



MINUTES
of the Audit Committee
held on Monday 23 November 2015

Present: - Mr Norman Moon (Chair)
Mr Simon Bennett
Cllr Sebastian Bowen
Mrs Magda Prail

In attendance: - Mr Edward Rehm (Director of Finance)
Mr Nick Harrison (Finance Manager)
Mrs Linda Watkins (Clerk to the Corporation)
Mr Patrick Green (RSM)
Mrs Karen Gentles (RSM)
Mrs Lynne Baber (PricewaterhouseCoopers)

The meeting was quorate as four members were present.

- | | Action |
|---|---------------|
| 5. Apologies for Absence | |
| 6. Declarations of Interest
There were no declarations. | |
| 7. I. Approval of the Minutes of the Meeting
The Chair signed the minutes of the meeting held on 15 June 2015 as a true and accurate record. | |
| II. Matters Arising | |
| A. The Learner numbers report was on the agenda for further discussion. | |
| B. Controls for sub-contracting provision had been discussed by the Q&S Committee. | |
| C. The Bank of Scotland account had been closed with funds transferred into Barclays 100 day treasury account. | |
| 8. Financial Statements Auditor's Report | |
| I. Members' Report and Financial Statements for the year ended 31 July 2015
The financial statements to 31 July 2015 were noted for Herefordshire and Ludlow College and Keith St Peters Ltd. The F&E Committee would discuss the financial statements and make a recommendation to the Board to approve these. | |

II. Management Letter including Interim Regularity Report

Lynne Baber outlined the management letter in detail covering the purpose of the financial statements audit, financial performance, significant risks, accounting and audit issues, internal control, regularity and future developments to provide assurance for the Corporation to sign off the financial statements to 31 July 2015.

There were no errors, misstatements or items for adjustment with only one minor recommendation raised. There were no issues with use of funds and the regularity opinion.

Appreciation was recorded to the Finance Manager and Finance Team for providing high quality and timely information, and cooperating during completion of the fieldwork which had gone smoothly with no significant issues arising. Members recorded their thanks to the Finance team.

Members were asked if they were aware of any allegations of fraud; they were not aware of any.

Minor aspects of work would be completed before the financial statements audit could be finalised in readiness to sign off by the Board. It was anticipated that an unqualified audit opinion would be given for Herefordshire and Ludlow College and Keith St Peters Ltd, which showed compliance to the accounting direction. There were no major issues of significant judgment in the accounts. Materiality levels were outlined.

A Member asked when work on FRS 102 would commence. This would commence in January 2016.

The Director of Finance reported that the College had achieved an operating surplus of £293,000 and KSP Ltd £1,837, after making a payment to the College of £37,000.

A Member asked about apprentices at KSP Ltd noting that changes to funding rules meant that KSP Ltd could no longer deliver beauty apprenticeships because apprentices had to have an employer.

III. Self-assessment of compliance with regularity and propriety requirements

This was a new version of the self-assessment questionnaire which was part of the Joint Audit Code of practice (JACOP). It gave assurance how the College achieves its compliance which needed to be signed off by the Accounting Officer.

IV. Letter of Representation

The letter of representation would be provided for the Corporation meeting to be signed by the Chair of the

Corporation. It was included as an appendix in the report.

The Committee agreed: -

- To recommend the Board approve the financial statements, including KSP Ltd accounts, management letter
- To recommend the Accounting Officer sign the self-assessment questionnaire
- To recommend the Chair of the Corporation sign the letter of representation

9. Internal Audit Reports

Karen Gentles presented the reports:

- I. Learner Number Systems:** This was an annual audit which gave a positive opinion with amber/green assurance. Medium risks were discussed, particularly uncompleted registers which was a common issue in the sector. The Chair asked about progress of actions with discussion about tracking learners' hours on Celcat. This was complicated as hours included classroom based learning, self-directed study in the LRC, work experience and tutorials. SFA had commissioned PWC to do a funding audit in 2014/15 which would be presented at the next meeting; the draft report gave comparisons with other colleges showing that the College is in a good position. The Auditors gave assurance that this was a common issue in the sector. The College had evidence to demonstrate that learners had completed 540 guided learning hours. The Auditors would test another sample at the follow up audit.

A Member raised the sample of 20 work based learners who had not completed the health and safety checklist asking if this sample was reflective across the College. The College had over 1000 apprentices. This related to a lack of details recorded on the system as health and safety checklists were completed.

Cllr Bowen
left meeting

- II. Annual Report:** The annual report gave assurance on the College's arrangements for governance, risk management and control. The overall opinion of the IAS regarding the adequacy and effectiveness of the College's internal control arrangements for the 12 months to 31 July 2015 was positive showing adequate assurance for risk management, governance and internal control. Members recognised that this was an excellent result during a time when more colleges were being issued qualified opinions
- III. Progress Report:** Members noted dates of audits which would commence imminently.

The Committee agreed: -

- To note the internal auditor's reports
- To recommend the Board endorse the Internal

10. Risk Management

I. **Risk Management Register:** Members noted the risk register with the following specific discussion: -

A2: FE and WBL funding not achieved: A small shortfall against the adult funding agreement was anticipated. There was an option to sub contract this provision. Additional funding cuts were anticipated as part of the Comprehensive Spending Review; colleges would know the impact of this in March 2016.

B9: Operating costs at Ludlow College not reduced: The Director of Finance informed Members that an agreement had been reached with the Foundation Trust for rent over the next five years. Draft leases had been prepared by the College's solicitor. These were based on discounts to use buildings for educational purposes and the previous arrangement with Ludlow College pre-merger. The Chair asked if there were any other issues for concern noting that no issues were expected.

A12: Prevent extremism: This was a new risk. The College had prepared a detailed Prevent Strategy and action plan; these would be reported to the Q&S Committee regularly.

The College had been notified that the Area Review of the Marches LEP would commence in January. This would be added to the risk register when further details were available.

It was agreed the Director of Finance would review the risk register and remove risks categorised as green which were no longer relevant.

II. **Risk Management Annual Report 2014/15:** The report was a key part in establishing compliance with the Turnbull requirements for corporate governance. The report outlined processes to manage risk and concluded that the College had robust systems to update and report on its operation which involves CMT, the Audit Committee and the Corporation. The Director of Finance was the risk champion, whereas the Audit Committee Chair was the Board champion for risk management.

The Committee agreed: -

- To note the risk register
- To recommend that the Board endorse the risk management annual report 2014/15

E Rehm

11. Audit Committee's Annual Report 2014/15

The Committee is required to present an annual report to the Board to advise on the adequacy and effectiveness of the College's internal control systems in accordance with the Joint Audit Code of Practice. This was a factual report detailing the work of the Committee in 2014/15. All aspects reported were positive. Further reference would be added to confirm that the Committee had had regard to the 'effective and efficient use of resources, solvency of the institution and the safeguarding of its assets'.

L Watkins

The Committee agreed: -

- To recommend that the Board endorse the Audit Committee's Annual Report which would also be submitted to SFA

12. Value for Money Annual Report 2014/15

Members noted the Annual Value for Money Report outlining procurement processes to ensure value for money. This evidenced the College had satisfactory arrangements to promote economy, efficiency and effectiveness. A Member asked if the purchasing consortium had created efficiencies noting that this had been particularly useful in the tendering process.

The Committee agreed: -

- To recommend that the Board endorse the value for money annual report 2014/15.

13. Any Other Business

There were no items.

14. Date and time of next meeting

The next meeting of the Audit Committee was arranged for Monday 21 March 2016 commencing at 3.15 pm.

Signed as a true record of proceedings

Chair: **Date:**