



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
25 SEPTEMBER 2018 AT 10.00 AM IN
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Martyn Marples

In attendance: Richard Eaton (MIS Director)
Jon Fearon (*CFO*)

Michael Ford (Business Improvement Director)
Heather Simcox (*Deputy CEO*)
Jonathan Creed (*ICCA – Internal Auditors*)
Kyla Bellingall (*BDO – External Auditors*)
Rose Matthews (*Clerk*)

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

		Action	Date
01/18-19	APOLOGIES FOR ABSENCE		
	Apologies for absence were received from Mike Kapur and Pete Lewis.		
02/18-19	DECLARATION OF INTERESTS AND ELIGIBILITY AND QUORUM		
	All members were eligible and the meeting was confirmed to be quorate.		
	Michael Ford (non-member) declared an interest as Acting Chair of Derby Diocese Academy Trust.		
03/18-19	MINUTES OF THE LAST MEETING		
	The minutes of the meeting held on 20 June 2018 were approved and signed as a true record.		
04/18-19	MATTERS ARISING		
37/17-18	With regard to cash handling, all safes were now in place. Prior to finalising the Cash Handling Procedure, the CFO advised he was keen to receive feedback on the proposed procedure from his team. He confirmed a final version would be available for the next meeting.	CFO	27/11/18
49/17-18	Rosslyn Green questioned when the report regarding the bank covenant would be received by the Committee. This report had been received by the Corporation at its meeting in July and the Clerk agreed to send a copy onto Rosslyn. The covenant was based on the old descriptors and had now been revised to align with FRS102.	Clerk	28/09/18
60/17-18	Michael Ford advised the dates on the reports had been revised in line with discussion at the previous meeting. Further feedback had		

been received from Mike Kapur with regard to the closedown dates and sign off, which was considered by the Committee. As the Risk Management meeting signs off all the reports it was agreed the date of this meeting be used in the future.

61/17-18.1 A report on Data Protection (under Confidential items) would be presented later in the meeting, however 95% of staff had undertaken training to date. The outstanding 5% related in the main to invigilators who did not come into College as frequently. These have all been followed up and it was confident a 100% outcome would be achieved.

Third-party agreements also featured in the data protection report, with 41 agreements sent out to date.

62/17-18 The Draft Internal Audit Plan had been revised and would be presented later in the meeting.

65/17-18 The Financial Regulations were recommended by Corporation for approval at its meeting in July 2018.

**5/18-19 INTERNAL ASSURANCE
2017-18 ASSURANCE PLAN PROGRESS, INCLUDING;**

**5/18-19.1 MOCK FUNDING AUDIT (ESFA) 19+ AEB AND
APPRENTICESHIPS**

Jonathan Creed, Head of Internal Audit at the College's Auditors, ICCA, presented the Mock Funding Audit which looked at the adult education budget and apprenticeships.

The scope was to provide independent assurance that the control framework in operation in respect of the ESFA funding supported compliance with the relevant agencies requirements as defined within the EFSA funding rules for 2017-18.

The overall opinion provided reasonable assurance, with four medium priority recommendations for compliance relating to statistical errors, English and maths and attendance. Positive management assurances had been received to all four recommendations.

The Chair asked if this had been a live audit, would the sample size have been typical. Jonathan confirmed the sample size of 30 would have been typical but it was also dependent on the size of the college.

The Committee noted that funding guidance for apprenticeships changed regularly, but the Management Team would be working closely with the apprenticeship team to review in detail.

5/18-19.2 FOLLOW-UP OF PREVIOUS RECOMMENDATIONS

Jonathan Creed went on to present the Follow up of Previous Recommendations Report.

The scope of the Follow-up Report was to provide an independent assurance opinion that progress to implement previously agreed recommendations was satisfactory in the context of ensuring that there were no significant risk to the College being able to meet its strategic aims.

The report provided substantial assurance, with the Executive Summary outlining the 17 recommendations reviewed.

The Committee asked if the two recommendations carried forward, relating to learner records (section 3.1) were reviewed. Jonathan explained the points were not carried forward to the following year's report, but they would be reviewed as part of the Mock Funding Audit carried out in the subsequent year.

The Chair asked if the action dates in section 4.1 could be brought forward to February 2019 when the next Mock Funding Audit commenced. These would be updated.

MF

27/11/18

5/18-19.3 ANNUAL INTERNAL AUDIT REPORT

The Annual Internal Audit Report was presented to the Committee.

As a result of the work completed during 2017-18 the Internal Auditors were satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given on the adequacy and effectiveness of the College's governance, risk management and systems of internal control. Based on the work undertaken during the year and the implementation of previous internal audit recommendations, they provided reasonable assurance that controls were operating adequately and effectively and any breakdown identified was not material.

Overall assessments for the year were summarised.

The Chair asked the External Auditors for their opinion. They confirmed the report provided assurance and they had no concerns.

**6/18-19 INTERNAL ASSURANCE
2019-20
INTERNAL AUDIT PLAN AND STRATEGY**

The Internal Auditors, ICCA presented the Internal Audit Plan for 2018-19 and Updated Strategy 2016-17 – 2020-21.

This version had been revised from the draft circulated at the previous meeting, and now included additional areas of work not in the original plan following a review of the original scope.

The additions related to Project Governance and Procurement.

Martyn Marples asked if the Procurement Audit would cover the College's contract management procedures and was assured it would look at contract management from both sides.

The Chair commented on the English and Math Strategy review programmed for 2019-20, noting it was critical to funding and asked if the College were comfortable in leaving the review until 2019-20.

The Deputy CEO explained it was a risk and still a high priority. The recent appointment of a Director for English and Maths had led to stability in the team and results had improved significantly in English. The Director was looking to rewrite the strategy and therefore a review in 2019-20 would provide the time needed to embed this.

A request was made to include the draft English and maths results for 2017-18 relating to high grades into the report, but with a caveat that these were not the final figures. The Clerk would send these on.

Clerk 27/11/18

Rossllyn queried the risk reference in the report as some of these were not on the Risk Register. Michael Ford explained they were still on the overarching Register but not the top level one which was reported at Audit Committee. This was because the preventative controls had now reduced the risk.

The Corporation members had received information on the A Level and GCSE results in the summer and the Clerk was asked to circulate these to Rossllyn Green, the Co-opted Governor.

Clerk 28/09/18

The Committee agreed to recommend the Internal Audit Plan and Strategy to the Corporation for approval.

6/18-19

EXTERNAL AUDIT

PROGRESS TOWARDS FINANCIAL STATEMENTS AND EXTERNAL AUDIT

Kyla Bellingall, of External Auditors, BDO, shared progress to date towards the Financial Statements and External Audit for 2017-18 year end.

Planning commenced in March with a planning meeting, followed by a planning meeting in May. Key risks identified were revenue recognition, management override of controls and Lennartz.

The final audit visit is scheduled for 19 October with a final clearance meeting on 26 October. Everything indicated there would be no problems.

The end of the month was the deadline for the signed teachers' pension scheme form, which the CFO would send on. This led to a number of different assumptions relating to RPI, salary increases etc, but it would not push the liabilities up. Rossllyn Green asked the CFO if his team were working on this and he confirmed they were.

CFO 30/09/18

The Chair asked the CFO if there were any major changes with actuals. A prudent view was being taken on some local authority work, but otherwise there were no issues.

The Chair questioned the situation with Lennartz and the CFO gave an update of the present situation which may lead to a settlement. Kyla explained from an external audit perspective they would update the case and use their in-house VAT specialist.

Martyn Marples noted that the Lennartz situation delayed the sign off of the external audit last year and asked if this could be sought earlier this year. Kyla confirmed there would be plenty of time to assess the situation.

7/18-19 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

Michael Ford shared the Internal and External Recommendations Monitoring Report, 4 of the 18 actions had been completed. The others remained on target for completion.

Michael confirmed the dates would be aligned to the Risk Management meetings as previously agreed.

8/18-19 RISK MANAGEMENT REPORT

The Risk Management Report was shared with Committee Members and 'high' priority risks identified as detailed in the report.

There was no new litigation or significant health and safety cases to report. The Committee were asked to note that Nick Freeman would be taking on the role of Lead Governor for Health and Safety and would report directly to the Corporation at each meeting.

There were no significant safeguarding or prevent issues to escalate to this meeting. The Committee noted Jack Atwal was the Lead Governor for Safeguarding (including Prevent) and continued to attend the Designated Safeguarding Lead meetings.

9/18-19 PENSIONS SUMMARY

The CFO presented information on the Derbyshire Pension Fund. The College's liability had reduced substantially, with the assumptions at index rates. They reflected a good value of the asset base.

It was highlighted the majority of the liability were no longer active, with the majority retired. Brexit could impact the value of the stock market and as such could become a risk.

10/18-19 AUDIT COMMITTEE SELF-ASSESSMENT

The Clerk presented the report on the Audit Committee Annual Self-Assessment.

The Clerk highlighted since the production of the report, the Committee had received 100% response rate.

The areas for comment related to circulation of the minutes and the reliance on the accountants to understand the financial reporting in some papers.

The Committee requested papers be circulated once approved by the Chair ahead of the Committee papers and noted the membership of the Committee did contain a number of accountants with the knowledge and experience to scrutinise the financial reporting.

Clerk 27/11/18

11/18-19 TERMS OF REFERENCE REVIEW

The Clerk had undertaken an annual review of the Audit Committee's Terms of Reference based on the Post-16 Audit Code of Practice (presented to the Committee in June 2018).

The proposed changes were highlighted which in the main related to aligning the wording with the Code. It was reiterated that staff

and student governors should not be members of the Audit Committee. Staff do attend to present papers at invitation by the Committee, but are not part of the membership of the Committee.

The Committee accepted the changes proposed and recommended to the Corporation for adoption.

The Internal and External Auditors left the meeting.

Signed: _____ Date: _____