



MINUTES OF AUDIT COMMITTEE MEETING HELD ON 23RD NOVEMBER 2017

Present:	Rachel Court	External Governor (Chair)
	Jenny Grainger	External Governor - minutes 42 to 77
	Pete Sanderson	External Governor
	Janet Tyas	Staff Governor
In Attendance:	Denise Cheng-Carter	Deputy Principal (Finance & Resources) – minutes 42 to 48 and 50 to 95
	Kath Stott	ICCA (Internal Auditor)
	Mike Redfern	Grant Thornton (Financial Statements Auditor) – via video-link
	Lesley Venables	Clerk to the Corporation

APOLOGIES FOR ABSENCE

42 Apologies for absence were received from Mark Donaldson (External Governor) and Sarah Jones (Co-opted Member).

DECLARATIONS OF INTEREST

43 A declaration of interest was received from Janet Tyas in respect of minutes 72 to 76.

MINUTES OF PREVIOUS MEETING

44 **Resolved -** That the minutes of the meeting held on 21st September 2017 be approved as a correct record and signed by the Chair

MATTERS ARISING

45 Governors received a list of actions resulting from the previous meeting and noted that all of these were either in progress or had been completed.

46 Under minute 7, the Clerk reported that the activity planned for the November governor development day would now take place in March 2018. The search continued for an individual with finance/audit/risk management experience and it was anticipated that this would be resolved by the next meeting (minute 6).

47 It was agreed that the review of performance indicators for each set of auditors (referred to in minute 39) would be added to the Committee's timetable of business against the most appropriate meeting during the year.

MEETING IN ABSENCE OF MANAGEMENT

48 At the September 2017 meeting it had been suggested that the Committee should meet with the auditors in the absence of management, which was considered to be good practice in the further education sector.

Denise Cheng-Carter left the meeting at this point.

49 The Internal Auditor reported that there were no issues to raise in relation to the recent audit work undertaken.

50 The Committee agreed that such a meeting provided a useful opportunity to discuss any matters relating to performance or of concern and that the process should be repeated at each future meeting.

Denise Cheng-Carter re-joined the meeting.

FINANCIAL STATEMENTS 2016/2017

Draft Financial Statements For The Year Ended 31 July 2017

51 The Committee received the Financial Statements Auditor's Management Letter for 2016/2017, together with a copy of the draft Financial Statements for information. The Management Letter covered the audit of the College's accounts and the outcome of the Regularity Audit required by the Education & Skills Funding Agency for 2016/2017.

52 It was noted that the Auditor had made no significant recommendations arising from either the audit of the Financial Statements or the Regularity Audit. An unqualified opinion had been given on both elements. The College had been found to be operating a strong assurance and internal control environment, with no material adjustments identified above the 5% materiality level.

53 The Auditor confirmed that the Statements were still in draft format and could not yet be approved by the Corporation, as the College had not yet received the confirmation of funding from the Education & Skills Funding Agency. This was due by 8th December and its receipt by the auditors would enable the statements to be finalised at the Board meeting on 14th December 2017.

54 A small number of additional items were also outstanding at the time the Management Letter had been issued. One of these, the release of a £3.5m provision for Train to Gain income into the Income & Expenditure Account, had now been resolved. The Auditor reported that the College was entitled to this funding and that there was only a remote possibility of any monies being clawed back by the funding agency.

55 The ESFA now required the Auditor to set out their conclusion on the College's going concern status, override of management controls, regularity testing outcomes and the internal control systems. The Financial Statements Auditor had no issues to report on any of these items.

56 During the audit, an amount of £1.32m had been identified as premises start-up costs but was included under the premises expenses heading. These remaining premises project costs were in excess of the capitalised value and had been reviewed. The Auditor was of the opinion that the treatment was consistent with the revaluation method deployed.

57 The Committee was advised of the decrease in the College's pension liability for 2016/2017, which was due to the high level of performance of the stock market and an increase in the discount rate used to calculate pension contributions, together with a reduction in predicted life expectancy.

58 In the FE sector it was common for there to be differences in the number of pension members reported by the actuaries and colleges themselves. At Calderdale College, the reconciliation had resulted in no errors.

59 From the work undertaken on the regularity audit, the Auditor had concluded that all payments had been made appropriately and complied with the terms of the Financial Memorandum.

60 One small difference in VAT payments had been identified in the audit of internal controls. A recommendation had been made on the ageing of debtors, which had been an issue in the previous year's audit. The Deputy Principal reported that a new finance system was being implemented and should address this item.

61 The Committee thanked the Finance Team for maintaining the high quality of the financial statements against a background of staffing changes in the department.

62 **Resolved -** That, subject to any further minor typographical amendments, the Financial Statements for 2016/2017 be submitted to the Corporation for approval.

REVIEW OF PERFORMANCE INDICATORS

63 Governors received a report from the Deputy Principal (Finance & Resources) on the performance of the Financial Statements Auditors during 2016/2017. It was noted that all targets had been met.

64 The Committee noted that the amount of information provided in the report had increased substantially and was helpful in explaining the rationale for the gradings used.

65 A list of indicators against which the performance of the Financial Statements Auditors would be assessed for 2017/2018 was presented. This also included a column for management to add comments against each of the criteria.

66 **Resolved -** That the performance indicators for 2017/2018 be approved

AUDIT COMMITTEE ANNUAL REPORT FOR 2016/2017

67 The Committee received a draft of the Annual Report to the Corporation and to the Principal (in his capacity as Chief Accounting Officer) for 2016/2017, which had been prepared in line with the requirements of the Post-16 Audit Code of Practice issued by the Education & Skills Funding Agency.

68 The draft summarised the work of the Committee in 2016/2017, along with the outcome of the various audits, membership and the terms of reference.

69 The Report concluded that, in the Committee's opinion, the College does have adequate and effective internal control systems, risk management, control and governance processes in place to manage the achievement of the College's objectives and to secure economy, efficiency and effectiveness.

70 It was noted that a total of 16 recommendations had been made by the Internal Auditor during 2016/2017, all of which had been accepted by management and were either in the process of being implemented or had been completed. No recommendations had been made by the Financial Statements/Regularity Auditor.

71 **Resolved -** That, subject to a number of amendments and additions, the Audit Committee's Annual Report for 2016/2017 be submitted to the Board for information

EXTERNAL ASSURANCE REVIEW – SUB-CONTRACTING

72 The Internal Auditor presented the findings of an External Assurance Review on the College's sub-contracting provision, which was an annual requirement of the ESFA.

73 The audit had found the College's framework of controls to be robust and operating effectively, which was commendable given the volume of work in this area.

74 A number of recommendations had been made. Some contracts had been found to contain an incorrect company name in the documentation and the Deputy Principal reported that a process had now been implemented to prevent any recurrence of this error. A total of 30 contracts had been signed after the start date, but the Committee was assured that no payments had been made to these sub-contractors prior to the paperwork being completed. The Deputy Principal explained that this was mainly due to the volume of companies with which the College was sub-contracting.

75 The amount of provision in this area had also caused some actual contract values to differ from the declaration made by the College to the ESFA. The Internal Auditor undertook to review the audit process and to tailor the methodology used to address the high level of activity by the College.

76 Governors were advised that a certificate of compliance would be issued by the Internal Auditor, once the format of this document had been agreed by the ESFA.

INTERNAL AUDIT REPORT – LEARNER RECORDS

77 The Internal Auditor reported that this review had only just been completed and the findings were currently being agreed with management. The final report would be submitted to the Committee's March meeting.

HEALTH & SAFETY ANNUAL REPORT 2016/2017

78 The Committee received for information the Health, Safety & Wellbeing Annual Report for 2016/2017.

79 There had been 136 accidents/incidents during the year, compared to 132 in 2015/2016. No reportable RIDDOR accidents had been recorded. A total of 5 Level 4 incidents had been recorded, 4 of which related to students and had resulted in disciplinary proceedings.

80 The College had retained the ROSPA Order of Distinction in recognition of the high standard of health and safety. Governors expressed their thanks to all staff for this outstanding achievement and asked that the report to the Board highlight the completion of a major capital project without any significant increase in accidents.

81 In response to questions from the Committee, the Deputy Principal reported that there were no discernible trends in the increase in assaults amongst learners. Future versions of the report would separate out near miss incidents from actual accidents.

82 The Deputy Principal presented a plan for health, safety and well-being activities for 2017/2018. Governors requested that a target for participation in health and safety initiatives (such as first aid training) should be added to the plan.

83 The Committee also received the draft Health, Safety & Wellbeing Policy for 2017/2018.

- 84 **Resolved -**
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| 1 | That the Health, Safety & Wellbeing Annual Report for 2016/2017 be submitted to the Board for information |
| 2 | That the Board be RECOMMENDED to approve the revised Health, Safety & Wellbeing Policy |

RISK MANAGEMENT

85 The Deputy Principal (Finance & Resources) presented a report on risk management activities that had taken place since the September 2017 meeting. The Risk Register reflected the strands of the Strategic Plan approved by the Corporation.

86 Governors were asked to note that the risk on the failure of College infrastructure had been separated into 2 elements – IT systems and buildings. It was noted that the risk relating to the Skills Service contracts had been removed from the risk register, as this initiative was due to expire shortly.

87 The Deputy Principal commented that risk scorings were likely to be high at such an early point in the academic year. Once the mitigation measures had had time to be effective and information on performance became more certain, the level of risk was likely to decrease.

88 As the control of expenditure was linked to a corresponding reduction in income, the Committee felt that the score for this risk should be lower than 16.

89 In response to questions from governors, the Deputy Principal provided a short commentary on the reasons for the scores for risks 8 and 9 being changed. The former was due to a dispute with trade unions, on a 0.5% pay award, which was a lesser percentage increase than that recommended by the Association of Colleges.

90 At the previous meeting, the Committee had asked for the inclusion of a sentence on the College's risk appetite in the Risk Management Policy, which had been completed. It was noted that this may be different for each risk. The Deputy Principal was requested to give consideration to the risk appetite in the risk register.

91 An assessment as to whether the mitigation measures were sufficient to enable this target to be met would be included in future versions of the report. It was noted that the timing of reports to other committees affected the content of the commentary in the risk register. An updated risk register would be presented to the next Committee meeting.

AUDIT RECOMMENDATIONS & ACTIONS

92 Governors received for information a report on progress against the Internal Audit Plan for 2017/2018. .

93 The Deputy Principal (Finance & Resources) reported that a total of 5 recommendations made by the Internal Auditor had been outstanding at the end of 2016/2017. Of these, 2 had been fully completed, with the remaining 3 items partially implemented. The Internal Auditor would follow up the implementation of these recommendations as part of their work in 2017/2018.

94 Information was received on the length of time taken to implement and complete each recommendation.

ITEMS TO BE REPORTED TO THE BOARD

95 The Committee agreed that the following points would form the basis of the Chair's report to the Board at its December meeting:

- Unqualified audit opinion on the Financial Statements and Regularity Audits
- Audit Committee's Annual Report for 2016/2017 recommended for approval
- Health, Safety & Well-being report for 2016/2017 received and Policy recommended for approval
- ROSPA Order of Distinction award
- Revised terms of reference recommended for approval

DATE OF NEXT MEETING

15th March 2018, 5.00 p.m