

AUDIT COMMITTEE ANNUAL REPORT

1. This Audit Committee Annual Report covers the financial year 1st August 2014 – 31st July 2015 and produced as recommended by the Joint Audit Code of Practice.
2. The members of the Audit Committee **for the year** were:-
Mr. W. Woyka (Chair)
Mr. A. Ashley
Mr I Brokenshire (co-opted, resigned 17 November 2014)
Prof P Brunt
Prof P Odulinski (Co-opted, 7 July 2015)
Mrs L Harrop (resigned 27 May 2015)
Mr J. Wilson (resigned 14 March 2015)
3. Meetings were held on 17 November 2014, 24 March 2015 and 7 July 2015. All meetings were quorate. The Committee's Annual Report will be presented at the meeting on 2 December 2015. Members achieved an attendance of 71% during the year. In all instances, prompt apologies were received from Members when unable to attend meetings.
4. Internal Audit was again provided during the year by RSM (formerly Baker Tilly).
In their Annual Report for 2014/15, RSM concluded that the College has adequate and effective governance, risk management and control processes to manage the achievement of objectives. RSM also concluded that these areas were 'green' and that the assurances drawn from their work were unchanged from the prior year.
In reaching this opinion, the following key factors were taken into particular consideration:-
 - The positive results of all internal audits undertaken during the year ended 31 July 2015 with no systematic weaknesses identified;
 - The positive results of follow-up action taken in respect of audits from previous years;
 - During the year, a review of the College's assurance arrangements in place for Health and Safety took place, specifically to test the robustness and support for the assurances received by senior management, the Audit Committee and Corporation. The review concluded that the assurance mechanisms were well established and could be relied upon by the College.

- There were no high priority recommendation made, and all recommendations made were accepted by management for implementation;
 - There were no material changes in the organisation's objectives or activities;
 - There were no limitations placed on the scope of internal audit or resource constraints imposed which may have impinged on their ability to meet the full internal audit needs of the organisation.
5. The financial statement auditors, Francis Clark, presented their Audit Completion Report for 2014/15 and this was reviewed at the 2 December 2015 meeting. The Audit Committee reviewed and agreed the external audit plan for the year 2014/15 on 7 July 2015.

The final regularity report is based on work undertaken by Francis Clark and is incorporated in the Financial Statements.

The external auditors completed a full and thorough audit of the College activities. Francis Clark audited the financial statements of the College in accordance with International Standards on Auditing (UK & Ireland). An unqualified audit opinion has been issued. Furthermore, in line with the requirements of the SFA, an unqualified Regularity report has been issued for inclusion within the financial statements of the Group, for the 12 month period to the 31 July 2015.

6. Representatives of the audit firms attended regularly at meetings of the Audit Committee. Co-ordination of the audit process was achieved with openness and co-operation between the two firms and the College's staff.
7. In addition, the Audit Committee also reviewed, discussed and made recommendations in the following areas:
- The Committee, aided by the Deputy Principal and Head of Finance, oversaw the re-tender of audit services for both internal and external audit. Following an extensive process, RSM (formerly Baker Tilly) and Francis Clark were appointed as internal and external audit service providers (respectively) at the March 2015 meeting.
 - In considering the effectiveness of marketing, suggested that the 6 monthly Enterprise Report should include feedback on the impact of marketing on recruitment and College reputation.
 - Considered the Post Audit Letter from Francis Clark, auditors to Achievement Training Limited;
 - The Risk Management Annual Report was reviewed by the Audit Committee and it considers the approach taken by managers to be sound;
 - Reviewed the Committees Terms of Reference in light of the specific responsibilities articulated in the Joint Audit Code of Practice (JACOP PT2) and recommended a small number of updates to the Corporation for approval. The Committee discussed the requirement to submit the annual report to the SFA and were assured by the Deputy Principal that this happened anyway, and was not an onerous task.

- In considering the report on Health and Safety, noted the 'Assurance Review' methodology and commented that the approach provided genuine assurance that the Board was receiving accurate and validated reports. The Committee commented favourably of the inclusion of type of review within the future Strategy for Internal Audit.
 - Discussed the impact of SORP 2015 and the work required to meet it and agreed that it had confidence in the College approach to carrying out preparatory work prior to its full implementation in July 2016.
 - In light of recent world events, the Committee enquired if the College had an anti-hostile intruder procedure, which it did not specifically. College Management agreed to draft a lockdown procedure and report to Corporation in due course.
8. The College has continued to use the tracking and reporting system for issues raised by auditors other than RSM. College management report at each Committee on the progress made in addressing these issues and the report / actions contained therein are scrutinised by the Audit Committee.
 9. In accordance with the financial memorandum, the Annual Report will be submitted to the SFA along with the College's annual financial statements, finance record, external auditor's management letter and internal audit annual report. These documents must be received by the SFA before 31 December 2015.
 10. During the year, the Committee members have demonstrated effective and informative challenge and review of the work undertaken by both College Management and Auditors. All Committee members engage fully in meeting discussions and are suitably well versed to provide the expected level of independent, authoritative and objective consideration of sometimes complex issues.
 11. In 2014/15, the College has reported a small surplus, following a period of deficit. The College has proactively managed its cost base and has aligned staffing levels to delivery requirements whilst maintaining high quality teaching, learning and assessment, and student outcomes. The College carefully monitors cashflow through daily and weekly cashflow forecasts and reports against loan covenants within the monthly management accounts. Plans are monitored regularly by the Board.
 12. Based on evidence presented to the Committee, the College appeared to have adequate and effective audit arrangements and processes for risk management, control and governance which ensured that public funds were safeguarded.

SIGNED
 CHAIR OF AUDIT COMMITTEE

DATE: 2 DECEMBER 2015