

Minutes of the meeting of the Audit Committee held in Room LSF24, North Devon campus on 21st November 2017 at 16:30

- Present:** Jenny Wallace (Chair), Iain Springate
Ruth Williams (by video link)
- Co-opted:** Mark Tibbert, Thomas Westcott Chartered Accountants
- In attendance:** Jane Barton – Assistant Principal Corporate Services
Bill Blythe – Vice Principal Finance & Resources
Diane Dimond – Principal & Chief Executive (by video link)
Claire Isaac – Head of Finance
- Auditors:** Lee Glover – Internal Auditors, Haines Watts (items 1-11)
Carole Davey – Financial Statements Auditors, Mazars (items 1-11)
- Clerk:** Bettina Walker – Governance Advisor

Private Meeting

The private meeting with the Auditors without College officers present was not needed, as there was nothing to report.

Briefing on the Audit Committee's Role and Board Assurance

Prior to the meeting Lee Glover from Haines Watts briefed the Audit Committee on the Committee's role and on Board Assurance.

MINUTES

1. APOLOGIES

Apologies for absence were received from Kelvin Mackenzie, Lindy Stacey, and also RSM Internal Auditors.

2. DECLARATION OF INTERESTS

No declarations of pecuniary or non-pecuniary interests were made in respect of the items on the agenda.

3. CONFIDENTIAL ITEMS

There were no confidential items specified.

4. MINUTES AND MATTERS ARISING

17AC01

The minutes of the meeting of the Audit Committee **held on 27th June 2017 were confirmed as a true record.** There were no matters arising not covered in other items of the meeting.

5. BUSINESS BROUGHT FORWARD BY THE CHAIR

There was no business brought forward by the Chair.

6. RSM INTERNAL AUDIT ANNUAL REPORT 17AC02

- a) The Vice Principal Finance & Resources presented the report on behalf of RSM, who had been unable to send a representative to the meeting. The Committee noted the work undertaken by RSM over the past year, and that the vast majority of recommendations had been complete.
- b) The Committee was pleased to note the clean audit with the overall assessment that the College had "an adequate and effective framework for risk management, governance and internal control": this was the best grading possible and meant that there were no concerns and issues.
- c) The Committee **recommended the 2016/17 Internal Audit Annual Report for approval by the Board.** This report would be presented to the Board with the Financial Statements at the December meeting.
- d) Mazars reported that they had been able to place reliance on the work undertaken by RSM during the year.

7. FINANCIAL STATEMENTS and AUDIT COMPLETION REPORT

7.1 Regularity Audit Self Assessment Questionnaire 17AC03

- a) The Regularity Audit Self-Assessment Questionnaire had been completed on behalf of the College by the Head of Finance and the Governance Advisor. The responses to the questionnaire were used by the Financial Statements Auditors in their audit.
- b) The **Committee approved the responses to the College Regularity Self-Assessment questionnaire for the year to July 2017, and noted that the questionnaire had been signed off by the Chair of the Board and the Principal & Chief Executive.**

7.2 Mazars Audit Completion Report 17AC04

- a) Mazars reported that the accounts had been timely and prepared to a high standard by the College Finance Team. The Committee **was pleased to note that the Financial Statements Audit Opinion was "unqualified"**.
- b) Mazars gave reasonable assurance that there had been no instances of management override, and that there was no indication of fraudulent activity or any indications of management bias.
- c) The conclusion of the audit of income recognition was that income had been appropriately recognised during the year, and that adequate provision had been made for potential clawbacks at the year-end.
- d) The review of fixed assets concluded that the expenditure on remodelling the Main Reception area had been capitalised appropriately. The costs associated with investment in IT equipment had been included as capital commitment at the year end.

- e) The Committee was pleased to note Mazars' confirmation of the College management's view that the College remained a going concern for the next twelve months.
- f) The Committee noted the actuaries' assumptions on the College's pension liability, and that Mazars had been happy with these.
- g) The Committee noted that the Brannams lease disclosures and provisions made in the Financial Statements were considered to be fairly stated, with payments being recognised in a consistent manner. The risk with the lease was expected to reduce in another two years' time.
- h) Mazars reported that the Financial Statements had been prepared in line with the FRS102 Financial Reporting Standard, and concluded that they were fully compliant with the new standard in all material respects.
- i) The Committee thanked the College Finance Team for their hard work in preparing timely and highly accurate accounts, with no internal control recommendations made.
- j) The Committee thanked the Mazars team for the work carried out and for the Completion Report. The Committee ***received and noted the Audit Completion Report for those charged with Governance for 2016/17 prepared by Mazars. The Committee recommended the Letter of Representation for approval by the Board and signature by the Chair of the Board.***

7.3 Draft College Financial Statements 2016/17 17AC05

- a) The Committee ***noted the draft outturn for the 2016/17 year on core operations was an operating surplus of £331,000*** . However, as under the new Accounting Standard, FRS102, factors such as the pensions deficit and depreciation were included on the Statement of Comprehensive Income and the balance sheet, the College showed an overall deficit.
- b) The Committee noted that the pension deficit was not included when the Education Skills Funding Agency (EFSA) calculated a college's Financial Health.
- c) The Committee ***received and noted the Financial Statements for 2016/17 and recommended them for approval by the Board.***

7.4 Additional Work carried out by Auditors

The Committee noted that no additional work had been carried out by auditors during 2016/2017.

8. ANNUAL REPORT OF THE AUDIT COMMITTEE

8.1 Audit Committee Self Assessment 2016/2017 17AC06

- a) There had been a number of changes to the Committee's membership during 2016/2017. The Audit Committee Self-Assessment questionnaire had been sent out to the three members of the Committee who had attended more than one meeting during the year, and to the auditors.

- b) The replies to the self assessment questionnaire received ***indicated that Committee members were generally satisfied that the Committee had operated effectively over the last year.***

8.2 Compliance with Audit Code of Practice 17AC07

The Committee reviewed the compliance report, and ***noted that the College complied with the requirements of the Educations Skills Funding Agency Audit Code of Practice.***

8.3 Annual Report of the Audit Committee 2016/2017 17AC08

The Committee noted the report on its work during 2016/17 and ***approved the Annual Report from the Audit Committee to the Board and the Principal 2016/17 for presentation to the Board.***

9. STRATEGIC RISKS MONITORING AND BOARD ASSURANCE 17AC09

- a) The Assistant Principal Corporate Services reported that the College's risks in the Board Assurance Framework had been mapped against the Action Plan of the revised Strategic Plan 2017/2020.
- b) The Committee considered the scoring mechanism for the risks in detail, and noted the draft Risk Appetite scores for each of the risks. These scores set a target for the management of the underlying risks. If the residual risk score was below the risk appetite score, then sufficient mitigating actions were in place. For a score higher than the risk appetite, more mitigating actions were needed.
- c) The Committee noted that some risks scored at the middle range of, say C6, may need more explanation.
- d) In their initial assessment of the College, Haines Watts had commented that Board Assurance processes were mostly in place, but that risk appetite scores could do with some further consideration.
- e) The Committee noted that all of the headline risks were supported by risks being mitigated at a lower level and being operated by College managers. This was generally good, but needed further work to be consistent throughout the College and be embedded.
- f) The Committee ***was happy to support the mapping of risks against the Strategic Plan, and the risk scoring mechanism for risk appetite and for managing risk, and noted that this was being developed further.***

10. INTERNAL AUDIT REPORTS 2017/2018

10.1 Internal Audits 2017/2018 17AC10

- a) As this was their first report to the Committee, Lee Glover explained the features and assurance ratings used by Haines Watts in their internal audit reports. The Committee commented that the report format was clear and easy to read, with the Executive Summary particularly helpful.

- b) The Committee received the Internal Audit Report on Health & Safety – External Visits Procedure, which received Adequate Assurance with 2 medium and 2 low recommendations
- c) The Committee noted the recommendations relating to the College using the official recommended coach companies from the list posted on the Devon County Council website, but dated 2008. The recommendation was that the College should implement its own due diligence checks on coach companies used.
- d) The Committee noted that the College’s plan to have all staff driving minibuses up to the required grade in their licence by the end of the 2017/2018 academic year.
- e) For work placements, the legal responsibility for health & safety was with the employer. However, the College had a moral obligation and therefore processes were in place to ensure learners were not at unnecessary risk.
- f) The Committee ***noted that all the recommendations made from the audit of Health & Safety had been accepted and were being progressed.***

10.2 Disabled Student Allowance Audit

17AC11

- a) The Assistant Principal Corporate Services reported that the Disabled Students Allowance was a government agency fund put in place to support HE learners with a recognised disability. The purpose of the audit had been to evaluate and report on the effectiveness of the procedures and processes implemented by the College to meet the Non-medical Helper Providers requirements of the Quality Assurance Framework, as well as to ensure that the College was providing a quality service to the learners, to justify the funds received.
- b) This had been a desk exercise, and was to seek assurances that the claims made of £38,759.25 for the academic year 2016/2017 had been spent as intended, and that the learners were supported by appropriately qualified staff.
- c) The Committee noted that the main challenge for the College was the requirement for the staff supporting learners to be qualified at post graduate level, and that the College would find it difficult to employ staff qualified at this level to undertake the role.
- d) The Committee ***noted that the College had been awarded with a certificate to confirm it as an accredited Disabled Student Allowance Non-Medical Helper Provider.*** Currently 5 detailed ‘actions outstanding with caveat’ were being cleared by the College’s team.

11. COLLEGE AUDIT MONITORING REPORT

17AC12

- a) The Committee ***noted the good progress made in the implementation of audit actions.***

- b) There were five recommendations where the due date for completion had passed. The Committee considered that the progress for these was sufficient to allow the recommendations to be completed in a timescale set by College managers.

The Auditors left the meeting

12. REVIEW OF AUDIT SERVICES PERFORMANCE 2016/17 17AC13

- a) The Committee ***reviewed the scoring of the performance of the Internal Audit Service, RSM for 2016/2017 and noted a few low scores.*** The Committee noted that RSM had now completed their contract, and that the College has new Internal Auditors, Haines Watts.
- b) The Committee ***reviewed the scoring of the performance of the Financial Statement Auditors, Mazars, and was pleased to note the high satisfaction overall.***

13. TENDERING FOR FINANCIAL STATEMENTS AUDITORS 17AC14

- a) The Committee noted that the contract with Mazars was in its final year in 2016/2017, and therefore the plans to go out to tender to employ Financial Statements Auditors by July 2018 for the 2017/2018 financial year onwards.
- c) The Committee discussed, noted and ***agreed the process and timetable for going out to tender for Financial Statements Audit services, with a view to reviewing tenders on the day of its March 2018 meeting and making a recommendation to the March Board meeting for appointment from 1 July 2018.***

14. DATE OF NEXT MEETING

The Committee noted the dates of 2017/2018 meetings as follows:
Tuesday 6th March 2018: at 15:00 for Tender Presentations
at 16:30 for Audit Committee meeting

Tuesday 26th June 2018 at 16:30

The meeting ended at 18:15