



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD ON 26 NOVEMBER 2015

**Present:** Stephen Russell (Chair) )  
Richard Cox ) External  
Clive Rix )

**In attendance:** John Snow Vice Principal (Corporate Services)  
Amjad Ali RSM (internal auditor)  
Gill Hobbs Grant Thornton (external auditor)  
John Ward " "  
Ian James Clerk to the Corporation

### APOLOGIES FOR ABSENCE

23 Apologies were received from Brendan Coulson (staff governor).

### DECLARATION OF INTERESTS

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

### MINUTES

25 **Resolved** that the minutes of the meeting held on 10 September 2015 be approved as a correct record and signed by the Chair

### Insurance Review (ref: minute 21)

26 The Vice Principal would email to governors more information on the individual insurance premiums.

### ANNUAL REVIEW OF RISK MANAGEMENT & INTERNAL CONTROL

27 The Vice Principal had prepared the Annual Report on risk management and internal control covering:

- the achievement of Development Plan targets
- outcomes of internal and external audits
- the risk management process
- fraud risk
- other factors (including policy and regularity)

28 The Committee welcomed the report as providing useful background and a source of assurance for their Annual Report to the Board referred to later in the meeting. The continuing trends regarding internal audit findings were noted including the 'green' ratings for

governance and risk management and 'amber' for control. The Internal Auditor commented that the negative audit opinions given in the last few years had largely resulted from management requesting audit reviews in areas where they knew or suspected that improvements could be made. Consequently, this was an effective use of the internal audit resource albeit that it impacted on the overall control rating.

## **RISK MANAGEMENT UPDATE**

29 The Vice Principal submitted the risk management update intended to enable the Committee to monitor progress with the College's risk management processes. The Risk Management Group had met recently and the Vice Principal highlighted the changes made although no new risks had been added to the Register.

30 The Committee discussed a number of specific risks around partnership provision and property issues.

## **EXTERNAL AUDITOR'S FINDINGS REPORT AND LETTERS OF REPRESENTATION**

31 The external auditor presented the Audit Findings report arising from the financial statements and regularity audits for the financial year 2014/15. The Committee also received the usual Letters of Representation. The auditor drew attention to a few issues that remained to be completed before the audit could be finalised including confirmation of the final funding figures from the SFA and EFA.

32 The auditor drew attention to salient points in the report although there were no significant issues arising from the audit. Similarly, no significant issues had arisen during the Regularity Audit although there remained a few questions to be completed which had very recently been added by the SFA in connection with the use of capital grants.

33 However, discussions were currently in progress with the SFA regarding the accounting treatment of the College's Greythorn Drive property which was in the process of being sold. Since the sale of the property had not been concluded and was not absolutely guaranteed, the SFA classified the property as an asset held for sale having no value in the accounts. The Committee agreed with the Vice Principal that this was an extraordinary view since the property clearly had a significant value that should be accounted for in one way or another in the financial statements. Options were being examined to ensure that this did not adversely affect the College's financial health category.

34 The Committee reviewed the Letters of Representation that the Board was required to provide to the auditor and it was –

35 **Resolved** that the Board be **RECOMMENDED** to approve Letters of Representation

## **FINANCIAL STATEMENTS 2014/15**

36 The Committee received the financial statements for the year ending 31 July 2015. Attention was drawn to the statement under 'post balance sheet events' regarding the proposed merger with New College Nottingham and the governors felt that, for consistency, the same wording should be included in the financial statements of both colleges.

37 **Resolved** that, subject to the final completion of the external audit, the Board be **RECOMMENDED** to approve the financial statements for 2014/15

## **REPORT ON 'GOING CONCERN'**

38 The Vice Principal submitted a report analysing the position of the College as a 'going concern' for the next 12 months. The Committee discussed the assumptions made in the

report together with the sensitivity analysis and were content that the College remained a going concern. Further comfort in this respect had been provided in the Government's Comprehensive Spending Review which indicated that funding reductions in FE colleges were unlikely to be as severe as originally predicted.

39 However, in view of the discussion under minute 33, the Committee felt that the report should also reflect the position of the College should the accounting treatment suggested by the SFA be adopted.

### **MERGER PLANNING**

40 The Chair felt that it was important for the Committee to prepare for the possible handover of audit issues to the equivalent Committee of the merged College although it appeared that there was little preparation that could be undertaken before the date of the merger was known. The Committee would keep this matter under review with a view to making the transition as smooth as possible.

### **RECOMMENDATION TRACKING**

41 The Vice Principal presented the routine tracking report enabling the governors to monitor the implementation of audit recommendations. He provided a specific update on the internal audit recommendations relating to IT systems which the Committee had been monitoring closely as some of the recommendations dated back to 2013/14. It was intended that all of the recommendations would be implemented by the end of January 2016 and the Internal Auditor would check this through in his follow-up review, which would be carried out by specialist IT auditors shortly after the end of January 2016.

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

42 The Committee received the draft of their Annual Report to the Board which was a requirement of the Joint Audit Code of Practice. The report summarised the work of the Committee during 2014/15 and gave an opinion on the adequacy and effectiveness of the College's risk management, governance and internal control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets. This was based on the findings of the various audits undertaken and other reports received by the Committee during the year.

43 **Resolved** that the Audit Committee's Annual Report be approved

### **COMMITTEE SELF ASSESSMENT**

44 The Clerk advised that he would shortly be circulating the form for the Committee's self-assessment. He would provide a summary of governors' responses to the next meeting of the Committee.

### **DATE OF NEXT MEETING**

45 3 March 2016

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Chair

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Date