

**Minutes of the meeting of the
Audit Committee held on
Wednesday 29 November 2017, at 9.15am in the Boardroom**

Present: Mark Bass - Chair
Elaine James
Sarkis Mazmanian
Doug Trengove (Staff Member)

In attendance Wijay Pitumpe - Chief Finance & Enterprise Officer (CFEO)
Maxine Deslandes - Director of Finance & Estates (DoFE)
Mark Eagle – MHA MacIntyre Hudson (ME)
Sam Abbas – RSM (SA)
Victoria Eastwood - Clerk to the Corporation

1. Welcome and apologies for absence

The Chair welcomed those present to the meeting and introductions were made. Sarkis Mazmanian was welcomed to this first meeting of the Committee. There were no apologies for absence.

2. Declarations of Interest

Members were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. Mark Bass advised that he would need to declare an interest in Agenda Item 5(a).

3. Minutes of the meeting of Monday 12 June 2017

Doug Trengove stated that the percentage of colleges that had made a surplus figure was again incorrect. The CFEO stated that he would check and confirm this.

In response to a question from Doug Trengove, the DoFE advised that the Internal Audit Annual Strategy and Plan had not been re-presented to the Committee as the merger did not go ahead and therefore no changes were made.

The Minutes of the previous meeting held on Monday 12 June 2017 were agreed as a true and accurate record.

4. Matters Arising

An update on outstanding actions from the June 2017 Committee meeting were provided:

| Ref. | Action | Responsibility | By (Deadline) | Update |
|------|---|-------------------------------|---------------|---|
| 8. | Implementation of outstanding external audit recommendations. | Director of Finance & Estates | November 2017 | All previous recommendations implemented. |

There were no further matters arising that were not covered by the Agenda.

5. (a) Election of Chair and Vice Chair of the Committee

The Clerk reported that Mark Bass had agreed to remain as Chair of the Committee for a further one year term. This was unanimously agreed. She advised that, as this Committee was a mixture of existing and new Members, it was recommended that the appointment of Vice Chair be deferred to the March 2018 meeting to allow Members to have gained a better understanding of the workings of the Corporation and Committees. This was unanimously agreed.

Approved: That Mark Bass be appointed as Chair of the Audit Committee for a one year term. That the appointment of the Vice Chair of the Audit Committee be deferred until March 2018.

(b) Audit Committee Terms of Reference

The Clerk advised that the Terms of Reference remained unchanged. A brief discussion ensued on the role of the Staff Governor at the Audit Committee and it was agreed that membership of the Staff Governor would be considered.

Approved: That the Terms of Reference be approved for future use.

(c) Audit Committee Schedule of Business 2017/18

The Clerk stated that the schedule of business reflected the priorities for the Committee for 2017/18 and would be updated to reflect changes in sector/funding priorities as appropriate.

Approved: That the Audit Committee Schedule of Business be approved for 2017/18.

6. (a) Internal Audit Annual Report 2016-17 including Benchmarking Report

The Internal Auditor referred the Committee to the internal audit opinion for 2016/17, advising that 'the organisation had an adequate and effective framework for risk management, governance and internal control.' This is the highest opinion that is given in an internal audit. A summary of internal audit work, assurance levels and actions agreed was provided for the Committee.

The Chair thanked the Internal Auditor for the report.

Agreed: That the position be noted.

(b) Progress on Previous Internal Audit Recommendations

The DoFE provided an update on internal audit recommendations, reporting the following:

- Two actions had been completed.
- The electronic automated system would be launched in January 2018.
- There were issues with the staff utilisation system taking too long. The action is 95% complete and the system would go live next week.
- Actions relating to sustainability, risk register and learner numbers identified in the follow-up audit had now been completed.

Agreed: That the Committee note the Report.

7. (a) Draft Report & Financial Statement for y/e 31 July 2017

The DoFE reported that the Financial Statements were submitted to the Corporation for approval and then recommendation to the Corporation for final approval. The following key points were highlighted:

- The opinion of the External Auditors was unqualified.
- The College's group surplus for the financial year 2016/17 was £0.825m including the Subsidiaries.
- The accounts incorporated and were presented in the new international financial reporting standards (IFRS) format.
- The College's cash reserves stood at £6.1m.
- The approved financial statements must be submitted to the ESFA by 31 December 2017.

Sarkis Mazmanian questioned what the other reserves of c£9m were made up of. The External Auditor replied that this was a combination of net assets and fixed assets which were highlighted on the balance sheet.

Sarkis Mazmanian queried whether only Hairazors and Apprenticeship Works (Subsidiaries) had made a surplus and whether the Subsidiaries were a concern. The DoFE clarified that Broadway and Aspire had not made a surplus. Broadway had made a £12K surplus last year but unfortunately there had been a fire which had severely affected operation. Aspire was used for students to undertake work experience and although it had made a loss, the emphasis of the company was to provide the experience for students and not just to make money. The College was, however, working towards making this a profitable entity. Headjogs (Hairazors) always made a profit as a commercial salon but profits had decreased due to a decline in apprenticeships. Apprenticeship Works always made a profit as the remit was external employers came to the College for their apprentices. In 2015/16 only Aspire had a deficit of c£20K.

The Chair asked for clarification on the College's payment terms. The DoFE replied that in addition to the target of 75% of invoices to be paid within 30 days, the new electronic invoice system should avoid any delays. The College's terms and conditions were to pay the month after the invoice was received.

The Chair thanked the DoFE for a very good report and suggested the report be approved by the Committee and recommended to the Corporation for approval. This was unanimously agreed.

Approved: Draft Financial Statements for year ending 31 July 2017 be approved and recommended to the Corporation for ratification.

(b) Financial Statement Audit Management Letter

The External Auditor advised that it was intended to issue an unqualified opinion of the accounts to 31 July 2017 and advised that they were satisfied in all areas. An unqualified opinion on the regularity audit was also issued. The following key points were highlighted:

- The operating surplus was a good position with regards to the sector and was testament to the work of the College.
- Despite the reduction in lagged student numbers, funding for 16-18 year old increased to £13K. This was due to the High Needs income previously funded through the Local Authority had been redirected through the ESFA offsetting the reduction due to lower student numbers.
- There had been a reduction in income but this was set against a reduction in costs.
- Overall staff costs had decreased by 2.5% to £10, 831K. Other operating expenses had decreased by 21% to £9,584.
- Equipment additions to fixed assets were lower than in the prior year but the College's programme of investment continued.
- The cash at bank figure had increased by £2,014K in the year. The improvement in the cash position was largely consistent with the surplus agreed in the year.
- Trade creditors had decreased from £1,716K in 2016 to £1,048K in 2017.
- Erasmus issue had been resolved and should therefore be removed from unadjusted errors.

The Committee were advised that the debtors on the subsidiary ledgers needed 'tidying up.' The DoFE replied that systems were in the process of being adjusted following on from the systems used under the Local Authority.

The CFEO asked whether the context of other FE college could be added to the report for Governors to be able to compare the College against the sector. It was agreed that this information would be included.

The Internal Auditor stated that in comparison with other clients he had recently seen, the College's financial position was testament to the work of the College and was a rare position to be in currently in the sector.

The Chair thanked the Internal and External Auditors for all their work and congratulated the CFEO, DoFE and their team on the work they had done during the year. The Management letter was unanimously approved.

Approved: That the Financial Statement Audit Management Letter be approved and further recommended to the Corporation for ratification.

8. Annual Report of the Audit Committee to the Corporation

The Clerk presented the Annual Report of the Audit Committee advising that the report incorporated the findings from both the Internal and External auditors that had been reported earlier in the meeting.

The following was highlighted:

'Having considered the work of the College's internal audit service and its financial statements auditor and taking account of reports received throughout the year from the College's management and assurance provided by other sources e.g. ESFA, the Audit Committee advises the Corporation that the College's systems of internal control and its arrangements for risk management and governance processes are adequate, operating effectively and can be relied upon when the Board of Corporation are considering the financial statements for the year ended 31 July 2017. This was unanimously agreed.

Approved: That the Annual Report of the Audit Committee be approved and recommended to the Corporation for further ratification.

9. Any other business

There was no further business.

10. Date and time of next meeting – Monday 19 March 2018, 4.00pm.

The Chair thanked all present for their contributions.

The meeting concluded at 10.00am.

Signed.....
Mark Bass (Chairman)

ACTIONS FROM MEETINGS OF THE AUDIT COMMITTEE

| Ref. | Action | Responsibility | By (Deadline) | Update |
|-------------|---|-----------------------|----------------------|--|
| 5a | Appointment of Vice-Chair be deferred to the March 2018 meeting of the Committee. | Clerk | 19 March 2018 | Complete – included on Agenda for March Meeting. |
| 7a | Draft Financial Statements for year ending 31 July 2017 be recommended to the Corporation for approval. | Clerk | 11 December 2017 | Complete |
| 7b | Draft Financial Statements Management Letter be recommended to the Corporation (subject to inclusion of external context) for approval. | Clerk | 11 December 2017 | Complete |
| 8 | Annual Report of the Audit Committee be recommended to the Corporation for approval. | Clerk | 11 December 2017 | Complete |