



**Minutes of an Audit Committee Meeting held on 27<sup>th</sup> November 2018 at 4.00pm**

**Held in the Boardroom at City Campus**

**Present:** John Barrett  
Dave Busst  
Peter Matthews (Chair)

**In Attendance:** Jim Edwards, Clerk to the Corporation  
Martin Harrington - Finance Manager  
Mr Paul Oxtoby, RSM UK Audit LLP  
Mr Mark Payne, Vice Principal Finance and Resources  
Robin Pritchard, Gateway Assure

**A30/18 Apologies for Absence**

Apologies for absence were received from Tony Minhas.

**A31/18 Declarations of Interest**

There were no declarations of interest.

**A32/18 Minutes of the Last Meeting held on 18<sup>th</sup> September 2018**

The minutes of the last meeting held on 18<sup>th</sup> September 2018 were approved as a true record.

**A33/18 Matters arising**

- i) Under Minute A24/18, Internal Audit - Block 3, it was confirmed that the Strategic Plan 2018-21 was approved by the Corporation at its meeting on 16<sup>th</sup> October 2018.
- ii) Under Minute A25/18, Internal Audit Plan 2018-19, it was reported that the audit review of Apprenticeships would take place in Block 2.

**A34/18 Members Report and Financial Statements Year Ended 31<sup>st</sup> July 2018**

1. The Vice Principal Finance and Resources and Paul Oxtoby, RSM UK Audit Ltd, presented the Audit Committee with the draft Members' Report and Financial Statements for the year ended 31<sup>st</sup> July 2018.
2. The external audit process is substantially complete, and the accounts were considered by the Resources Committee on 13<sup>th</sup> November 2018. The accounts show an underlying operating surplus of £586k before allowing for FRS102 charges of £1.197m and restructuring costs of £100k. Taking into account the above FRS102 charges and restructuring costs, this therefore results in a headline deficit of £711k.

3. It was reported that, subject to the final sign-off by the bank and by RSM UK Ltd, the College will have complied with its bank covenants in 2017-18.
4. The external auditors have confirmed that there are currently no instances of material irregularity, impropriety, or funding non-compliance, and the financial statements give a fair and true view of the state of the College's affairs as at 31<sup>st</sup> July 2018.
5. The financial statements of City College Coventry and Henley College Coventry from 2016-17 have been amalgamated for comparison purposes, and notes have been provided in the accounts disclosing this.
6. Governors reviewed the external auditor's statement of Corporate Governance and Internal Control, as well as the assessment of the College's risk and control framework, and received assurance that an adequate and effective framework for governance, risk management and control was in place.
7. The Going Concern judgement is that the College has adequate resources to continue in operational existence for the foreseeable future.
8. The Statement of Comprehensive Income was considered, and the Vice Principal Finance and Resources explained that the pension gain/loss figures were included in this section of the financial statements, according to the FRS102 reporting format. Within this statement, accrued annual leave has been calculated and is shown as a £500k liability.
9. Governors drew the auditors' attention to some typographical errors and minor inaccuracies, and were assured that these would be corrected in the final version.
10. The Vice Principal Finance and Resources reported that there were no events after the reporting period
11. After due consideration, Governors resolved:-
  - i) to recommend the draft Members' Report and Financial Statements for the year ended 31<sup>st</sup> July 2018 to the Corporation for approval;
  - ii) to thank the College finance team for their diligence and hard work during the first year of merger;
  - iii) to thank RSM UK Ltd for their constructive support during the financial statements' audit.

#### **A35/18 Financial Statements' Audit Findings Report Year Ended 31st July 2018**

1. Paul Oxtoby presented the Financial Statements' Audit Findings Reports for the year ended 31st July 2018, and reported that there were no major findings or issues of concern arising from the audit. Although there a few technical pieces of narrative to add to the report, these are not substantive and do not affect the overall findings.
2. It was also stated that the ESFA's statement confirming AEB clawback of £363k was awaited by the external auditors, and until this was received the accounts could not be finalised.
3. None of the areas relating to income recognition, pensions' liability, and management override of controls are a cause for concern.

4. Pension liabilities have been reviewed, and there are no issues of concern in respect of actuarial assumptions and the amounts stated.
5. To confirm, in terms of adopting the going concern basis of accounting for the financial statements, the external auditors concur that it remains a going concern.
6. There are a number of unadjusted misstatements which have been identified and reported to management, and these will be corrected accordingly.
7. During the audit and regularity work, no significant deficiencies in internal control were identified, although a few minor recommendations have been made in respect of the updated car-park lease contract, and the fixed assets' register. These have been accepted by the College.
8. No potential issues of impropriety or fraud were identified by the external auditors.
9. The draft Regularity and Financial Statements Letters of Representation were presented for consideration, and Governors reviewed them.
10. Governors queried the status of Lennartz VAT payments within the accounts, and it was confirmed that the College had previously made the final payment, and that therefore these were not part of the accounts.
11. After due consideration, Governors resolved:-
  - i) to note and approve the positive Financial Statements' Audit Findings' report for the year ended 31st July 2018;
  - ii) to recommend that the Regularity and Financial Statements Letters of Representation should be signed by the Chair on behalf of the Corporation;
  - iii) to accept the recommendations raised by the external auditors in the audit findings report.

#### **A36/18            Internal Audit Annual Report 2017-18**

1. Robin Pritchard presented Gateway Assure's Annual Internal Audit Report for 2017-18, which covered a review of the internal audit work that had been carried out during the year, along with a summary of the audit recommendations that had been agreed with College management; an annual statement of assurance; and an assessment of performance against the operational plan for 2017-18.
2. The areas reviewed in 2017-18 received positive assurance as follows:-

Area	Assurance
Contract Compliance	Adequate
Estates management	Adequate
HR (Workforce Planning)	Adequate
IT Controls	Adequate
Risk Management	Adequate
Strategic Planning	Adequate
Corporate Governance	Substantial
Key Financial Controls	Substantial
MIS System Implementation	Substantial
Enrolment	Substantial

3. Substantial assurance is defined as “The control framework is robust, well-documented and consistently applied therefore managing the business critical risks to which the system is subject”.
4. Adequate assurance is defined as “The control framework is robust and well-documented. However, the audit identified areas of non-compliance which detract from the overall assurance which can be provided and expose areas of risk.”
5. Based on the reviews undertaken, Gateway Assure’s opinion is that the College has adequate and effective risk management, governance, and control processes.
6. The recommendations arising from the internal audit reviews will be the subject of scrutiny by the Audit Committee in 2018-19.
7. After due consideration, Governors resolved:-
  - i) to note and approve the positive Internal Audit Annual Report for 2017-18.

#### **A37/18          Audit Committee Annual Report**

1. The Clerk to the Corporation reported that the Audit Committee Annual Report was currently in draft form, and, following the meeting, would be finalised to include the external audit findings report. The final draft of the report would be taken to the Corporation on 11<sup>th</sup> December 2018 for approval.
2. Governors resolved:-
  - i) to agree the Audit Committee Annual Report should be drafted and circulated to committee members for comment before being signed by the Chair of Audit Committee for submission to the Corporation at its meeting on 11<sup>th</sup> December 2018. **Action: Clerk to the Corporation**

#### **A38/18          Risk Register**

1. The Vice Principal Finance and Resources presented the overall risk register as part of Governors review of the adequacy of the College’s risk management processes and oversight.
2. Based on ‘inherent risk’ 5 out of 22 risks were RAG rated ‘Red’:
  - Failure to attract sufficient student applications for the year ahead
  - Failure to recruit sufficient students
  - Failure to retain a robust, efficient and resilient staffing base
  - Failure to maintain good industrial relations
  - Failure to provide effective IT infrastructure and equipment.
3. However, following the evaluation of controls in place, as well as mitigating actions, only one risk ‘Failure to recruit sufficient students’ is RAG rated ‘Red’ as at 31 October 2018. This reflects the fact that early enrolment indications are that the College will be below the ESFA target figure.
4. Governors discussed the enrolment numbers, and suggested that there might be an issue of planning and predicting numbers

5. The financial impact of reduced student numbers was discussed, and Governors were informed that the budget would be re-based to take account of reduced levels of income. Delivery models would have to be reviewed as part of this process.
6. The Internal Auditor stated that the College's risk management processes have developed positively and significantly since merger. The risk register is current and relevant, and is used by Resources' and Standards' Committees in overseeing specific risks. In addition, the risk register is actively used to inform the internal audit planning document.
7. After due consideration, Governors resolved;-
  - i) to agree that the College's arrangements for risk management are operating effectively, and support the wider business processes.

#### **A39/18          Audit Committee Self-Assessment**

1. The Clerk to the Corporation informed Governors that, as part of the Corporation's Governance Self-Assessment process, each committee is required to review its effectiveness and governance performance in the previous year.
2. The work of the Audit Committee during 2017-18 was reviewed, and the Clerk advised that the committee had operated properly within its terms of reference and its constitution.
3. The impact of the committee's work on the College's internal systems and controls has been positive, with a strong focus on holding managers to account for implementing agreed recommendations. The financial statements' external audit and the associated findings' report are also positive and give no cause for concern.
4. It was suggested that the good work in developing risk management processes in the College since merger now needed to be embedded and established consistently.
5. After due consideration, Governors resolved:-
  - i) to note the work of the Audit Committee in 2017-18 and the positive impact particularly on the College's internal controls;
  - ii) to agree to recommend a self-assessment grade of 'Good' as part of the Corporation's overall Governance Self-Assessment;

#### **A40/18          Date of the next meeting**

The date of the next meeting was confirmed for Monday 19<sup>th</sup> February 2019 at 4.00pm at the City campus.

#### **A41/18          Publication of Documents**

The publication of documents was approved, with the exception of Document 2 (Members' Report and Financial Statements 2017-18) and Document 3 (Financial Statements Audit - Findings Report).

Meeting commenced 4.15pm  
Meeting closed 5.50pm

JE