

**CITY COLLEGE PLYMOUTH**  
**CORPORATION AUDIT COMMITTEE**

**MINUTES OF THE MEETING OF THE CORPORATION AUDIT COMMITTEE HELD ON**  
**TUESDAY 15<sup>th</sup> NOVEMBER 2016 AT 4.30PM IN ROOM K021**

**MEMBERS PRESENT:** Mr William Woyka – Chair – WW  
Ms Cheryl Powell – CP  
Prof Paul Brunt – PB

**IN ATTENDANCE:** Ms Nicola Cove – Deputy Principal – NC  
Mr Alistair Campbell – RSM – AC  
Mr Charles Evans – Francis Clark - CE  
Ms Katie Skea – Francis Clark - KS  
Mrs Julia Tindall-Jones – Clerk - JTJ

**AU16/24      Item 1 – Apologies**

Apologies were received from Andrew Ashley.

**AU16/25      Item 2 - Minutes of the Last Meeting**

RESOLVED that the minutes of the meeting of the Committee held on the 5<sup>th</sup> July 2016 were signed as a correct record.

**AU16/26      Item 3 - Matters Arising**

There were no matters arising not covered by other items on the agenda.

**AU16/27      Item 4 - Confidential Business**

RESOLVED that Item 8.2 should be treated as In Commercial Confidence until formally approved by the Board in December and that there were no items that should be classified as Part II.

NOTED that no declarations of interest were made at the meeting.

**AU16/28      Item 5.1 – Internal Audit Annual Report for the year ended 31 July 2016**

AC introduced the Internal Audit Annual Report informing Governors that, based on the audit work conducted during the year; the Head of Internal Audit had provided an unqualified opinion that the organisation has an adequate and effective framework for risk management, governance & internal control. The basis for this opinion considered the assurance audits carried out, the level of recommendations made and good progress in the implementation of recommendations made in the prior year.

**The Committee APPROVED the Internal Audit Annual Report for the year ended 31 July 2016 and AGREED to RECOMMEND its adoption by Corporation.**

**AU16/29      Item 6.1 – Internal Audit 2016/17 – Human Resources – Joining, Leaving and Induction Processes**

AC proceeded to introduce the Internal Audit Report on Joining, Leaving and Induction Processes carried out by Human Resources reporting that the Committee could take substantial assurance that controls in this area are suitably robust and operating effectively. Governors discussed the single Medium recommendation made that the IT department be made aware of staff departures more quickly so that access to IT systems can be removed. NC informed Governors that the College's IT systems could not be accessed remotely without specific software and that there had been no reports of any former staff attempting to access systems or that data had been lost. NC concluded that the automated system to close leavers' accounts through FIM was being replaced by an in-house system and this would complement the recent updates to the HR system which would also support this process. Additional manual checks have also been instigated.

Governors then discussed the controls in place regarding DBS checks and the controls in place to allow, by exception, staff to start work before the full DBS check has been returned.

**The Committee NOTED the Internal Audit Report on Joining, Leaving and Induction Processes.**

**AU16/30      Item 7.1 - Internal Audit Progress Report 2016/17**

AC then informed governors that only the report on Joining, Leaving and Induction Processes had been completed and there was no other progress to report apart from the firm's adherence to the timetable.

**The Committee NOTED the Internal Audit Progress Report for 2016/17.**

**AU16/31      Item 8.1 – College Group Audit Completion Report**

CE introduced his successor as engagement leader for the external audit, Ms Katie Skea, to the Committee and informed Governors that he would be retiring in the next few months and that KS had worked with him for the last two years on the College audit as a senior manager, and would be taking over the account.

CE then introduced the College Group Audit Completion Report for year ended 31st July 2016. He told the Committee that there had been no changes made to the audit plan and that all work had been completed as expected and no significant issues identified. The purpose of the report is to provide assurance that the draft financial statements prepared for Corporation approval in December provide a true and fair view of the College's state of affairs. CE went on to highlight that two small adjustments had been made to the figures presented, totaling £22k which reduced the deficit and that there were a further two adjustments, coincidentally also totaling £22k, which were unadjusted, that would otherwise increase the deficit. CE confirmed that Francis Clark was able to give an unqualified audit opinion within the normal accepted audit caveats.

CE then outlined the changes to the accounts necessitated by the introduction of FRS 102 and confirmed that the adjustments regarding holiday pay and the

LGPS pension cost had been considered in detail by Francis Clark, including recalculation and checking to source documentation, and were judged to be reasonable. Governors then discussed the work carried out by the College to address the accounting issue highlighted in the previous year concerning the recognition of land in fixed assets, noting that the College had calculated an estimated land value as at the date of adoption of FRS15, being 31 July 1998. This had been disclosed in the FRS 102 adjustment narrative. CE confirmed that the resultant increase of £500k in College reserves was reasonable.

CE confirmed that there were no regularity issues identified with income being deployed for the intended purposes. Moving on to Impairments, CE informed Governors that the reduced carrying value of Estover Technology Centre and the Goschen site required recognition in the accounts and confirmed that this had been done correct, and that the resulting carrying values of the respective assets were not materially different from the recoverable amount.

CE then confirmed that the STEM Centre Project was proceeding to plan and that all expenditure to 31<sup>st</sup> July 2016 had been appropriately recorded in the accounts. In conclusion CE confirmed that the College's current financial position and the assumptions underlying its budget and cash flow forecast for future years meant that its status as a Going Concern was not in doubt. In particular, CE added that no issues had been found with compliance with bank covenants.

Governors then discussed the adjustments made to the accounts and the unadjusted errors. The more significant of the two unadjusted errors arose as a result of the FRS 102 requirement to recognise all non-government grants under the performance method rather than the accrual method which the College has, traditionally, followed in line with the FE sector as a whole. CE explained that retaining accruals accounting method had been discussed at the earlier audit planning meeting and agreed on the basis of materiality.

CE then proceeded to outline progress made to date in the audit and confirmed that all deadlines had been achieved and it was expected that the final sign off would be achieved within the agreed deadline. NC commented that the College was content with Francis Clark as its external auditors.

CE then gave a brief report on Francis Clark's independence and confirmed that there were no conflicts of interest not reported.

Governors then discussed the College's benchmarked position and commented that the table provided by CE was very useful and gave a clear idea of the position of the College within the FE sector.

There then followed a discussion on the increasing deficit on the Local Government Pension Scheme (LGPS) which had occurred due to a decrease in the actuary's assumption for discount rate by 1.2%. NC reminded Governors that the SFA do not take account of pension liability and associated non-cash pension charges posted through the Statement of Comprehensive Income and that the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was one of the three main indicators of financial health going forward.

The Chair commented that the College's restructuring over the last few years, although painful, has meant that its current position is sustainable moving forward and that the impact of funding reductions and decreased recruitment on

staff and students has been kept to a minimum, which is unlike the position other Colleges in the sector are finding themselves in.

**The Committee AGREED to RECOMMEND the College Group Audit Completion Report to Corporation.**

**AU16/32 Item 8.2 – In Commercial Confidence**

**AU16/33 Item 8.3 – Audit Completion Report for Achievement Training Ltd**

CE then introduced the ATL audit completion report for information and asked Governors to note that no concerns had been identified.

**The Committee NOTED the Audit Completion Report for Achievement Training Ltd**

**AU 16/34 Item 9.1- STEM Grant Funding – Accountant Reports**

NC presented the Accountant Reports for STEM grant claims made in the period to 31 March 2016 and informed Governors that Francis Clark had confirmed that all claims in this period met the conditions of the Grant Letters associated with the Regional Growth Fund and the Heart of the South West LEP. NC confirmed that no concerns had been raised by either funding partner on receipt of the Reports.

**The Committee NOTED the accountants' reports on STEM Grant Funding**

**AU16/35 Item 10.1 – Internal Audit: Action Monitoring Report**

NC introduced the action monitoring report informing the Committee that two items were still outstanding, one of which was overdue. Both of these related to IT, namely disaster recovery arrangements once Goschen site is released and the procurement of software to automate alerts on the firewall. NC confirmed that the College had identified suitable software and that it would be procured in the second quarter of the financial year. NC explained that the product once installed will then need to be customised to identify the particular set of potential vulnerabilities, as it was more complex than 'plug and play'. The Chair asked who would be doing the commissioning and NC responded that the majority would be done in-house.

NC continued that the action plan from the LEAN workshop on Central Admissions has been fully implemented and that the Admission Conversion Rate from application received to offer made has increased by 6% as a result of the new processes introduced. The subsequent conversion of offer to accept places remained at 98%. The Chair asked for clarification as to quantitative outcomes and NC responded that against a backdrop of a reduced volume of applications, an improved conversion meant that the number of accepted places at College had been maintained. Governors discussed the usefulness of the LEAN reviews commissioned by the College and agreed that they should continue, noting that the Audit Plan for 2016/17 had made such provision.

NC concluded her report by referring to the Funding Assurance audit where there had been some confusion during the transition from legacy student documentation when confirming residency status. NC confirmed that the new single Learning Agreement form was the only documentation in use for 2016/17.

**The Committee NOTED the Internal Audit: Action Monitoring Report.**

**AU16/36 Item 10.2 – Other Audit Reports Monitoring Report**

**The Committee NOTED that there were no issues outstanding in the Other Audit Reports Monitoring Report.**

**AU 16/37 Item 11.1 - Review of the College Risk Register**

NC introduced the review of the College Risk Register and asked members to note that the risk rating for recruitment (2a) had been increased to reflect the continuing decline in post 16 numbers and that the risk for success performance indicators(3a) had been reduced to reflect the recent Ofsted outcome and the monitoring role of the Performance & Standards Committee. The risk relating to a pandemic (14b) has also been reduced to reflect the business continuity plans and active testing in place. NC informed the Committee that the introduction of the Apprenticeship Levy had necessitated an additional risk (11b) being added to the register alongside the risk associated with employer engagement.

Governors discussed the changes and AC asked for clarification of the fact that the inherent risk seemed, in some cases, to mirror the residual risk. NC responded that despite a range of applied mitigating actions some risks were such that there was not enough change in the assessment of inherent and residual risk to result in reclassifications between the three broad categories of High, Medium and Low.

**The Committee APPROVED the Review of the College Risk Register and AGREED to RECOMMEND its adoption by the Corporation.**

**AU 16/38 Item 11.2 – Risk Management Annual Report**

NC introduced the Risk Management Annual Report 2015/16 and reminded Governors that the report provides assurance to the Committee that Corporation can sign off the risk statement in the financial accounts. NC referred to the introduction during the year of KPI dashboards at both Finance and Performance & Standards Committees which allowed Governors to quickly identify areas for improvement or presenting risk, and monitor subsequent improvement. NC confirmed that, on the basis of the work completed on risk assessment and management activities, drawing evidence from conclusions already provided by internal and external auditors amongst others, the College's whole system of internal control was adequate and that the College adhered to the FE sector requirements of JACOP.

**The Committee NOTED the Risk Management Annual Report.**

**AU 16/39 Item 12.1 - Audit Committee Annual Audit Report**

NC proceeded to introduce the Audit Committee Annual Report highlighting the positive reports received from the College's auditors and the challenge provided by engaged and effective governors. Governors discussed the report and agreed that it should go to the Board for adoption.

AC added that it was in his experience unusual to make reference of the wider review work undertaken by the Committee and praised the College for highlighting these matters.

**The Committee APPROVED the Audit Committee Annual Audit and AGREED to RECOMMEND its adoption by the Corporation.**

**AU 16/40      Date of the Next Meeting**

The next meeting of the Audit Committee will be held on Wednesday 8<sup>th</sup> March 2017 in room K021 commencing at 4.30pm.

The Chair, on behalf of the Audit Committee, expressed his thanks to Charles Evans for his positive contribution to the external audit process and the professionalism he brought to the Committee and wished him well in his retirement.

There being no other business the meeting closed at 6.05pm.

SIGNED \_\_\_\_\_ DATE \_\_\_\_\_