



Minutes of an Audit Committee Meeting held on 27th November 2017 at 4.00pm

Held in the Boardroom at City Campus

Present: Stuart Brand
Dave Busst
Tony Minhas (Chair)

In Attendance: Peter Brammall, Principal
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

A9/17 Apologies for Absence

Apologies for absence were received from John Barrett and Peter Matthews.

A10/17 Declarations of Interest

There were no declarations of interest.

A11/17 Minutes of the Last Meeting held on 18th September 2017

The minutes of the last meeting held on 18th September 2017 were approved as a true record.

A12/17 Matters arising

There were no matters arising.

A13/17 Appointment of Internal Auditor

1. The Chair reported the outcome of the tender and appointment process for the internal audit service contract until 31st July 2019.
2. Both incumbent internal auditors from City College Coventry and Henley College Coventry were invited to tender, and presentations and interviews were held on 10th November 2017 in front of a panel consisting of Tony Minhas, Peter Matthews, Mark Payne and Jim Edwards. The unanimous decision, based on expertise, experience and value for money, was that Gateway Assure should be appointed.

3. Governors resolved:-
 - i) to note the robust procurement process for the internal audit service;
 - ii) to approve the appointment of Gateway Assure as internal auditors for Coventry College with immediate effect until 31st July 2019.

A14/17 Internal Audit Annual Report 2016-17

1. Robin Pritchard presented Henley College Coventry's Annual Internal Audit Report for 2016-17 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 2016-17. In addition, City College Coventry's internal audit reports for 2016-17 were presented.
2. The areas reviewed by Gateway Assure in Henley College Coventry during 2016-17 were Student Loans, Data Security Health Check, Absence Management, Equipment Maintenance, Key Financial Controls, Strategic Planning, Apprenticeships and Student Systems.
3. Based on these reviews, Gateway Assure's opinion was that the College has adequate and effective risk management, governance, and control processes.
4. In terms of City College Coventry, BDO LLP had reviewed the following areas, and had provided assurance opinions for the design and operational effectiveness of systems and controls:

Review Area	Design	Operational Effectiveness
Student Attendance and absence	Substantial	Moderate
Equality and Diversity	Moderate	Moderate
Corporate Governance	Substantial	Substantial
Risk Management	Substantial	Substantial
Business Continuity Planning	Moderate	Moderate
Learner Voice	Substantial	Substantial
Key Financial Systems	Moderate	Moderate
IT General Controls and Security	Moderate	Moderate

5. Governors were informed that 'Substantial' is the highest level of assurance provided by the internal auditors and 'Moderate' represents the second highest level of assurance.
6. Based on the reviews undertaken, BDO LLP's opinion was that City College Coventry's risk management, control and governance arrangements were operating with sufficient effectiveness.
7. Governors resolved:-
 - i) to note the positive Internal Audit Annual Report from Gateway Assure for Henley College Coventry for 2016-17;
 - ii) to note the positive internal audit reports from BDO LLP for City College Coventry.

A15/17 Internal Audit Plan 2017-18

1. Robin Pritchard presented the proposed internal audit plan for 2017-18, which had been formulated based on business priorities, particularly following the merger. The College's Senior Leadership Team had reviewed the plan, and were suggesting that the review of MIS should be moved from April 2018 to June 2018, and that the review of Marketing and Communications should be replaced with Contract Compliance.
2. Governors considered the plan in detail, and were informed that, in respect of a single MIS system for the College going live in April 2018, there was currently no lease line in place between the two campuses. This is in hand, however, and the deadline is expected to be met.
3. The timing of the Data Security audit in April 2018 was queried, particularly given that the General Data Protection Regulation (GDPR) would be implemented in May 2017. It was suggested that it would be appropriate to cover this particular area of work under the Risk Management audit in January 2018.
4. Governors resolved:-
 - i) to approve the internal audit plan for 2017-18, subject to the SLT's proposed amendments being incorporated, and preparation for the GDPR being picked up within the Risk Management review in January 2018.

A16/17 Members Reports & Financial Statements for the Year Ended 31st July 2017: Henley College Coventry and City College Coventry

1. The Vice Principal Finance and Resources and Paul Oxtoby, RSM UK Audit Ltd, presented the Audit Committee with the draft Members' Reports and Financial Statements for the year ended 31st July 2017 for Henley College Coventry and City College Coventry.
2. The accounts were considered by the Resources Committee on 7th November 2017, and show a combined underlying operating surplus of £890k (£692k City College Coventry, and £198 Henley College Coventry), after restructuring and FRS102 costs of £2.168m.
3. City College Coventry accounts have been prepared on the basis that the organisation is not a going concern, having dissolved at merger. Henley College Coventry accounts are based on the organisation remaining, and taking over City College Coventry's assets and liabilities.
4. The external auditors have confirmed that there are currently no instances of material irregularity impropriety of funding non-compliance at either City College Coventry or Henley Collee Coventry. Similarly, both sets of financial statements give a fair and true view of the state of each College's affairs as at 31st July 2017.
5. The Corporation will review the reports and financial statements at its meeting on 12th December 2017.
6. Governors reviewed the external auditor's statement of Corporate Governance and Internal Control for both former Colleges, 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 for Henley College Coventry is that the College, post-merger and following the transfer of assets and liabilities from City College Coventry, has adequate resources to continue in operational existence for the foreseeable future.
8. After due consideration, Governors resolved:-
 - i) to recommend the draft Members' Reports and the Financial Statements for Henley College Coventry and City College Coventry for the year ended 31st July 2017 to the Corporation for approval.

A17/17 Financial Statements' Audit Findings Report for the Year Ended 31st July 2017

1. Paul Oxtoby presented the Financial Statements' Audit Findings Reports for the year ended 31st July 2017 for Henley College Coventry and City College Coventry. He reported that there were no major findings or issues of concern arising from either audit.
2. None of the areas at either of the former colleges, relating to income recognition, pensions' liability, and management override of controls are a cause for concern. The key accounting imperatives at and following merger have been addressed correctly and appropriately, and reflect the dissolution of City College Coventry on 1st August 2017, and the transfer of its assets and liabilities to Henley College Coventry.
3. A recommendation arising from the Corporate Tax review at Henley College Coventry is that levels of income from the general public (in this instance, to do with catering income) should be regularly monitored to identify and pay any Corporate Tax liabilities.
4. A correction in the financial statements has been made to do with former City College Coventry land to clarify that it is leasehold.
5. Pension liabilities have been reviewed, and there are no issues of concern in respect of actuarial assumptions and the amounts stated.
6. In terms of adopting the going concern basis of accounting for the financial statements, the external auditors concur with Henley College Coventry's assessment that it remains a going concern post-merger.
7. There are a number of unadjusted misstatements which have been identified and reported to management, and these will be corrected accordingly.
8. During the audit and regularity work, no significant deficiencies in internal control were identified, although a few minor recommendations have been made and have been accepted by the College.
9. No potential issues of impropriety or fraud were identified by the external auditors, and Governors noted this positive position. However, related party transactions should be reviewed regularly throughout the year.
10. The draft Regularity and Financial Statements Letters of Representation were presented for consideration, and Governors reviewed them. A particular query was raised about the procurement processes adopted by Coventry College, and it was confirmed that joint arrangements were now in place, and these were explained to Governors. A procurement policy is currently being formulated for the College.

11. After due consideration, Governors resolved:-

- i) to note and approve the positive Financial Statements' Audit Findings' reports for the year ended 31st July 2017;
- 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 reports

A18/17 Audit Committee Annual Report

1. The Clerk to the Corporation reported that the Audit Committee Annual Report was in draft form, and, following the meeting, would be updated to include the findings from the external audit reports. The final draft of the report would be taken to the Corporation on 12th December 2017 for approval.
2. Paul Oxtoby advised that, for completeness, that an annual report for City College Coventry and an annual report for Henley College Coventry should be produced, and presented to the Corporation for approval.

A19/17 Date of the next meeting

The date of the next meeting was confirmed for Monday 5th February 2018 at 4.00pm at the City campus.

Meeting commenced 4.00pm

Meeting closed 5.15pm

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