

Minutes of the meeting of the Audit Committee held on 29th November 2016 at 16:30, Barnstaple campus

- Present:** Jeff Andrew (Chair), Kevin Finan, Andrew Pierce and Lindy Stacey
- Co-opted:** Mark Tibbert, Thomas Westcott Chartered Accountants
- In attendance:** Diane Dimond – Principal
Jane Barton – Acting Director for Finance and Funding
Claire Isaac – Management Accountant (items 1- 8)
Alastair Campbell – Internal Auditors, RSM (items 1-11)
Richard Bott – Financial Statements Auditors, Mazars (items 1-11)
- Clerk:** Bettina Walker

Private Meeting

The private meeting with the Auditors without College officers present did not take place. However, both the Internal Auditor and Financial Statements Auditors present reported to the full meeting that there would have been nothing to report.

MINUTES

1. TERMS OF REFERENCE, MEMBERSHIP and APOLOGIES 16AC01

- a) The Committee noted that the Terms of Reference had been updated in line with the Joint Audit Code of Practice and had been approved by the Board. The Committee also noted its membership for 2016/2017 as approved by the Board.
- b) Apologies for absence were received from Martyn Gimber. Jeff Andrew, Vice Chair of the Committee, chaired the meeting. The Chair welcomed Kevin Finan, Lindy Stacey and co-opted member, Mark Tibbert, to their first meeting.
- c) The Committee noted that Martyn Gimber's and Andrew Pierce's terms of office as governors were ending in March 2017, and that both had indicated that they were not seeking re-appointment. The Board was in the process of recruiting new Governors, and the Search & Governance Committee would make recommendations for the Audit Committee membership.
- d) The Committee ***agreed to continue Martyn Gimber's appointment as the Chair of the Committee until the end of his term of office in March 2017.***

- e) The Committee ***agreed to continue Jeff Andrew's appointment as the Vice-Chair of the Committee for 2016/2017 or until the end of his term of office, if sooner.***

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

It was agreed that, under item 4, the matter arising concerning Engage4Life would remain confidential to the Governing Body for the time being.

4. MINUTES AND MATTERS ARISING 16AC02

- a) The minutes of the meeting of the Audit Committee ***held on 28th June 2016 were confirmed as a true record and signed by the Chair.***
- b) **Item 7.3** – Alastair Campbell had presented a briefing on Board Assurance to Governors at their Awayday in November.
- c) **Item 11 – Confidential**

5. BUSINESS BROUGHT FORWARD BY THE CHAIR

There was no business brought forward by the Chair.

6. INTERNAL AUDIT REPORTS 16AC03

6.1 Internal Audits 2015/2016

- a) The Committee received the Internal Audit Report by RSM and noted that the grading for the areas audited were as follows:
- Strategic Planning - Green - Substantial Assurance – no actions
 - Board Assurance - Green - Substantial Assurance - 1 medium and 1 low recommendation
- b) The audit on Strategic Planning was based on the outcomes of a number of previous audits. Following the agreement of the Strategic Plan in 2015, an Action Plan had been established and was regularly monitored for achievement by the Executive Management Team, the Senior Management Team and the Governing Body. The audit did not identify any actions.
- c) The Principal reported that the external context the College operated in had changed in the last 18 months, and that the Executive Management Team would review the Strategic Plan post Area Review for discussion with the Board in summer 2017. Key areas for refocus would be commercial activity and apprenticeships as well as focusing on human resources as a separate strand in the Plan. The Committee supported the review of the Strategic Plan.

- d) The second audit identified that the College had undertaken a significant amount of work in the development and continual improvement of the Board Assurance Framework, and that this provided explicit linkage to the College's strategic aims and to operational risks identified and recorded within the College's Risk Register. The revised Risk Management and Board Assurance Policy 2016/17 set out the roles and responsibilities for risk management with the inclusion of the operation of the Board Assurance Framework and the College's risk appetite.
- e) The Committee noted the actions points relating to some of the controls recorded in the Board Assurance Framework not always being the actual control or providing the specific details of the control. Additionally, some of the assurances listed were actually controls and not assurances. This would be reviewed.
- f) The Committee wished to thank Martyn Gimber for focusing the Committee on the improvement of Board Assurance over the past year or so.

6.2 Internal Audits 2016/2017 – Progress Report

The Committee reviewed the Progress Report for 2016/2017 from RSM, and noted that scoping meetings had taken place with all dates for audits agreed. RSM would keep an eye on national developments such as items arising out of the Chancellor's Autumn Statement and the Apprenticeship Levy, and how they impacted on the College when carrying out audits.

7. RSM INTERNAL AUDIT ANNUAL REPORT 16AC04

- a) 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.
- b) The Committee ***recommended the 2015/16 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.

8. FINANCIAL STATEMENTS and AUDIT COMPLETION REPORT

8.1 Regularity Audit Self Assessment Questionnaire 16AC05

- a) The Regularity Audit Self-Assessment Questionnaire had been completed on behalf of the College by the Management Accountant and the Interim Governance Advisor.
- b) The ***Committee approved the responses to the College Regularity Self-Assessment questionnaire for the year to July 2016, and agreed for the questionnaire to be signed off by the Chair of the Board and the Principal.***

8.2 Mazars Audit Completion Report 16AC06

- 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 "unmodified".***

- b) 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.
- c) The Committee was pleased to note Mazars' confirmation that the College management's view that the College remained a going concern was reasonable.
- d) 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.
- e) The Committee noted that the Brannams onerous lease disclosures and provisions made in the Financial Statements were considered to be fairly stated, with payments being recognised in a consistent manner.
- f) The Committee noted that the actuaries' assumptions on the College's pension liability, and that the discount rate had gone down after the Brexit referendum, increasing the College's liability.
- g) Mazars explained that this was the first year under the new FRS102 Financial Reporting Standard, and that there had been enhanced risk due to the significant and extensive differences between this and the old standards replaced by this. The audit had reviewed the workings behind the transition to FRS102 and concluded that the Financial Statements were fully compliant with the new standard in all material respects.
- h) 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 2015/16 prepared by Mazars. The Committee recommended the Letter of Representation for approval by the Board and signature by the Chair of the Board.***

8.3 Draft College Financial Statements 2015/16 16AC07

- a) The Committee ***noted the draft outturn for the 2015/16 year on core operations was an operating surplus of £765,000*** . However, as under the new Accounting Standard, FRS102, factors such as the pensions deficit and depreciation were included on the balance sheet, the College showed an overall deficit of £442,000.
- b) The Committee discussed the challenge of external stakeholders, including the banks, understanding the difference in the bottom line compared to last year. The 2015/2016 Annual Review would emphasise that the College remained in a strong financial position, with cash generated this year and a cash reserve of £3.5m, even after major capital expenditure in the previous year.
- c) The Principal reported ***that the Skills Funding Agency had assessed the College's underlying financial health position for 2016/17 as "good"***.

- d) The Committee ***received and noted the Financial Statements for 2015/16 and recommended them for approval by the Board.***

9. ANNUAL REPORT OF THE AUDIT COMMITTEE 16AC08

- a) The Committee noted the report on its work during 2015/16 and ***approved the Annual Report from the Audit Committee to the Board and the Principal 2015/16 for presentation to the Board.***
- b) The Committee noted that the previous version of its terms of reference included in the allowable membership: "Staff who do not have significant executive, management, financial or budgetary responsibilities may sit on the Committee." The Committee considered that the inclusion of a staff governor on the Committee should not be ruled out, although there was recognition of advantages and disadvantages of such an appointment. This phrase would therefore be re-instated in the terms of reference.
- c) The Committee reviewed the compliance report, and ***noted that the College complied with the requirements of the Skills Funding Agency Joint Audit Code of Practice (JACoP) Part II.***

10. STRATEGIC RISKS MONITORING AND BOARD ASSURANCE 16AC09

- a) The Acting Director of Finance & Funding presented the Dashboard of the College's key risks, which was in a RAG rated format. The Committee ***considered this to be a useful overview report from which more detailed questions could be asked, and agreed that this should be presented to every scheduled meeting of the Committee.***
- b) The Committee also felt that a deeper dive into one or two risks could usefully be scheduled at future meetings of the Committee, as well as a discussion of how new risks are added to the Risk Register, and those items no longer seen as risks taken off.

11. COLLEGE AUDIT MONITORING REPORT 16AC10

The Committee ***noted the good progress made in the implementation of audit actions.*** The number of actions completed in good time was further assurance of overall improvement in College processes and procedures.

12. REVIEW OF AUDIT SERVICES PERFORMANCE 2015/16 16AC11

- a) The Committee ***reviewed the scoring of the performance of the Internal Audit Service, and was pleased to note the high satisfaction overall.*** RSM were reported to provide a useful service to the College both during audits and as advisors in between.
- b) The Committee ***reviewed the scoring of the performance of the Financial Statement Auditors, and was pleased to note the high satisfaction overall.***

13. TENDERING FOR INTERNAL AUDIT SERVICES 16AC12

- a) The Committee noted that there was no longer a requirement for colleges to appoint internal audit services, but, after discussion, considered that the service provided a useful external opinion of the College, giving the Board extra assurance, as well as providing staff with helpful advice.
- b) As discussed at the previous meeting, the contract with Internal Auditors, RSM, was in an extended year, totalling 6 years in all. There had been plans to go out to tender during 2015, but this had been deferred for good reason.
- c) The Committee discussed, noted and ***agreed the timetable for going out to tender for internal audit services, with a view to reviewing tenders on the day of its June meeting and making a recommendation to the July Board meeting for appointment from 1 August 2017.***
- d) The Committee discussed and agreed that a similar process for tendering for Financial Statements Auditors would take place the following year.

14. DATE OF NEXT MEETING

The Committee noted the dates of 2016/2017 meetings as follows:
Tuesday 28th February 2017 – apologies: Kevin Finan noted
Tuesday 27th June 2017

The meeting ended at 18:00