



632 PRELIMINARY PROCEDURAL MATTERS

632.1 Attendance, Apologies & Welcome

Present: Mark Eastwood (Committee Chair)
John Sills
Rina Singh
Jan Wing

In Attendance: Sam Abbas (RSM)
Andrew Clare (Deputy Principal Finance & Resources)
Jayne Chaplin (Clerk to the Corporation)

Apologies: Ken Ayling
Ricky Irons

Members were advised of the resignation of Committee member, Kyle Broad and it was noted that recruitment for a replacement member would be taking place in the Spring Term.

632.2 Declaration of Interests & Confidential Items

None.

632.3 Private Meetings

632.3.1 Auditors without Officers Present

It was confirmed that there was nothing that needed to be raised with the Governors under this item.

632.3.2 Officers without Auditors Present

There was discussion with Management of the performance of the auditors noting in respect of the:

- External Audit (Financial Statements) Service management observations of the service provided by MacIntyre Hudson. There was discussion in the context of the length of service observing that MacIntyre Hudson were originally appointed in 2007. Acknowledging that there had been a desk-top review subsequently it was recognised that there had been no formal re-tender, concurring the conclusion that it would be prudent and timely for the College to re-tender its external audit (Financial Statements) service, to be satisfied that the College continues to receive a good quality and cost-effective service.
- Internal Audit Service that there had been some issues with planning but suggesting that with internal changes, a further period of time over which to reflect further on the service provided but suggesting ultimately for the service to be retendered, albeit at a later date.

Following review, it was **RESOLVED** to **RECOMMEND** for the Corporation to **APPROVE**:

- Proposals to retender for the external audit services during 2017/18.
- Proposals to retender for the Internal Audit Services within a timeframe to be determined by the Audit Committee.

632.4 Minutes & Matters Arising

632.4.1 Minutes of the Meeting Held on 28 June 2017

The minutes of the last meeting were reviewed.

632.4.2 Matters Arising

633 YEAR-END 2016/ 17

Reviewing performance for the year-ended 31 July 2017, reports were reviewed from:

633.1 The Internal Audit Service, RSM

Presenting the findings from the last of the reviews for the 2016/17 Internal Audit plan:

633.1.1 Report: Substantive Funding Report

Being in receipt of funding from the Education and Skills Funding Agency (ESFA), members were advised that the objective of the review had been to ensure that the College's Learner Information System and Student Records Systems were adequately controlled to give assurance that no potential funding problems had arisen and all opportunities to maximise funding had been taken.

After reporting that the review had considered the College 16-19 non-apprenticeship, AEB and apprenticeship provision, following the ESFA audit methodology for 2016/17, members were advised that based on the findings of the review a reasonable assurance had been provided with:

- Nine Low, three Medium and one High-rated Management Actions provided to ensure that the control framework was effective in managing the risk/s identified.
- Feedback on innovation or good practice provided for the College to consider concerning best practice.

There was review of the audit findings and the nature of the issues identified, concluding that these were not material in nature and expressing satisfaction in the confirmation from management that all matters were being addressed.

Following consideration, the report was noted

633.1.2 Internal Audit Service Annual Report

The 2016/17 Annual Report of the Internal Audit Service was presented. Covering the period from 1 August 2016 to 31 July 2017, the report provided an overview of the adequacy and effectiveness of the College control frameworks to assist the Corporation (via the Committee) in the preparation of an informed Statement of Corporate Governance and Internal Control within the College Financial Statements.

It was noted that the opinion of the IAS that it was satisfied that the College had an adequate and effective framework for risk management, governance and internal control. Members were advised however of further improvements identified and recommendations made to ensure that the framework of risk management, governance and internal control remained adequate and effective. The recommendations were reviewed in the context of the invitation to consider the inclusion in the Statement of Corporate Governance and Internal Control, a statement regarding the work planned to improve weaknesses identified within the Substantive Funding Audit and the actions being taken by the College to address these matters. This was considered by the Committee, observing that the issues identified were not material in nature and satisfied that all matters were being addressed by Management it was concluded that no such statement would be included (Minute 633.1.1 refers).

After discussion, the Committee **RESOLVED** to:

- **RECOMMEND** for the Corporation to **APPROVE** the Internal Audit Annual Report 2016/17.

633.2 External Audit

Reports were received from the External Audit service, MacIntyre Hudson, comprising:

633.2.1 Draft Financial Statements

In advance of reviewing the year-end financial position outlined in the Financial Statements for the year-ended 31 July 2017, and the accompanying External Audit reports an oral update was provided advising members of late changes to the data within the Financial Statements.

It was reported that following dispatch of the papers for the meeting, communication had been received from Hertfordshire County Council providing notification of an error in the calculation in its FRS102 actuarial pension valuation. Members were advised that the nature of the change to the revised valuation had been material, requiring numerical changes throughout the Financial Statements and to the Auditor Management already circulated. An overview was provided of the revised data along with a summary of the impact of the updated figures and following reviewed, noting that the changes made no impact on the underlying operating position.

The audit management pack was then considered comprising:

- **Audit Management Letter, Regularity Self-Assessment & Letter of Representation**
Accompanied by the Letter of Audit Representation and the Regularity Audit Letter, the Management Report was presented, outlining the external auditors review and report on the College's financial statements

The key financial issues for the period under review were reported and members noted that:

- The Group generated a profit before other gains and losses in the year of £234,000 (2016/17 – deficit of £1,112,000), with total comprehensive income of £20,449,000 (2015/16 - £20,899,000)
- The LGPS pension scheme recorded a significant actuarial gain of £2,248 and an overall profit for the group of £2,489k.

On the basis of the audit work undertaken, it was reported by the EAS that it considered that the financial statements:

- Gave a true and fair view of the state of the affairs of the College as at 31 July 2017 and of the College's income and expenditure, recognised gains and losses and cash flows for the year then ended
- Had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

The EAS Management Report:

- Confirmed that all the control points raised in the 2015/16 management letter had been resolved
- Highlighted three internal control issues for the year under review.
- Confirmed that the regularity audit had been completed and that there were no observations to make.

On that basis members were advised that an unqualified opinion was anticipated.

After consideration, it was **RESOLVED** to **RECOMMEND** to the Corporation:

- The **APPROVAL** of the Audit Management Letter & Statutory Accounts for the year-ended 31 July 2017
- **The APPROVAL** of the regularity self-assessment and its signature by the Chair of the Corporation and Principal.
- **The APPROVAL** of the Letter of Representation.

633.3 ESFA Financial Health Letter

Following its review of the College Financial Plan 2017 to 2019, the ESFA Financial Health Rating Letter was presented

After noting its calculation for the Financial Health for the College as outstanding, members were advised of the College's recommendation to instead recognise its assessment of a good rating having only made a surplus for year for the first time in a number of years.

There was review of the recommendation concurring with the conclusion that to have more than one year of surplus before making such an assessment was the more prudent approach.

The report was noted.

633.5 Annual Report of the Audit Committee

The Audit Committee Annual Audit Report 2016/17 was presented summarising the activity of the Committee during the year and advising the Board on the adequacy of the operation of the internal control systems in the College.

Reviewing the report there was consideration of:

- Those items presented at the meeting relating to the 2016/17 year-end. There was agreement that subject to amendment to reflect those changes within the Financial Statements and Audit Management Letter advised following dispatch of the papers (Minute 633.2 refers), the report represented a fair assessment of the state of the College's financial and internal control systems and the extent to which they could be relied upon at the time of audit.
- The proposed amendments to the Committee's Terms of Reference to reflect the Post-16 Audit Code of Practice.

After consideration, and subject to the amendments requested, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** the Audit Committee Annual Audit Report 2016/17.
- **APPROVE** the Committee's updated Terms of Reference.

633.6 Auditor Performance Review

See Minute 632.2.2

634 ACADEMIC YEAR 2017/18

634.1 Internal Audit Reports

Reports regarding internal audit activity for the current year were received from the Internal Audit service, RSM, comprising:

634.1.1 Progress against Annual Internal Audit Plan

A report was received updating members on progress against the Internal Audit Plan for 2017/18.

Observing those items the subject of discussion elsewhere on the agenda (Minute 634.1.2 refers), there was review of progress noting that:

- That there had been no changes to the Audit Plan to date.
- The emerging issues identified and forming appendices to the report.

The update was noted.

In accordance with the Audit Plan for the year, the findings of and recommendations from the Internal Audit review completed to date then were presented covering the review of:

634.1.2 Audit Report: Safeguarding

A report was presented outlining findings following a review into the College's safeguarding arrangements.

It was reported that the objective of the review had been to assess the control frameworks in place so that the College provided a safe environment for learners through ensuring compliance with safeguarding related legislation and local policies and procedures.

Members were advised that taking account of the issues identified, the auditors confirmed that the Board could take reasonable assurance that the controls in place to manage the risk were suitably designed and consistently applied with three medium and three low rated recommendations made to further improve controls, which had been accepted by management.

The report was reviewed:

- Noting that as part of the audit, progress was reviewed in the implementation of previous audit findings, welcoming confirmation that the College had demonstrated good progress in implementing the agreed actions
- Additional feedback had been provided where innovation or good practice had been identified at similar organisations for the College's consideration.

The report was noted

634.2 Risk Management Report and Risk Register Update.

The risk management report and risk register update were received.

The key changes were summarised reporting on those changes in the risk profile, acknowledged to be reflective of the environment within which the College was operating.

Reflecting further on the Register and to facilitate further and more focused review of the risks, it was:

634.1 Requested for the main critical risks to be provided in a one-side summary.

634.2 Suggested for future reports to distinguish between those risks action for which the College had little control and those action for which could be taken

634.3 Suggested for the Internal Audit Service to review the extent to which actions had been implemented.

The report was noted.

635 OTHER BUSINESS & NEXT MEETING

635.1 Any Other Business

There was no other business.

635.2 Date of the next Meeting.

Friday 9 March 2018

Friday 6 July 2018