



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
WEDNESDAY 16 NOVEMBER 2016 AT 9.30 AM IN
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Jack Atwal, Rosslyn Green, Jonathan McCluskey

In attendance: Jon Fearon (*CFO*)
Heather Simcox (*Deputy CEO*)
Michael Ford (*Director of Business Improvement*)
Mark Breese (*KPMG – External Auditors*)
Jonathan Creed (*ICCA – Internal Auditors*)
Rose Matthews (*Clerk*)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and KPMG.

	Action	Date
<p>01/16-17 Apologies for absence</p> <p>There were no apologies for absence.</p>		
<p>02/16-17 Declaration of Interests and Eligibility and Quorum</p> <p>No new declarations had been received, all members were eligible and the meeting was confirmed to be quorate.</p> <p>Jonathan Creed declared he had previously worked with Jon Fearon. ICCA were also carrying out a separate piece of work for the College unconnected with their role as the College's internal auditors.</p>		
<p>03/16-17 Minutes of the last meeting</p> <p>The minutes of the meeting held on 11 July 2016 were approved and signed as a true record.</p>		
<p>04/16-17 Matters arising</p> <p>26/15-16 The three year corporate strategy would be presented to Corporation on 12 December 2016.</p> <p>28/15-16 The pilot proved unsuccessful and was not rolled out any further. The team are looking to link downloads from Barclays to the EBS workflow system which is progressing but has not yet been finalised.</p> <p>38/15-16 Clarification over operating lease incentives under FRS102 was addressed later in the meeting.</p> <p>The new CFO and Mike Rowley had met.</p>	JF	11/03/17

	<p>The Clerk had circulated details of the Insolvency Consultation.</p> <p>Mike was unable to attend the meeting and therefore unable to provide a sector update.</p>		
39/15-16	The MIS team had prepared additional information for a follow up visit, which were anticipated in late November 2016 and a report should be available for the next meeting.	HLS	11/03/17
44/15-16	Questions relating to land valuation would be addressed later in the meeting.		
47/15-16	The CFO was in the process of reviewing the Financial Regulations, particularly, in relation to the Scheme of Delegation which makes managers limits clearer.	JF	11/03/17
48/15-16	The Treasury Management Policy would be presented later in the meeting.		
49/15-16	The Procurement Regulations and Tendering Procedures would be presented later in the meeting.		
05/16-17	<p>Internal Audit 2015-16</p> <ul style="list-style-type: none"> Internal Audit Annual Report <p>There were no significant changes from the draft report presented at the meeting in July 2016. No representatives from Grant Thornton were presented at the meeting.</p> <p>The overall assessments for the individual reviews for the year were summarised below:</p> <p>Sales Ledger – Green Cash Flow Management – Amber Procurement – Amber</p> <p>Consideration was given to the representation by the internal auditors at the previous meeting on 11 July 2016, at which, on the basis of the agreed management plans, they confirmed they were satisfied with the action the College had taken, or would take to address the issues and control weaknesses raised in the reviews.</p> <p>The Board approved the final Internal Annual Report.</p>		
06/16-17	<p>Internal Audit 2016-17</p> <ul style="list-style-type: none"> Internal Audit Plan and Strategy Audit Approach and Organisational Assessment <p>Jonathan Creed of ICCA, the newly appointed internal auditors, presented the Internal Audit Plan and Strategy for 2016-17.</p>		

Based on their Organisational Assessment 2016-17, a risk based plan has been devised. This has been a collaborative approach with the management team to review the final plan taking into consideration the Risk Register, funding allocations and other external influences.

Jonathan Creed talked through the plan and the rationale for the number of days allocated to each audit.

The Chair asked for the CFO's view, who said the plan focussed on the areas where the biggest risks lay.

Rosslyn Green said she understood the plan was strategically based, however, she questioned why the red risks on the Risk Register were not identified as significant risks on the plan. The Deputy CEO explained the risk register included a number of mitigating actions. The Risk Register is reviewed at every meeting. Rosslyn asked if there was any audit guidance on planned cycles. Jonathan Creed explained that with the introduction of JACOP in 2015, there was no requirement and the responsibility was placed on the Audit Committee to lead. The Deputy CEO said the Committee had previously been cyclical, however this had shifted to a risk based approach, focussing on elements of financial control.

The Director of Business Improvement added that Cashflow had been reviewed in 2015-16 and received an amber rating, however, if the Committee felt further testing was needed this could be arranged. The red items on the Risk Register would be reviewed as part of the management reports and some would be scheduled in 2016-17 for audits.

Jack Atwal questioned the 18 days scheduled for February 2017. Jonathan Creed explained it wasn't a traditional audit style and that different field teams would be carrying out the audits dependent on their areas of specialism.

Jonathan Creed summarised that ICCA would review the external auditor report and would follow up on the recommendations made by the previous auditors, Grant Thornton.

The Committee approved the initial plan, but on the understanding the auditors would regularly review in line with the requirements of the Committee and revisit at subsequent meetings.

**07/16-17 External Audit
2015-16**

- **Financial Statement and External Audit –**
 - **Management Letter**
 - **Representation Letter and College Accounts (draft)**
 - **Representation Letter and MBS Accounts (draft)**

Mark Breese represented KPMG, the external auditors at the meeting. Mark provided a verbal update on the progress of the audit, although noted a few key areas were still outstanding. He explained this had been a challenging year due to FRS102 which had led to delays across the sector.

FRS102 required the re-valuation of land relating to Broomfield Hall and the Roundhouse, once the valuation has been completed KPMG could then review. Mark said that based on discussions the asset base was quite strong and it provided an opportunity to have a stronger balance sheet.

The CFO confirmed Innes England had carried out the valuation on 15 November 2016 and there had been a delay due to procurement regulations. Their completed report was expected by the end of the week.

Rosslyn questioned the delay and asked if there had been an issue with the valuers. The CFO explained the procurement process had been followed with the expectation the valuation fees would be higher.

JF

12/12/16

KS asked if any of the re-valuations had been included in the tabled accounts. The CFO confirmed they were not as yet.

The CFO advised the HMRC had ruled against part of the College's claim regarding the Lennartz arrangement. The College would be appealing against this with a tribunal to be scheduled in April/May 2017. The CFO covered liabilities and the next steps with regard to this. The Chair to discuss in further detail outside of the meeting with the CFO.

The Auditors had concluded their view on Dilapidation provision and were satisfied with the workings of this.

The covenants related to GAAP and needed to be recalculated in line with FRS102 figures.

Mark was expecting all the above matters to be resolved by the end of the week and was not expecting any audit adjustments to be required.

It was noted the audit of MBS would be delayed and the completion of the regularity self-assessment needed to be completed. Once these areas had been finalised the Management letter could then be issued.

The only other concern relating to the financial reporting process was the reliance on key individuals.

The Chair agreed a final deadline of next 30 November. He said presenting the accounts in the current format was not acceptable. It was noted that Mark had only been allocated to the College over the past week.

A meeting would be arranged with the Chair, CFO and Deputy CEO after the 30 November to review and recommend the accounts to Corporation.

RM

30/11/16

The CFO sought approval from the Committee to change the accounting policy and discussed the rationale for the change which related to the pension fund.

The Committee recommended the change in the accounting policy be presented to Corporation.

08/16-17 Monitoring Activity

- **Review of Internal and External Audit Recommendations**

The Director of Business Improvement shared the Internal and External Recommendations Monitoring Report.

All recommendations were on track to be completed.

- **Risk Management Annual Report**

The Committee received the latest Corporate Risk Register and noted the key risks were covered in the Internal Assurance Plan ICCA presented earlier in the meeting. The Register had been continually under review throughout 2015-16 and 'risk' had been a standing agenda item on both the Audit Committee and the Corporation Board agenda.

The key risks that had been closed related to the procurement function, a good Ofsted grade and learner outcomes in relation to the previous year.

The Committee recommended the Annual Report for approval at the Corporation meeting.

09/16-17 Policy Review

Treasury Management Policy

The CFO presented the Treasury Management Policy and highlighted the minor changes which were detailed in the report provided.

The Committee recommended the Treasury Management Policy for approval at the Corporation meeting.

Prevention, Detection and Reporting of Fraud and Corruption Policy

The CFO presented the Prevention, Detection and Reporting of Fraud and Corruption Policy and highlighted the only change was to reflect Derby College and its subsidiaries.

The Committee recommended the Prevention, Detection and Reporting of Fraud and Corruption Policy for approval at the Corporation meeting.

Anti-Money Laundering Policy

The CFO presented the Anti-Money Laundering Policy, which had been amended to clarify that the College is subject to the requirements of anti-money laundering as it carries out payroll services for others.

The Committee recommended the Anti-Money Laundering Policy for approval at the Corporation meeting.

Bribery Policy

The CFO advised the Bribery Policy had been reviewed and there were no significant changes.

The Committee recommended the Bribery Policy for approval at the Corporation meeting.

Travel and Subsistence Policy

The CFO advised the Travel and Subsistence Policy had been reviewed and there were no significant changes and the mileage rates remained unchanged.

The Committee recommended the Travel and Subsistence Policy for approval at the Corporation meeting.

Risk Management Policy

The Director of Business Improvement presented the Risk Management Policy, there were no significant changes, only those aligning changes in job titles and updated dates.

The Committee recommended the Risk Management Policy for approval at the Corporation meeting.

10/16-17 Audit Committee 2015-16 Annual Report

The draft Annual Report was presented, but it was noted this could not be finalised until the Management Letter had been received.

It was noted that the internal auditors had already reviewed and the Chair would reconsider when he had reviewed the final Financial Statements.

11/16-17 Audit Committee Self-Assessment for 2015-16 and Terms of Reference Review

The Clerk shared the Audit Committee Self-Assessment Report and highlighted the relevant points.

Further training would be arranged in the new year and it was agreed to introduce an additional meeting in September in the new meeting cycle for 2017-18.

The Audit Committee Terms of Reference were presented for review. The Clerk did not propose any changes and recommended the Committee retained these.

The Committee approved to retain the existing Audit Committee Terms of Reference.

Signed: _____ Date: _____