



AUDIT COMMITTEE

(Joint meeting with Finance, Staffing & General Purposes Committee)

Minutes of Meeting on Tuesday 5 December 2017

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| Present: | Mr H Hadani (<i>Chair</i>) | Chair, Audit Committee |
| | Ms N Cuffy | Governor |
| | Mr S Holderness | Chair, Finance, Staffing & General Purposes Committee |
| In Attendance: | Ms M Moore | Governor |
| | Ms P Hamer | Staff Governor |
| | Mr J Bagley | Principal |
| | Mr H Ravat | Vice-Principal Resources |
| | Mr R Mansfield | Clerk |
| | Mr G Jones | RSM UK Audit |
| | Mr M Matley | RSM UK Audit |

| Ref. | | Action |
|---------|--|--------|
| A/17/20 | <p>Item 1 – Apologies for Absence:</p> <p>It was agreed that Harnish Hadani should chair the meeting. An apology for absence was received from Harshad Solanki. The meeting was declared quorate. Harnish Hadani welcomed Gareth Jones and Mark Matley.</p> | |
| A/17/21 | <p>Item 2 – Declarations of Interest in Agenda Items:</p> <p>There were no declarations of interest in agenda items.</p> | |
| A/17/22 | <p>Item 3 – Annual Report and Accounts 2016/2017:</p> <p>Hamid Ravat presented the Annual Report and Accounts for 2016/2017. The Annual Report followed the structure of the template provided by the Education & Skills Funding Agency (ESFA). After listing the preceding sections he dealt in more detail with the Statement of Corporate Governance, setting out principles and standards, the membership and organization of the Corporation, arrangements for internal control and the conclusion that the College remained a going concern. The auditors' findings would be presented under agenda item 4.</p> <p>Hamid Ravat had provided briefing notes on the Accounts summarizing key items and changes from the preceding year. In particular the sale of the Blackbird Road land had had significant effects:</p> <ul style="list-style-type: none"> • creating a profit of £4,030K on the disposal of tangible fixed assets (payable to the ESFA in two instalments) | |

- cancelling out the operating deficit of £768K (underlying deficit £382K)
- inflating debtors and short-term creditors by £2,654K
- temporarily depressing the value of the current ratio.

Cash balances had decreased by 99K over the year to £2,687K despite an increase in operating cash flow of 97K. There had been minimal changes during the year to accounting policies. In summary the operating results showed a fall of nearly 2% in income (following the ending of protection funding), a rise of nearly 16% in staffing costs (disproportionately high compared with student numbers), and operating expenses generally in line with the previous year (except for savings of £145K after the ending of the sub-contract provision with Gemeg). There had been retrospective changes to ESFA guidance regarding the treatment of unspent funding for free meals. The auditors had however not required the accounts for 2016/2017 to be adjusted.

The meeting commended the Annual Report and Accounts to the Board for approval.

A/17/23

Item 4 – Management Report of Financial Statements Auditor:

4.1 Management Report

Gareth Jones introduced a presentation by Mark Matley of the management report of RSM UK Audit. Mark Matley explained the structure of the report, and dealt first with the audit, accounting and regularity issues identified at the planning stage. The ESFA had changed the guidance on free meals and discretionary bursaries, insisting that any unspent funds for these purposes must be fully utilized before using the new allocation for 2016/2017. This had changed the correct accounting treatment of the unspent funds and necessitated an audit journal to transfer £120K previously recognized as income to the Balance Sheet. As the sum was below the materiality threshold, it had not been necessary to adjust the accounts. Gareth Jones assured Harnish Hadani that this should not prove to be a recurrent issue. Gareth Jones confirmed that he was comfortable with the accounting treatment applied by Hamid Ravat to the proceeds of the disposal of the Blackbird Road land, and expressed his appreciation of the prior consultation over this matter.

Mark Matley drew the attention of the meeting to the £50K small trade exemption limit for corporation tax, as the income from sports facilities was nearing this level. However he recognized that some of that income did not come from the general public and therefore did not count towards the limit. RSM UK Audit had that day received from Hamid Ravat the ESFA's final tolerance statement, and the wording of the report would be finalized to reflect this. He congratulated the College on another clean set of audit reports. He

concluded by referring the meeting to Appendix B, the updated regulatory update.

Harnish Hadani thanked RSM UK Audit for another clean set of reports and recorded his thanks to Hamid Ravat and the Finance team for continuing to assure the financial health of the College.

The meeting commended the Management Report to the Board, noting that the report was subject to final textual revisions.

4.2 Letters of Representation

The meeting commended the Letters of Representation for signature by the Chair and the Chief Accounting Officer.

A/17/24

Item 5 – Minutes of Meeting of the Finance, Staffing & General Purposes Committee on 14 November 2017 and Matters Arising:

Steve Holderness assumed the chair for this item only.

The minutes of the meeting of the Finance, Staffing & General Purposes Committee on 14 November 2017 were accepted as an accurate record and were signed by Steve Holderness. It was agreed that matters arising would be reviewed at the next meeting of the Committee.

Patsy Hamer and Gareth Jones then left the meeting, which remained quorate.

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A/17/25

Item 6 – Minutes of Meeting of the Audit Committee on 26 June 2017 and Matters Arising:

The minutes of the meeting on 26 June 2017 were accepted as an accurate record and were duly signed by Harnish Hadani. The actions listed in the minutes had all been completed.

A/17/26

Item 7 – Recommendation Tracking:

Hamid Ravat presented the recommendation tracking report. The actions listed had been completed, though in a few instances slightly after the due date as a result of the demands of other urgent College business.

The meeting received the recommendation tracking report.

A/17/27

Item 8 – Risk Register:

James Bagley presented the College risk register. Terminology had been revised to reflect the College's current organization and other contextual changes. The main changes to the assessment of risks pertained to those concerned with OfSTED and finance, where scores had generally been increased.

The meeting commended the risk register to the Board.

A/17/28

Item 9 – Dates and Times of Next Meetings:

It was confirmed that the next meeting of the Audit Committee would be on Tuesday 13 March 2018 at 5.30 p.m. at the College. The next meeting of the Finance, Staffing & General Purposes Committee would be on Thursday 18 January 2018 at 5.30 p.m. at the College.

A/17/29

Item 9 – Any Other Business:

There was no other business. Mark Matley declined the offer of a private discussion without staff present.