



**Minutes of the Audit Committee Meeting
Held on Monday 28th November 2016 at 5.30pm**

Present: Mr Giles Calverley - Chair
Ms Frances Warburton
Mrs Jane McGregor

In Attendance: Mrs Susan Bolton – Clerk to the Corporation
Mr Chris Bradford – Principal
Mr Ted Wales – Director of Finance
Mr Jonathan Creed – ICCA-ETS
Mr Mike Redfern – Grant Thornton
Mr Callam Flanagan – Grant Thornton

The meeting commenced at 5.30pm

Minute No		Action
1.	Welcome The Chair welcomed all those that were present.	
2.	Apologies for Absence There were apologies received from Mr Guy Hodgkinson.	
3.	Declarations of Interest There were no declarations of interest made.	
4.	Minutes of previous meeting held on 13th June 2016 The minutes of the meeting held on 13 th June 2016 were reviewed for accuracy. The meeting confirmed the minutes of 13 th June 2016 as an accurate record of the previous meeting and the Chair signed the minutes.	
5.	Matters Arising Internal Auditor's KPI's – The Clerk confirmed that she had updated the document with the comments made by the Committee at the last meeting which now completed the report. The Committee agreed that they were happy with the comments and the final report.	

	There were no further matters arising from the Minutes of 13 th June 2016 that were not already on the agenda for discussion.	
6.	<p>Auditor's Recommendations Monitoring Report</p> <p>The Clerk reported that as the current outstanding recommendations related to Governance, then she would take members through the report. The members noted that items in bold indicated an update.</p> <p>The Committee noted that the two remaining recommendations were due to be completed by November 2016, but due to the postponement of the Search & Governance Committee until January 2017 these had not been completed. The Clerk confirmed that by the next meeting, these two recommendations would have been completed.</p> <p>The report was accepted.</p>	
7.	<p>Internal Audit Report – Annual Report</p> <p>Mr Creed led members through the Internal Audit Annual Report which summarised all their work undertaken during the year. The Committee noted that the report would be useful when forming their own conclusions, as part of the Committee's Annual Report to Corporation.</p> <p>Mr Creed highlighted the Auditors' role and responsibilities, compliance aspects, together with the scope and limitations of the process. He confirmed that reasonable assurance as to governance, risk management and internal controls could be given.</p> <p>Mr Creed detailed the areas of review and assurances given, drawing member's attention to the low number of recommendations made in the year and their low priority level. He also confirmed that the Follow-Up Audit had confirmed that all previous recommendations had been implemented and he could therefore give a clean opinion.</p> <p>He finally assured members that the Audit plan had been delivered on time and confirmed the Auditors' independence as set out in Appendix B of the report.</p> <p>The Committee were assured that there was reasonable assurance given over all the controls reviewed in the year and no material discrepancies found from the work undertaken.</p> <p>The Audit Committee accepted the Internal Audit Report for 2015/16.</p>	

<p>8.</p>	<p>Internal Audit Report – Safeguarding</p> <p>Mr Creed took members through the report which related to Safeguarding within the college and also included the Prevent Duty on the College. He confirmed that the review looked at the design, application and compliance of the framework in line with Ofsted’s expectations and was continually enhanced following any Ofsted findings.</p> <p>The Committee noted that one high priority recommendation had been made and related to a design in the process relating to the College’s ability to provide evidence of attendance at training. Mr Creed confirmed that the College had been unable to demonstrate that all staff were attending, although he had been quite assured that the training was taking place and staff did attend. The Principal confirmed that the new “Blue Sky” facility, didn’t facilitate as a mandatory training log, as it was a self service facility. The Committee noted that a signing sheet had therefore been reintroduced to evidence attendance, with which the Auditors were content. The Principal confirmed that all staff did attend the training, if not at the first session, then in a follow up second session.</p> <p>The Committee questioned the long timescale from the draft report being issued on 23rd September to the final report on 3 November. Mr Creed confirmed that there was no exceptional reason for the delay.</p> <p>The Committee noted that the recent Ofsted Inspection as well as the audit had confirmed that the College had good Safeguarding processes in place.</p> <p>The Committee thanked the Internal Auditors for a very thorough report.</p>	
<p>9.</p>	<p>Audit Opinion on Annual Report and Accounts 2015/16 together with Management Assessment of Going Concern</p> <p>Mr Redfern took members through the report of the External Audit of the Year End Accounts.</p> <p>The Committee noted that further to discussions in June regarding the one-off possibility of revaluing the College land and buildings, the valuations had signalled an increase in the value of land and a reduction in the value of buildings. Mr Redfearn reminded the Committee that they did not have to do anything in response to this but that this was a once only event. He discussed the benefits and clarified that the revaluation of one could be taken without the other. The Director of Finance confirmed that the wording of the covenant had been written so as not to conflict with the FRS pension liability and, following various communications with the Bank, it</p>	

	<p>was understood that they were broadly in line with change to the covenants if the new valuations were used. It was noted that the balance sheet figure for buildings would reduce and that the annual depreciation charge would reduce as the buildings would be depreciated over a 50 year period. The Director of Finance confirmed that he was waiting for formal confirmation from the Bank (he had received an email) of how the covenant would be restated and the test calculated. It had been indicated that the requirement would be for the level of £8m reserves to reduce to £6.5m, based on the new value of assets.</p> <p>The Audit Committee confirmed that they supported this change in Accounting Policy and agreed that confirmation should also be received from the EP&F Committee before being reflected in the Annual Report and Accounts.</p> <p>Mr Redfern took the Committee through the Audit Findings and confirmed that there were no significant issues, however there was one outstanding HR question.</p> <p>The Committee were led through the changes in the Accounting Standards and how they had been reflected in the accounts this year, which included the pension deficit increasing mainly due to career average rather than final salary assumptions now being used and the capital grants moving higher up the balance sheet. Mr Redfern confirmed that he was comfortable that the accounts had been prepared in line with the new standard.</p> <p>Mr Redfern confirmed that cash flow should be monitored and although the College was a going concern, it needed to keep options open while monitoring the position carefully and react accordingly. The Director of Finance discussed the projected deficit for 16/17 and the work being undertaken to return to a surplus in future years.</p> <p>Mr Redfern confirmed that there were no findings of fraud and the minor internal controls issues had all been agreed. The Chair asked that the Management Responses be completed and to be submitted to the next meeting.</p> <p>With regards any Misstatements, the Committee noted that unadjusted holiday pay was not material. Mr Redfern confirmed that the Pension Scheme Liability was an interest expense and was now calculated as a net number so a more substantial cost than it used to be, making the deficit continually worse. However, he reported that assumptions are looked at and benchmarked against other colleges and the college fell within the acceptable ranges.</p> <p>The Chair asked for Page 12 of the External Audit Report to be amended as it contained an error with the wrong figure in relation to net current assets.</p>	Principal
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	<p>The Committee noted the independence and ethics of the External Auditors.</p> <p>The Committee, following questioning by the Chair, asked for the Report and Accounts to be changed as follows: Page 4 "intends to accumulate further reserves" sentence was agreed to be removed. Page 5 "th's" to be removed after the dates. Page 6 amend the figures under "Financial" as they were showing to 3 decimal places. Page 38 realign the "Defined Benefit Obligations" for 2016 column.</p> <p>Mr Redfearn commented that further information was still required such as Future Prospects on page 6 and that the Casterbridge Model Accounts were wrong and details of National Insurance should be included on page 34.</p> <p>The Committee accepted the Audit Opinion on the Annual Report and Accounts and agreed to support their approval to Corporation</p> <p>[The Principal and Director of Finance left the meeting]</p> <p>Both the Internal and External Auditors were asked if there were any issues to raise whilst management was not present. No adverse comments were made and both auditors confirmed that management demonstrated appropriate strategies and understood current financial position and impact. They did however comment that the finance team was small and asked whether there were any succession plans in place. The Chair thanked the Auditors for their comments and confirmed that these comments would be shared with the Chair and Corporation.</p> <p>[The Principal and Director of Finance re-joined the meeting]</p> <p>[Mr Redfern, Mr Flanagan and Mr Creed left the meeting]</p>	
<p>10.</p>	<p>Draft Board Assurance Framework</p> <p>The latest version of the Board Assurance Framework was tabled.</p> <p>The Principal confirmed that the document had been updated to recognise the new priorities of the Corporation following the latest Ofsted inspection. The Committee noted that the document would be updated over the course of the year with changes highlighted for review by Committees and the Corporation. The Committee acknowledged that some final data was not yet available for all KPI's i.e. student progression.</p>	

	The Committee noted that the Board Assurance Framework would be reviewed on annual basis by the Committee to ensure the process was effective.	
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<p>11.</p>	<p>Annual Report of the Audit Committee</p> <p>The Clerk took the Committee through the report, which was the Committee's report of their work in the year for Corporation. They agreed that the College had adequate and effective audit arrangements in place and the framework of governance, risk management and control and processes were sufficiently robust for the effective use of resources and safeguarding of the college's assets. The Committee noted that the report included the Internal Auditor's Annual Opinion which gave assurances against the same framework of systems.</p> <p>The Committee agreed for the report to be submitted to Corporation.</p> <p>The Committee reviewed the Internal Control's Statement in the Report and Accounts and agreed with the statements made.</p>	
<p>12.</p>	<p>Self-Review of Meeting</p> <p>The Committee completed self evaluation forms of the meeting, the results of which are attached to the Minutes.</p>	
<p>13.</p>	<p>Date of Next Meeting</p> <p>The next meeting was agreed as 13th March 2017.</p>	
<p>14.</p>	<p>Confidentiality of Business</p> <p>There were no confidential items.</p>	

The meeting closed at 7.40pm

Chair

Governor Feedback

1 How effective was this meeting in coming to sound decisions?

Outstanding = 1 Good= 3

2 How well did it stay focused?

Outstanding=1 Good= 3

3 How well were your skills and knowledge used?

Good = 3 Satisfactory = 1

4 How well was the meeting conducted so everyone could contribute?

Outstanding= 1 Good= 3

5. How good were the papers/presentations/reports?

Outstanding= 2 Good= 2

What worked well?

Excellent feedback and advise from both Internal and External Auditors.
Well Chaired.

Papers were very well prepared/very detailed.

What suggestions do you have for how this meeting runs in future?