

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
OF CITY COLLEGE PLYMOUTH HELD ON 18 NOVEMBER 2019
COMMENCING AT 1600**

APPROVED

Present: Adam Croney (Chair)
Andrew Ashley, Governor
Paul Brunt, Specialist Non-Governor
Ed Coley, Governor

In Attendance: Adam George, RSM
Lorraine Hill, Chief Finance Officer
Katie Skea, Francis Clark
Sandra Wilson, Head of Finance
Liz Wiltshire-Meads, Clerk

A/19/30 Apologies for Absence, Declarations & Quoracy
Apologies were received from Jackie Grubb, Principal.

A/19/31 Minutes of the Meeting of the Audit Committee held on 30 September 2019
RESOLVED: The Minutes were approved as a correct record and signed by the Chair.

A/19/32 Action Annex
There were no matters arising.

A/19/33 Confidential Items
RESOLVED: That agenda item 7 was required to be dealt with In Commercial Confidence.

A/19/34 Strategic Risk Register Review
The Chief Finance Officer (CFO) introduced the Risk Register and noted that following the College Leadership Team (CLT) monthly review Risk 5 (College Financial Health & Objectives not achieved) had been updated to reflect the pending maternity leave of the Management Accountant (Deputy to Head of Finance) and the need to begin succession planning for the Head of Finance, whilst control actions were in place the residual risk has been increased from 12 to 16. The residual score remains Amber and would continue to be reviewed by Senior Leadership Team (SLT). The assurance for the whole risk had been updated to include the reviews from the ESFA, Banks and Internal Auditors.

Following questions from Committee members it was further noted that:

- a) there had been a sharp drop in the risk of the marketing strategy from 27 down to 12;
- b) there needed to be a robustness in the moderation of risk scoring and for assurance to be provided to the Committee that there was a consistency of scores, through moderation of different teams.

The Committee NOTED the report.

A/19/35 Internal Audit Report 2018/19

The CFO outlined to the Committee that since the last meeting the following the FEC visit on 5 November 2019 and a requirement to reflect an updated Internal Audit opinion based on progress made since 2018/19. A review of the Risk Management and Board Assurance Audit was commissioned; the aim was to review the progress made and actions closed. The outcome of the review was that Good Progress had been made since the audit was carried out in July which has resulted in an improved Internal Audit annual opinion of Reasonable Assurance which reflected the current College position.

The Internal Auditors noted that since the last meeting of the five actions from the Risk Management and Board Assurance Audit, four were complete and one had been downgraded. It was noted that embedding was still needed but the position was a vast improvement of process.

The Committee noted that the Internal Audit opinion was now the second level of assurance that the College had an adequate and effective framework for risk management, governance and internal control, however the internal audit work had identified further enhancements to the framework for risk management, governance and internal control to ensure that it remained adequate and effective.

RESOLVED: To APPROVE the Internal Audit Report for the year ended 31 July 2019 and RECOMMEND its adoption by the Corporation.

A/19/36

Internal Audit Progress Report 2019/20

The internal auditors noted that some agreed dates for the year had proposed amendments and were being discussed with the Executive, as well as a request to merge the funding assurance audits due to the implications of new software. There was a query on the number of days needed for the Safeguarding and Prevent review.

The Chair noted that the target Audit Committee dates for reporting should be kept to as much as possible.

The Committee NOTED the report.

A/19/37

Internal Audit Tracking Report

The CFO introduced the new internal audit action tracker which recorded the progress made against all recommendations.

The Chair noted that the report should be a standing item on the agenda and that it ensured that the loop for monitoring all actions was closed off.

The Committee NOTED the report.

A/19/38

Annual Report of the Audit Committee 2018/19

The Clerk introduced the report which summarised the activity of the Committee during 2018/19. The Chair noted that the report provided a feedback loop to the Corporation to provide assurance that the Committee was fulfilling its terms of reference.

ACTION: Outstanding actions to be updated before reporting to Corporation.

RESOLVED: To APPROVE the Annual Report of the Audit Committee 2018/19 for submission to the Corporation.

A/19/39

External Auditor's Management Letter, Letter of Representation &

Financial Statements for the year ended 31 July 2019 - City College Plymouth, and Achievement Training.

Francis Clark noted that the College had made an operational surplus of £775k with a deficit of £974k, with a Group deficit of £1,035k. This was as a result of £2,074k pension contribution. There had been two adjustments made in terms of additional surplus of ATL, and amortisation of goodwill. The end result was a significant positive swing in the financial performance of the College and a very positive outcome for the year, with a significantly better result than the previous year.

Francis Clark then presented their report and highlighted the significant audit risks which were: management override of controls; revenue recognition; Goschen; going concern. In terms of Goschen, in terms of regularity, FC noted that *“cumulative impairment losses of £2,041k had been realised in relation to this asset, over and above the annual depreciation charges. While the losses were significant, FC understood the importance of selling this asset and releasing cash. Further, though a quick, convenient sale was sought, FC appreciated that the proceeds realised were unlikely to be materially different from what would be expected from an alternative sale. FC also acknowledged that the College had some protection from the risk of a more profitable on-sale by the buyer as 60% of the ‘profit’ would revert back to the College if sold within 3 years. On balance and with consideration of the financial and operational position of the College, FC were satisfied that the Board had properly considered ‘value for money’ for the College.”*

Other accounting matters considered were: regularity; changes in key management personnel; related party transactions; and LGPS. The report noted that the son of the Corporation Vice Chair was a cabinet member for Education, Skills and Transformation at Plymouth City Council (PCC) and concluded that additional wording be included in the accounts as follows:

“Transactions routinely occur between the College and the local council. As such, we review, consider and report on non-routine transactions only. There have been no non-routine transactions in the year requiring disclosure.”

ACTION: Summary Register of Interests to be included as a standing item on Corporation and Committee agendas, under the declaration of interest disclosure.

RESOLVED: To NOTE the Audit Completion Report for the College.

Francis Clark then took the Committee through the ATL audit completion report and noted that there were no issues of fraud and that in the current year there were no going concern indicators. Adjustments to the financial statements included recognition of College funding of £725k.

The Link Governor for ATL noted that ATL as a business needed investment and highlighted the need that ATL fulfilled with a different type of clientele to the College. The separate identities of the College and ATL were advantageous to both parties and students. The Committee noted that it was financially prohibited for the College and ATL to merge as ATL had its own allocations for adult funding. The set up for gift aid between the College and ATL was the same for all charities and subsidiaries across the country. Francis Clark noted that there was a legal Deed of Covenant in place for ATL to give up taxable profit to the College which had to be paid within nine months.



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ACTION: Risk to be captured for the development and growth of ATL in terms of their cash and autonomy given the covenant on gift aid.

ACTION: Committee Chair to pick up ATL Link Governor with the Corporation Chair to ensure the link was not lost.

RESOLVED: To NOTE the Audit Completion Report for the College.

The Committee noted the Financial Statements for the College and ATL which would be considered in detail by the Finance Committee..

RESOLVED: To RECOMMEND Financial Statements for the College Group to the Corporation for signing and submission to the ESFA.

A/19/40 Regularity Self Assessment 2018/19

The Head of Finance introduced the report and noted that there had been no major updates to the proforma with standard compliance questions for which the College provided evidence to show how it complied. Evidence was collated in a hard copy file and had been subject to external audit. The audit showed that the College was compliant.

RESOLVED: To RECOMMEND the Regularity Self Assessment to the Corporation for signing and submission to the ESFA.

The Executive thanked both the Internal and External Auditors for their prompt attention and efficiency of audits. The CFO noted that the Further Education Commissioner had recommended signing the College off after the visit on 5 November 2019.

The Chair on behalf of the Committee thanked the internal and external auditors, and the CFO, Head of Finance and team for all their hard work and the improved positive outcome.

A/19/41 Item considered In Commercial Confidence

A/19/42 Date of next meeting and goodbyes

The date of the next meeting was scheduled on Monday 24 February 2020 at 5.00pm in KS301. The Chair thanked Andrew Ashley, Governor and Liz Wiltshire-Meads for their contributions to the Committee.

SIGNED _____ **DATE** _____