

Present: Mel Allcott, Mike McCreedy and Richard Reece.

In Attendance: Ruth Taylor (Clerk) Barbara Clements (Finance Manager) Michael Kitcatt (Principal)
Ed Senior (Deputy Principal) Paul Oxtoby (RSM, formerly Baker Tilly)
Carole Liddle (Kendall Wadley) (*arrived 6.10 pm*)

1. **Appointment of Chair:** Mel Allcott was unanimously elected Chair for the year. Mel gave notice that she was unable to attend the Governing Body meeting on 14.12.16, and Mike McCreedy agreed to present the Audit minutes to the Governing Body on her behalf.
2. **Apologies:** None.
3. **Opening Standing Items:**
 - (i) No declarations of interests were received.
 - (ii) No items were identified as confidential to the Governing Body.
 - (iii) No items of urgent business were identified.

ITEMS FOR DECISION

4. **Minutes: 30th June 2016**

The minutes of the meeting held on 30th June 2016 were **approved** as a correct record and an update on the action points received. The Finance Manager reported that the draft Finance Risk Register had been considered by the SMT, but she had not yet been able to score the risks identified. She hoped to bring the Finance Risk Register to the next meeting for consideration.

The Committee **noted** the information provided.

5. **Annual Statement 2015-16**

(i) Financial Statements/Regularity Audit Management Letter 2015-16

On behalf of RSM/Baker Tilley, Paul Oxtoby presented the Audit Findings Report taking the Committee through each section and responding to questions raised by governors. He reported that overall he had been very pleased with the clean audit process. He highlighted the following:

- That the position on the loans needed to be formalised with the bank to clarify the impact of the pension adjustments on the covenants
- A new capitalisation policy could be added for low value improvements with an appropriate useful economic life.
- The financial statements were considered appropriate and the introduction of the fixed asset register was a significant improvement.
- The internal control matters reported were not significant.

In response to questions raised the Finance Manager confirmed that:

- She had a meeting with the Bank Liaison Manager planned for the following week, when the covenants would be discussed.
- Capitalisation had been revised in the Financial Regulations (see item 7(ii) below).
- The review of the Fixed Asset Register was work in progress.
- The internal controls matters identified had been addressed.

The Committee **received** RSM's Audit Findings Report 2016 and **noted** the content.

(ii) Annual Report and Accounts 2015-16

The Finance Manager presented the draft Annual Report and Accounts and responded to questions raised on a variety of matters.

The Committee **agreed to recommend that the Governing Body approve** the Annual Report and Accounts 2015-16 accounting procedures and the governance statements, without further amendments.

(iii) Annual Risk Management Report 2015-16

The Deputy Principal presented his report confirming that the report on the previous years' risk management progress was an important source of assurance for the Governing Body when considering whether to adopt the Annual Report and Accounts at the next Governing Body meeting.

The Committee **approved** the Risk Management Report for 2015-16.

(iv) Annual Audit Report to the Governing Body

The Committee **noted** the information provided in the report and in particular the report's conclusion that governors had properly carried out their responsibilities and had secured the effective, efficient and economic management of the college resources/expenditure and that public funds had not been put at risk.

The Committee **approved** the Annual Audit Report to the Governing Body, subject to completion of the audit arrangement recommendations on page 3 (see items 8(i) to (iii) below).

6. Auditor's Reports

(i) Teachers Pension Contributions

On behalf of RSM, Paul Oxtoby presented the TPC Return confirming that the form reviewed was required to record the contributions made to the teachers' pension fund. He was pleased to confirm that the information recorded on the form was correct and that the payroll calculations had been made in accordance with the rules.

The Committee **noted** the information provided.

Paul Oxtoby left the meeting at 6.30 pm.

(ii) Key Financial Controls

On behalf of Kendall Wadley, Carole Liddle presented the internal controls report from the previous term confirming that the focus of the review had been the banking of cash, payroll and fixed assets. As a result of the review 8 low priority recommendations had been made, as set out in the report. Of those 8 recommendations she was pleased to report, seven had already been addressed as witnessed in the current terms review. She confirmed that the current term's report was still in draft form and would be reported to the next Audit Committee meeting.

The Committee spent some time considering the recommendations made by Kendall Wadley with Carole Liddle and the Finance Manager responding to a number of questions raised thereon. The Committee **noted** the information provided both in the report and verbally.

Carole Liddle left the meeting at 6.40 pm.

7. Risk Register and Assurance Map

(i) Risk Register and Assurance Map

The Deputy Principal presented the current version of the Register/Map, highlighting the most recent three changes relating to exam results, recruitment of students and academisation. He confirmed that the first two had been reviewed in detail at the most recent Quality Committee meeting. The Committee **noted** the information provided.

The Committee spent some time reviewing the risk entries programmed for review; fraud prevention and adult students. The Finance Manager responded to questions raised in relation to fraud prevention, including current staffing arrangements in the Finance Section, the streamlining of processes and the implications of becoming cashless. The Principal responded to questions raised in relation to adult students. The Finance Manager commented that RSM had observed that no mention was made in the Register/Map of 'regularity enhancement'. She agreed to pursue this suggestion with RSM. The Committee **noted** the information provided.

(ii) Financial Regulations

The Finance Manager presented the revised Financial Regulations commenting that the revisions included amendments proposed by the Resources Committee; the Resources Committee had recently considered the revised Regulations. At the chair's invitation the Finance Manager highlighted the main changes to the Regulations including delegated authority limits, depreciation clauses, security of the site and opening of tenders. She confirmed that the changes reflected current processes and secured improved efficiencies.

The Committee **agreed to recommend that the Governing Body approve** the revised Financial Regulations as prepared by the Finance Manager.

The Principal and the Audit Committee **thanked** the Finance Manager for updating the Financial Regulations, especially at a time when her section was short staffed.

(iii) Fixed Asset Register

The Finance Manager presented the Fixed Asset Register commenting that it had been formed from historic ledger entries in 2015-16, since then items had been written off as 'too small', 're-done', 'no longer in existence' or 'shouldn't have been capitalised'. She considered the Register to be work in progress and in the future would be applying the College capitalisation policy effectively.

The Committee **agreed to recommend that the Governing Body approve** the Fixed Asset Register as prepared by the Finance Manager.

8. Review of Auditors' Performance

(i) Learner Numbers Review

The Deputy Principal presented his report, confirming his recommendation to continue with current audit arrangements with RSM, whilst continuing to investigate the possibility and suitability of peer review. The Principal advised that at a recent exam consortium meeting he had learned that ICCA was providing a good service to another college and suggested that a quotation be secured from ICCA as an alternative to RSM.

The Committee **noted** the information provided and **agreed to recommend that** both RSM and ICCA be invited to provide quotations for the internal audit of learner numbers for 2016-17.

(ii) External Audit Review

The Finance Manager advised that she considered that the College received a good service from RSM, and that with academisation looming it would be beneficial to retain some continuity.

The Committee **noted** the information provided and **agreed** that in the light of forthcoming changes it would be beneficial to retain some continuity. The Committee **agreed to recommend that the Governing Body approve** the re-appointment of the external auditors, RSM for 2016-17.

(iii) Key Financial Controls

The Finance Manager advised that she considered the last two key financial controls audits carried out by Kendall Wadley had been excellent and she recommended their re-appointment.

The Committee **agreed to recommend that the Governing Body approve** the re-appointment of the internal auditors, Kendall Wadley, as the College key financial controls auditors for 2016-17.

(iv) Audit Plan 2016-17

The Principal advised that in addition to the annual review of learner numbers and key financial controls he recommended that external reviews also be undertaken in the following areas:

- Marketing and year 10-11 survey, to be conducted by an external consultancy, RCU at a cost of £6,475 in February.
- Disaster plan, to be conducted free of charge by the College Insurance Brokers, February 2017.
- Value for money review, to be conducted free of charge by an external consultancy, BCR Associates, December 2016-February 2017.

The Committee **noted** the information provided and **agreed to recommend that the Governing Body approve** the Audit Plan for 2016-17 as proposed by the Principal.

9. Governance

(i) Register of gifts and hospitality

The Clerk reported that the Committee reviewed the Register of Gifts and Hospitality annually and read out to the Committee those entries made since November 2015. The Deputy Principal added an entry to the Register and the Committee **noted** the information provided.

(ii) Audit Committee Performance Review 2015-16

The Clerk presented her report, taking governors through each section. With regard to governors' performance in 2015-16 the Clerk commented that although the below target performance was disappointing this had occurred during a very difficult year when a number of complex matters had to be considered by governors. The Committee **noted** the governors' performance for 2015-16.

The Clerk presented the self-assessment checklists to the Committee for discussion, confirming that the majority of applicable areas had been dealt with in year. The Committee **approved** the content of the checklists and **agreed** that they be signed by the Committee Chair.

The Committee **approved** the Committee cycle of business and terms of reference without amendment.

The Committee **noted** the information provided with regard to the completion of the governors' annual returns.

10. Closing Standing Items

(i) Risk Management: The Committee reflected upon the content of the meeting and **agreed** that no additional Risk Management issues had been identified.

(ii) Impact: The Committee **agreed** that their role in securing adequate audit services and the monitoring of College systems and procedures, as well as the monitoring of risks and assurances, was important in safeguarding provision for students.

(iii) Any Urgent Business: No urgent business was identified.

(iv) Date of Next Meeting: Wednesday 22nd March 2017

The meeting finished at 7.59 p.m.

Signed..... Mel Allcott (Chair) Date.....

AUDIT COMMITTEE: ACTION POINTS ARISING FROM MEETING OF 30TH NOVEMBER 2016

| Report Reference | Action Point | Person Responsible | Completion | Check |
|-------------------|--|--------------------|---------------|-------|
| AC/30.11.16/5(ii) | Report back on review of Fixed Asset Register | BJC | AC 22.3.17 | |
| AC/30.11.16/7(i) | Ask RSM what is meant by 'regularity enhancement' | BJC | AC 22.3.17 | |
| AC/30.11.16/7(i) | Update title of Fraud Response Plan in RR&AM | EYS | December 2016 | |
| AC/30.11.16/8(i) | Obtain quotations for audit services re learner numbers review | EYS/BJC | AC 22.3.16 | |
| AC/30.11.16/ | | | | |

ACTION POINTS BROUGHT FORWARD

| Report Reference | Action Point | Person Responsible | Completion | Check |
|------------------|---|--------------------|-------------|-------|
| AC/30.6.16/5 | Scoring of draft finance risk register by SMT reported to AC next meeting | MWK | AC 22.3.17* | |
| AC/30.6.16/10(i) | Investigate possibility of peer review audits for learner numbers | MWK | AC 22.3.17* | |

ACTION POINTS COMPLETED

| Report Reference | Action Point | Person Responsible | Completion | Check |
|-------------------|--|--------------------|------------|-------|
| AC/30.6.16/10(i) | Appraisal of RSM learner numbers audit | EYS | AC autumn | ✓ |
| AC/30.6.16/10(ii) | Appraisal of Kendall Wadley KFC audit | BJC | AC autumn | ✓ |
| AC/30.6.16/7 | Amend review of RR&AM for KFC to be reviewed annually | RET | AC autumn | ✓ |
| AC.3/12/15.4(i) | Fixed Asset Register | BJC | AC 30.6.16 | ✓ |
| AC/27.3.14/5 | Review of Financial Regulations especially delegation limits | BJC | AC 30.6.16 | ✓ |

* Denotes revised date.