

CITY COLLEGE PLYMOUTH
CORPORATION AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE CORPORATION AUDIT COMMITTEE HELD ON
MONDAY 2nd JULY 2018 AT 4.30PM IN ROOM K021

Prior to the full Audit Committee meeting commencing there was a short session where Governors had an opportunity to discuss matters with the internal and external auditors without College Staff being present.

The meeting started at 4.50pm when the Deputy Principal joined the meeting.

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

IN ATTENDANCE: Ms Nicola Cove – Deputy Principal – NC
Ms Katie Skea – FC – KS
Mr Alastair Campbell – RSM – AC
Mrs Julia Tindall-Jones – Clerk - JTJ

AU18/12 Item 1 – Apologies

Apologies were accepted from Andrew Ashley, all other members were present.

AU18/13 Item 2 - Minutes of the Last Meeting

RESOLVED that the minutes of the meeting of the Committee held on the 7th March 2018 were signed as a correct record.

AU18/13 Item 3 - Matters Arising

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

AU18/14 Item 4 - Confidential Business

RESOLVED that there were no items that should be treated as In Commercial Confidence and that there were no items that should be classified as Part II.

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

AU18/15 Item 5.1 – Internal Audit Report – Freedom of Information (FOI)

AC presented the internal audit report on Freedom of Information Request Management and confirmed that there was a robust control framework in place to process FOI requests and that it was consistently applied and external timescales met. No

management recommendations had been made. PB asked where FOI requests came in to the College. NC responded that they were received in many parts of the College but were channelled to the College's Legal Officer for coordination of response.

The Committee NOTED the Internal Audit Report – Freedom of Information.

AU18/16 Item 5.2 – Internal Audit Report – Core Financial Controls – budget monitoring and control of consumables

AC presented the internal audit report on Core Financial Controls – budget monitoring and control of consumables and confirmed that there was a robust control framework in place and that it was consistently applied and no management recommendations had been made. Governors discussed the stock control in hairdressing and agreed that some minor inaccuracy was likely as it was a training environment but that the risk was low and mitigated sufficiently.

The Committee NOTED the Internal Audit Report – Core Financial Controls – budget monitoring and control of consumables.

AU 18/17 Item 6.1 - Internal Audit Progress Report 2017/18

AC reported that the audit plan for 2017/18 was complete apart from the delivery of a lean review which had not been possible because of RSM staff departures.

Referring to the briefings AC commented that the Audit Code of Practice had been amended to reflect the requirement that staff governors should not be members of the Audit Committee. Governors discussed this new rule and noted that this was guidance and not a mandatory requirement. When asked, AC confirmed that other Colleges had challenged this and had assessed any possible conflict of interest as manageable and had decided to retain their staff members. Governors discussed this approach and agreed that it was useful to have a staff governor on the Audit Committee and that no changes should be made at this point. NC commented that as neither of the staff governors were in management positions any minor conflict of interest could be managed appropriately. AC responded that this irregularity would require explanation in the regularity report for 2018/19 and this requirement was accepted

The Committee NOTED the Internal Audit Progress Report for 2017/8.

AU 18/18 Item 7.1 - Internal Audit Needs Assessment (Strategy for Internal Audit)

AC introduced the Internal Audit Plan for 2018/19 asking Governors to note that risk based assurance reports would be prepared on Strategic Planning, Corporate Governance, Financial Controls (purchase ledger and payroll), Achievement Training Ltd, and Teaching Staff Utilisation. NC commented that the proposed programme reflected the changes in senior leadership and leaves a few days' contingency for the CEO or new Director of Finance to utilise as required. It was confirmed that if the contingency days were not utilised that RSM could still provide the usual assurance report. AC further added that the programme was risk responsive and could be changed if required.

The Committee APPROVED the Internal Audit Needs Assessment for 2018/19.

AU 18/19 Item 8.1 – Francis Clark – External Audit Plan for the year ended 31 July 2018

KS introduced the external audit plan for the year ended 31 July 2018 and gave a brief overview of the audit approach including the requirement to identify any new audit risks; review controls and the work of the internal auditors; set materiality; and test the balance sheet and statement of comprehensive income.

KS informed the Committee that the review of the College's Financial Statements would focus on the following areas:

- Income
- Pay
- Non Pay
- Fixed Assets
- Deferred capital grants
- Accrued and deferred income, and possible clawback
- Pension funding disclosures

KS confirmed that the Assurance Report on Regularity (spending in accordance with funding requirements) would be included in the financial statements as usual. Audit testing would include examining internal audit reports, consider the systems in place for complying with the conditions attached to material grant funding streams; consider the strength of the College's expenditure approval systems and perform substantive tests in areas of higher regularity/ propriety risk, such as staff expenses, the use of credit cards and any staff severance arrangements.

The resulting Audit Completion Report would be brought to the November Audit Committee for scrutiny prior to the Board signing off the Financial Statements in December.

Regarding materiality, KS confirmed that this was set at £269k but as usual smaller potential adjustments of £10k and over would be fed back.

KS then outlined the audit risks that would be addressed in particular the valuation of Goschen, retentions relating to STEM 2 and the College's assessment of Going Concern. KS commented that the risk associated with the change of CEO and DP had also been added

Governors discussed how the Goschen risk would be addressed and asked whether the £1.3m depreciated cost value was still correct? NC responded that if an offer was accepted below the £1.3m then the impaired value may require adjustment but the most recent valuation (Sep 2015 £1.46m) made it unlikely that a significant impairment would be required (a significant impairment was recognised in the 15/16 accounts when the plan to relocate from Goschen was first confirmed). NC confirmed that there would be no impact on ESFA's financial grading as depreciation and release of deferred capital grants are excluded from the calculations. Governors discussed the disposal plans in more detail and asked whether there would be any movement before the end of the financial year. NC confirmed that this was unlikely.

KS continued with the £281k retention works associated with STEM which would still show as a liability at year end. NC commented that this would be covered from the College's own funds and that it was expected to be cleared by October once the final snagging had been completed by Kier and signed off by Project Managers / QS.

KS then informed the Committee that the audit would consider whether the College could be classified as a Going Concern particularly in light of the operational deficit, the new debt for STEM 2, and cash flow challenges re the non-disposal of Goschen. KS added that the fact that student recruitment was up, the ESFA had agreed that the College was Satisfactory in their financial grading and that the loan covenants were being met would be seen as positive factors in their Going Concern deliberations. KS then referred to the audit team checking the reasonableness of the assumptions made regarding funding incomes and student numbers and the sensitivity of the Goschen sale to cash flow projections.

KS then referred to the impending change in senior management and assured the Committee that the audit team would work closely with the Head of Finance and her team to mitigate as far as possible the potential loss of knowledge and operational disruption in the preparation of the final accounts and the audit work. KS commented that it was very important that the incoming CEO should satisfy himself of the accuracy of the final accounts to enable him to sign them off at the end of the year as Accounting Officer.

Moving to the last risk, KS informed the Committee that the Triennial Review of FRS102 had identified the requirement for gift aid payments to be made via an annual deed of covenant and that both ATL and the College were affected by this. NC confirmed that this requirement was in hand and would be brought to the Corporation for approval and signature and the deed would be in place before the end of the financial year.

Governors then discussed the timetable for the audit and NC confirmed that it was appropriate and that the College would be audit ready as usual.

The Committee APPROVED the external audit plan in respect of the year ending 31 July 2018.

AU18/20 Item 9.1 – STEM Grant Funding – accountant's reports

NC informed the Governors that accountant's reports had been sent to the College's funding partners for STEM (LEP and RGF) confirming that funding had been spent appropriately and that any other targets reported were evidenced.

The Committee NOTED the accountant's reports issued during 2017/18 to STEM funding partners as part of grant compliance requirements.

AU18/21 Item 10.1 – Subcontracting Assurance Report

NC introduced the Subcontracting Assurance report prepared by Bishop Fleming to meet the requirement of the ESFA that colleges with subcontractors for provision over £100k should be reviewed by an external agency. NC confirmed that ATL was

the College's only subcontractor and that the report had identified no issues. Governors then briefly discussed the definition of a sub-contractor and agreed that the risk of the College position with only one major subcontractor was fully mitigated.

The Committee NOTED the Subcontracting Assurance Report for 2017/18.

AU18/22 Item 11.1 – Internal Audit: Action Monitoring Report

NC introduced the Internal Audit Action Monitoring Report which demonstrated that all actions had been completed within deadlines.

The Committee NOTED the Internal Audit: Action Monitoring Report.

AU18/23 Item 11.2 – Other Audit Reports Monitoring Report

NC reported that there were no actions outstanding.

The Committee NOTED the Other Audit Reports Monitoring Report.

AU18/25 Vote of Thanks

The Chair and Committee Members thanked Nicola Cove for her help and support to the committee over many years and wished her every success in the future.

AU18/24 Date of the Next Meeting

The next meeting of the Audit Committee will be held on Tuesday 13th November 2018 in room K021 commencing at 4.30pm.

There being no other business the meeting closed at 6pm.

SIGNED _____ DATE _____