial constraints on the sector.</p> <p>PJ advised that the table on page 11 of the report – referring to the defined benefit pension scheme assumptions need to be updated – this was taken as an action going forward for BDO.</p> <p>The chair raised a question regarding audit and the impact of the building plans going forward.</p> <p>KO Informed the committee that the current building values would continue to be used to calculate the ongoing depreciation charges and that they would remain consistent through to 2045 subject to any property additions or disposals.</p> <p>PJ informed the committee that the regularity audit was clear and that there was no cause for concern.</p> <p>PJ advised the committee of the key areas leading to FRS 102 adjustments these being:</p> <ul style="list-style-type: none"> • changes in holiday pay adjustments, and • Pension liability changes. <p>He explained that FRS102 requires a single charge, calculated on the net pension asset/liability. This charge has resulted in a £417k increase in the amounts charged.</p> <p>KO advised that the main concern for the College regarding future pension costs would be the outcome of the actuarial valuation review and how much the College would have to contribute to the scheme over the next 3 years.</p> <p>Matters arising from the audit reports were referred to in page 23 of the report. Fixed assets were rated as orange amber due to the fixed asset register requiring an update. High needs ALS income was also rated as amber due to concerns over the timing of income included in the accounts. KO reported that a prudent view had been taken in this area. Other categories such as redundancy payments, Bank loan covenants, employment contracts, casual staff redundancy and bad debt provisioning policy flagged as green.</p> <p style="text-align: right;">RESOLVED: that it be recommended to the Board that the External and Regularity Audit Findings Report and Management Letter be approved by the committee.</p> <p>ii. Draft Financial Statements <i>Supporting paper presented by the COO,</i></p> <p>The COO informed the committee that the College prepared annual Financial Statements which need to be submitted to the SFA by 31 December 2016.</p> <p>The COO referred the committee to a reconciliation included in the pack of the final year end deficit compared to that previously reported.</p> <p>The COO reminded the committee that the College’s land and buildings had been revalued in July 2015 and that a decision had been made to amend the policy following the introduction of FRS102. This meant that the buildings</p> |

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| | <p>valuation had been adjusted back to the 2013 valuation with the land valuation as at 2015 being retained.</p> <p>The COO explained the content of the Statement of Comprehensive Income, Statement of Changes in Reserves and the Balance Sheet to attendees.</p> <p>The chair opened the discussion to members of the committee. MR enquired as to the factors that could affect the future cash position of the College. The COO advised that the most significant areas would be the acquisition of fixed assets and loans and that the College was looking at ways of improving future trading performance.</p> <p style="text-align: center;">RESOLVED: that the Annual Report and Financial Statements be recommended to the Board for approval, as a joint proposal with the Finance and Resources Committee.</p> |
| 11.6 | <p>Audit Committee Annual Report 2015-16 <i>Supporting paper by the Clerk</i></p> <p style="text-align: center;">RESOLVED: that, subject to final amendment, the Audit Committee Annual Report be recommended to the Board for approval.</p> |
| 11.7 | <p>INTERNAL AUDIT</p> <p>i. Summary Internal Audit Annual Report (for the five months ended 31 July 2016) <i>Supporting paper by RSM</i></p> <p>The Committee noted that the main purpose of the Report was to provide assurance on the Board's Statement of Corporate Governance and Internal Control</p> <p>MC advised that the following RSM's appointment on 1 March 2016, the College had an adequate and effective framework for risk management, governance and internal control.</p> <p>The Chair asked the committee if they had any questions, no questions were asked.</p> <p style="text-align: center;">RESOLVED: that the Internal Audit Annual Report 2015-16 be recommended to the Board for approval</p> <p>ii. Action tracking report <i>Supporting paper by RSM</i></p> <p>MC advised that as part of the approved internal audit a review of previously agreed management actions be carried out. MC informed the committee that 16 of the 19 actions had been completed which was very good progress.</p> <p>MW asked for information regarding the one high management action. MC referred the committee to page 12 of his report and the section relating to Learner number systems.</p> <p style="text-align: right;">The committee received the report</p> |

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| | <p>iii. Safeguarding <i>Supporting paper by RSM</i></p> <p>MC informed the committee that a designated Governor for safeguarding and Senior Designated Lead Person for Safeguarding had been appointed by the College. He also advised that a Safeguarding Monitoring Group had been formed which meets on a monthly basis in order to discuss ongoing Safeguarding issues as well as improving Safeguarding awareness amongst students and staff.</p> <p>MC advised that the Board could take substantial assurance that the controls for Safeguarding were suitably designed, consistently applied and were operating effectively.</p> <p style="text-align: right;">The committee received the report</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11.8 | <p>Risk management <i>Supporting paper presented by the Principal/CEO</i></p> <p>The Principal/CEO informed the committee that the risk map and full risk register highlighted all risks on the risk management register. She advised that risks were allocated to specific committees and that the Audit Committee had overall oversight of the process and that the Board received the full register at least annually.</p> <p>The Principal/CEO advised that the risk register had been reviewed by the executive team on 27 October 2016 with the only recent change being the one proposed to RP1 which was approved by F&R on 28 September and by the Board on 4 October 2016.</p> <p>One amendment suggested for OP2 – page 6 was to add LQC to the monitoring Committee as well as Governing Body. – Action FW to update</p> <p style="text-align: right;">The Committee received the report</p> <p style="text-align: center;">Action - FW to update OP2 page 6 – add LQC as monitoring committee</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11.9 | <p>Review of Committee Performance and Terms of Reference <i>Supporting presented by the Clerk</i></p> <p><i>Terms of Reference were approved by the committee.</i></p> <p><i>Audit Committee Self-assessment</i></p> <p>The committee agreed to review its performance and asked the clerk to note the grade decided for each item of the self-assessment.</p> <table border="1" data-bbox="347 1615 1051 1933"> <thead> <tr> <th>ITEM</th> <th>GRADE</th> <th>ITEM</th> <th>GRADE</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2</td> <td>9</td> <td>n/a</td> </tr> <tr> <td>2</td> <td>2</td> <td>10</td> <td>n/a</td> </tr> <tr> <td>3</td> <td>1</td> <td>11</td> <td>1</td> </tr> <tr> <td>4</td> <td>1</td> <td>12</td> <td>1</td> </tr> <tr> <td>5</td> <td>1</td> <td>13</td> <td>1</td> </tr> <tr> <td>6</td> <td>1</td> <td>14</td> <td>n/a</td> </tr> <tr> <td>7</td> <td>1</td> <td>15</td> <td>1</td> </tr> <tr> <td>8</td> <td>1</td> <td></td> <td></td> </tr> </tbody> </table> <p>Terms of reference approved and Audit Committee performance analysed. Clerk to report back to the board.</p> | ITEM | GRADE | ITEM | GRADE | 1 | 2 | 9 | n/a | 2 | 2 | 10 | n/a | 3 | 1 | 11 | 1 | 4 | 1 | 12 | 1 | 5 | 1 | 13 | 1 | 6 | 1 | 14 | n/a | 7 | 1 | 15 | 1 | 8 | 1 | | |
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| 11.12 | <p>Private discussion – Auditors and the Audit Committee <i>Management withdrew for this item.</i></p> <p>Both sets of auditors confirmed that audits had gone well and that management had been constructive, proactive, and responsive.</p> <p>When pressed regarding the area review process; the auditors felt that there was a need to proceed with caution going forward; however the bottom line did rest with the Governing Body.</p> <p>The fact that there was a new FE commissioner, Richard Atkins, former Principal Exeter College was discussed. It was noted that the uncertainty regarding the potential mergers (or not) between a number of London Colleges was a potential issue and risk going forward.</p> <p>It was noted that the Board needs to think about its “relationships” going forward.</p> |
| 15.20 | <p>Review of the performance of the Auditors <i>Auditors withdrew for this item</i></p> <p>This was the first year for the external auditors BDO to work with the College. There had been a few challenges at the start of the audit with the College having to work with a number of the BDO Audit team due to illness. These issues have now been ironed out. It was agreed to review again next year.</p> <p>The Internal auditors, RSM, had worked with the college well and relationships were very good. The audit had been timely and communication was good. The College noted that MC’s sector knowledge and experience had been useful.</p> |
| 15.21 | <p>Dates of Next Meetings</p> <p>21 February and 6 June 2017</p> |
| 15.22 | <p>Any Other Business</p> |

Signed

Date