

## CENTRAL COLLEGE NOTTINGHAM

### AUDIT COMMITTEE

#### MINUTES OF THE MEETING HELD ON 26 NOVEMBER 2013

**Present:** Bill Colley (Chair) )  
Richard Cox ) External  
Clive Rix )  
Stephen Russell )  
Roger Fletcher Staff governor

**In attendance:** John Snow Vice Principal (Corporate Services)  
Steve Clark KPMG (external auditor)  
Tony Felthouse KPMG  
Amjad Ali Baker Tilly (internal auditor)  
Ian James Clerk to the Corporation  
Sarah Jones Observer (Audit Chair, Calderdale College)

#### APOLOGIES FOR ABSENCE

10 There were no apologies (all present).

#### DECLARATION OF INTERESTS

11 The Clerk asked the governors to declare any interests they may have in items to be discussed at the meeting. No declarations were made.

#### APPOINTMENT OF CHAIR

12 The Clerk reported that Bill Colley was prepared to continue in the Chair although his term of office as a governor was due to expire on 31 July 2014. Bill had yet to decide whether he was able to accept a further term of office as a governor owing to personal circumstances.

13 **Resolved** that Bill Colley be appointed Chair of the Committee until the first meeting in the 2014/15 academic year and that the matter be raised at the July 2014 meeting should he be retiring from the Board

#### MEETING WITH AUDITORS

14 The Committee met routinely with the auditors to provide an opportunity for either the auditors or the governors to raise any issues of concern in the absence of College management. No issues were raised.

#### MINUTES OF PREVIOUS MEETINGS

15 **Resolved** that the minutes of the meetings held on 11 July and 19 September 2013 be approved as correct records and signed by the Chair

*Internal Audit Annual Report (minute 90)*

16 The Internal Auditor presented the final version of the Annual Report providing his opinion on the College's risk management, governance and internal control. The report gave

a positive opinion with risk management and governance both being graded as 'green' whilst internal control was rated as 'amber' in view of recommendations made by the auditor during the year proposing improvements in the control environment.

## **INTERNAL AUDIT**

### **Marketing**

17 The internal auditor submitted a report on the recent audit of marketing which had attracted a 'green' rating (substantial assurance). Two low priority recommendations had been made which had been accepted by management.

18 Asked whether the recent reduction in the number of senior postholders had impacted negatively on the College's marketing capability, the Vice Principal advised that the College had in place a qualified Head of Marketing, had recently agreed to increase staffing in the area and that the internal audit review had taken place after the senior management changes.

## **SFA FUNDING AUDIT MANAGEMENT LETTER**

19 The Committee received the management letter arising from a recent audit of the College's SFA funding from which it was reassuring to note that there had only been a very small adjustment required amounting to £13,346. Although there were a number of recommendations for improvement, none of these was regarded as significant based on the level of funding reclaimed. The Chair expressed the Committee's appreciation for this outcome which was a source of assurance for the governors regarding the College's internal control systems.

## **RISK MANAGEMENT UPDATE**

20 The Vice Principal submitted the risk management update intended to enable the Committee to monitor progress with the College's risk management processes. The format was relatively new to the Committee and governors expressed the view that it would be useful for them to see not only red risks but also amber risks that were increasing and may be likely to turn red. The Vice Principal undertook to explore whether it was possible to extend the report to include the 'direction of travel' of risks.

## **EXTERNAL AUDITOR'S MANAGEMENT LETTER**

21 The external auditor presented the management letter arising from the financial statements and regularity audits for the financial year 2012/13. The Committee also received the usual Letters of Representation. The auditor drew attention to a number of issues that remained to be completed before the audit could be finalised.

22 The auditor raised several issues of concern arising from the audit and the Committee discussed these at length. The governors were somewhat alarmed by a view expressed by the auditor that the Bank may require an Independent Business Review to be undertaken (at considerable expense to the College) on the basis of its financial position. Briefly, the key issues were:

- Breach of Bank covenants at 31 July – written confirmation was awaited from the Bank that it would waive the breach, verbal confirmation having already been received
- The underlying trading position of the College had worsened to a trading deficit of £2.933m (although, due to exceptional items, there was a surplus for the year of £3.198m)

- The financial statements indicated an increase in staff headcount of 52 from the previous year

23 The Board had been kept aware during the year of the issues with the first two of these points although there was some dismay at the apparent increase in staff numbers which the Committee felt warranted explanation as it may indicate a lack of control in this area.

24 The auditor had raised four recommendations arising from the audit and these were being addressed, as appropriate, by management but none were fundamental. The management letter also drew attention to a number of developments in the FE sector which were common to all FE colleges.

25 The Committee reviewed the Letters of Representation that the Board was required to provide to the auditor and it was acknowledged that the Letters could not be finalised until the issues with the audit had been resolved.

### **FINANCIAL STATEMENTS 2012/13**

26 The Committee received the financial statements for the year ending 31 July 2013 and governors drew attention to several corrections that were noted at the meeting. They asked for the final version of the accounts to be emailed to them for review.

27 **Resolved** that, subject to the finalisation of the external audit and to the amendments required by the Committee, the Board **RECOMMENDED** to approve the final version of the financial statements for 2012/13 and to authorise the signing of the Letters of Representation

### **RECOMMENDATION TRACKING**

28 The Committee received the routine tracking report enabling them to monitor the implementation of audit recommendations. They were content that satisfactory progress was being made.

### **INSURANCE REVIEW**

29 The Committee received and reviewed the schedule of insurances. The Vice Principal advised that the insurances had been re-tendered for 2013/14 resulting in a saving of around £20k.

### **AUDIT COMMITTEE'S ANNUAL REPORT**

30 The Committee received the draft of their Annual Report to the Board which was a requirement of the Audit Code of Practice. The report summarised the work of the Committee during 2012/13 and gave an opinion on the adequacy and effectiveness of the College's risk management, governance and internal control processes based on the findings of the various audits undertaken during the year.

31 There was a debate as to whether the Committee should include in their report any reference to the issues raised by the external auditor in relation to the final accounts. The governors and the auditor felt that it would be appropriate to include some reference to these issues although the Clerk reminded the Committee that the purpose of the report was to provide the Board with an opinion on the state of the College's governance, risk management and internal control rather than to provide a commentary on the financial statements. He would amend the report to indicate the Committee's concern over the issues raised in the audit in the context of internal control and to circulate the revised version to the Committee for comments.

32     **Resolved**     that the final version of the Audit Committee's Annual Report be approved by email and subsequently submitted to the Board

#### **NEW FURTHER EDUCATION STATEMENT OF RECOMMENDED PRACTICE (SORP)**

33     The Vice Principal submitted a report for information on the new FE SORP which would have implications for the College's accounts from 2015/16.

#### **COMMITTEE SELF ASSESSMENT**

34     The Clerk submitted the summary of governors' responses to the recent Committee self assessment. The following points were noted –

- Training was required for Richard Cox as a recently appointed member of the Committee
- The Committee may wish to review the performance indicators used for auditors at the appropriate time

#### **DATE OF NEXT MEETING**

35     Thursday, 6 March 2014