

Present: Richard Reece, Mike McCreedy and Paul Cumming.

In Attendance: Michael Kitcatt (Principal) Barbara Clements (Finance Manager) Jo Payne (PA to the Principal/Interim Clerk)
Ed Senior (Deputy Principal) Sarah Welch (RSM) Sarah Powell (RSM)
Sarah Morley (Kendall Wadley) Carole Liddle (Kendall Wadley) (*arrived 5.34 pm*)

1. **Appointment of Chair:** Richard Reece was unanimously elected Chair for the year.

The Interim Clerk introduced Paul Cumming and welcomed him to the meeting.

2. **Apologies:** Paul Oxtoby (RSM).

3. **Opening Standing Items:**

- (i) No declarations of interests were received.
- (ii) The confidential minute was identified as confidential to the Governing Body.
- (iii) No items of urgent business were identified.

ITEMS FOR DECISION

4. **Minutes: 28th June 2017**

The minutes of the meeting held on 28th June 2017 and the confidential minute were **approved** as a correct record and an update on the action points received.

The Committee **noted** the information provided.

5. **Annual Statement 2016-17**

- (i) Finance Manager's Report

The Finance Manager outlined the key points in her report. The following points were made:

- The Accounts were still in draft as the audit had been delayed on the assumption that we would have academised at the start of the academic year;
- There had been some uncertainty from TPS about their requirements. An engagement letter from RSM was received three weeks ago with a submission due by 30th November;
- The Student Council accounts and 2016-17 Management Accounts had been recommended for approval by the Resources Committee;

- Lloyds had changed the process for banking cash and cheques and cheques had been sent to the wrong depot on two occasions, but G4S had failed to reject and return the cheques. Evening class students were asked to cancel cheques and issue new ones. A claim with G4S was still ongoing. The correct processes were now being followed;
- The Finance restructure had been completed and there was now a Student Finance Officer dedicated to managing student support requests and trips on a daily basis;
- The new add-on for Resource was in the process of being installed. Trials had not gone particularly well, but these were being resolved and the Purchase Ledger Clerk would visit Shrewsbury Sixth Form College early in 2018 to see how the system was used effectively;
- No changes had been made to the Financial Regulations. If the College became a 16-19 academy, the regulations would be revised to reflect the Academies Financial Handbook;
- Student numbers were down although there had been modest growth in first year numbers. This meant, however, that funding next year would be significantly reduced. The Finance Manager had submitted a new forecast on this basis and was confident that strategies had been identified to ensure a balanced budget for 2018-19;
- The Assistant Management Accountant had been tasked with developing links with Student Council.

The Committee **noted** the information provided.

(ii) Financial Statements/Regularity Audit Management Letter 2016-17

On behalf of RSM, Sarah Welch and Sarah Powell presented the Audit Findings Report taking the Committee through each section and responding to questions raised by governors. They highlighted the following:

- There should be periodic testing of IT data back-ups and the ability to restore the systems. The Deputy Principal agreed to discuss this with the IT Support Manager;
- There had been significant issues with the outsourced payroll provider and other institutions had experienced problems with this provider;
- Other issues identified had subsequently been rectified or responded to by the Finance Manager and would be reflected in the final report.

The Committee **received** RSM's Audit Findings Report 2017 and **noted** the positive content.

(iii) Draft Annual Report and Accounts 2016-17

RSM highlighted an issue with pension contributions and the potential impact on expenditure. It was noted that the College had paid three years' worth of pension contributions in 2016-17 which had resulted in a difference between the cash paid out and the cost identified in the financial statements. There would, therefore, be £120,000 extra which would need to be moved to expenditure.

The Finance Manager confirmed that she needed to have a conversation with Paul Oxtoby about this matter. On this basis, the Committee **deferred** making a recommendation to approve the annual report and accounts. The Committee **requested** a resolution from the Finance Manager and a statement from Paul Oxtoby confirming the outcome of their discussion and **agreed** that the Chair of the Committee in Consultation with the Principal and Finance Manager would have **delegated authority to recommend** the accounts and report to the Governing Body for approval.

Sarah Welch and Sarah Powell left the meeting at 6.23 pm.

- (iv) Annual Risk Management Report 2016-17
The Deputy Principal presented his report.

The Committee **approved** the Risk Management Report for 2016-17.

6. **Auditor's Reports**

(i) Teachers Pension Contributions

As noted in item 5(i) the TPS submission was not due until 30th November 2017, therefore the report would be presented to the next meeting.

(ii) Key Financial Controls

On behalf of Kendall Wadley, Sarah Morley presented the internal controls report conducted in the autumn term. As a result of the review 3 low priority recommendations had been made, as set out in the report and were summarised. Several of the 3 recommendations had already been addressed. Sarah Morley was also able to provide an update on the brought forward actions from the summer term report.

The Committee spent some time considering the recommendations made by Kendall Wadley with Sarah Morley, Carole Liddle and the Finance Manager responding to a number of questions raised thereon. The following point was raised:

- The Cafeteria Manager had full control over purchases and it was recommended that the Finance team checked on purchases on a monthly basis. Sarah Morley advised that there was nothing unusual about Cafeteria purchasing, but it would be a good additional check. The Finance Manager would consider whether it was feasible to introduce spot checks of Cafeteria stock to ensure that all purchases made were of College goods.

The Committee **noted** the information provided and were pleased with the positive findings.

Sarah Morley and Carole Liddle left the meeting at 5.43 pm.

7. **Risk Register and Assurance Map**

(i) Risk Register and Assurance Map

The Deputy Principal presented the current version of the Register/Map and advised that highlighted section reflected where changes had been made. Failure to recruit target student numbers had been increased from a score of 20 to 25 to reflect the fall in student numbers this year which would equate to a £252,000 reduction in funding next academic year. The Deputy Principal advised that the AASE Rugby would move to Stourport High School next year which would have a further impact on recruitment further down the line, but £30,000 saved each year. The failure to academise and overspend on financial support had negatively impacted on funding and serious remedial action was required.

The Deputy Principal advised that the impact of government policy had also been rescored to the highest value as a result of the negative impact of failing to academise. The Principal added, in response to questions, that if the College was not allowed to become an academy, he would then seek a refund of the monies spent on financial due diligence. The pressure on senior management and governors' time was also noted.

The Deputy Principal referred to the introduction of GDPR and warnings that legal action being taken against institutions would be more likely.

The Committee **noted** the information provided.

8. Review of Auditors' Performance

(i) Learner Numbers Review

The Deputy Principal presented the Learner Numbers report and said that he had been pleased with the process and the sensible approach that the audit firm had adopted. The recommendations were outlined and the Deputy Principal said that the College needed to work on recording the progression aims of students early on and, where work was their aim, work experience needed to be more significant to equip them to achieve this aim. This academic year, the pastoral team would discuss progression aims with students after the forthcoming summary assessment, but in subsequent years this would be done on enrolment.

There was some discussion about planned hours and some students being well above what was required to be funded for a full-time programme and the audit point of view that anything above the required was not efficient. The benefits of the enrichment offered to the College's students were emphasised, although with a need to make savings consideration would need to be given to reducing enrichment options e.g. reducing the time for sports academies by one session.

The Committee **noted** the information provided and **agreed to recommend** that ICCA be appointed to conduct the internal audit of learner numbers for 2017-18.

(ii) Audit Plan 2017-18

The Principal outlined minor changes to the plan that had been presented to the last Committee meeting.

The Committee **noted** the information provided and **agreed to recommend that the Governing Body approve** the Audit Plan for 2017-18 as proposed by the Principal subject to deletion of reference to the 'FE and HE SORP'.

9. Governance

(i) Register of gifts and hospitality

The Interim Clerk reported that there had been no new entries in the Register of Gifts and Hospitality.

10. Closing Standing Items

- (i) Risk Management: The Committee reflected upon the content of the meeting and **agreed** that a potential breach of banking covenants should be considered as a potential risk.
- (ii) Impact: The Committee **agreed** that the extra time of governors in supporting the application to academise was important in safeguarding provision for students. The focus on Study Programmes and work experience was also raised and the Committee recognised the importance of additional hours of enrichment etc that contribute to the student experience even when this was not funded.
- (iii) Any Urgent Business: No urgent business was identified.
- (iv) Date of Next Meeting: Wednesday 7th March 2018

The meeting finished at 7.14 p.m.

Signed:
Richard Reece (Chair)

Date:

AUDIT COMMITTEE: ACTION POINTS ARISING FROM MEETING OF 29TH NOVEMBER 2017

Report Reference	Action Point	Person Responsible	Completion	Check
AC/29.11.17/5(ii)	Discuss testing of IT back-up restoration with IT Support Manager.	EYS	07.03.18	
AC/29.11.17/5(iii)	Urgent conversation required with Paul Oxtoby with regard to pension deficit issue in the accounts and statement to be obtained from RSM.	BJC	ASAP	
AC/29.11.17/5(iii)	Consider response from RSM and use delegated responsibility to recommend approval of the annual report and accounts to the Governing Body.	RR/MWK/BJC	13.12.17	
AC/29.11.17/6(ii)	Consider feasibility of spot checks on cafeteria purchasing.	BJC	07.03.17	

ACTION POINTS BROUGHT FORWARD

Report Reference	Action Point	Person Responsible	Completion	Check
	None.			

ACTION POINTS COMPLETED

Report Reference	Action Point	Person Responsible	Completion	Check
AC/28.06.17/2	Preparation of Audit Committee Annual Report.	BJC/MA	3.7.17	✓
AC/28.06.17/5(iv)	Consideration to be given to amended GB agenda due to delayed conversion date.	RET/JJP	4.7.17	✓
AC/28.06.17/5(iv)	Contact to DfE to enquire about flexibility for submission of year-end accounts.	MWK	July 2017	✓
AC/28.06.17/7(i)	Consideration to be given to scheduling a second fire drill to replicate the possibility of an exit being blocked in the event of a fire.	SMT	September 2017	✓
AC/28.06.17/7(i)	Write to parents to offer reassurances about the College's cladding.	MWK	July 2017	✓

* Denotes revised date.