



AUDIT COMMITTEE

(Joint Meeting with the Finance, Staffing & General Purposes Committee)

Minutes of Meeting on Thursday 3 December 2015

Present:	Mr H Hadani (<i>Chair</i>)	Governor
	Mr J Pain	Governor
	Ms N Cuffy	Governor
	Ms M Moore	Governor
<i>Together with members of the Finance, Staffing & General Purposes Committee</i>		
	Mr J Turner (<i>Chair</i>)	Chair of Governors
	Mr S Holderness	Governor
	Ms S Munden	Staff Governor
	Ms S Overton-Edwards	Principal
In Attendance:	Mr H Ravat	Vice Principal Resources
	Mr R Mansfield	Clerk
	Mr M Matley	RSM UK Audit

Ref.		Action
A/15/20	<p>Item 1 – Apologies for Absence: An apology for absence was received from Harshad Solanki. The meeting was declared quorate. It was agreed that Harnish Hadani should chair the meeting. Harnish Hadani welcomed Mark Matley of RSM UK Audit (formerly Baker Tilly) to the meeting.</p>	
A/15/21	<p>Item 2 – Declarations of Interest in Agenda Items: There were no declarations of interest in agenda items.</p>	
A/15/22	<p>Item 3 – Annual Report and Accounts 2014/2015: Hamid Ravat presented the Annual Report and Accounts for 2014/2015. The Operating and Financial Review contained a summary of the College's nature, objectives and strategies; its financial position; its current and future development and performance; its resources; the principal risks and uncertainties; and the College's relationships with its stakeholders. The Statement of Corporate Governance and Internal Control dealt <i>inter alia</i> with membership of the Board and its committees and standards of governance, and arrangements for governance, internal control and the management of risk. He highlighted the opinion of the Corporation that the College was a going concern and had continued to adopt this basis for preparation of the accounts. He drew the attention of the meeting to the Statement on the</p>	

College's Regularity, Propriety and Compliance with the relevant Funding Body Terms and Conditions of Funding and the Statement of the Responsibilities of the Members of the Corporation.

Hamid Ravat then reviewed the key points of the accounts. Income had reduced slightly, mainly because of a fall in non-recurrent grants. The College had generated a surplus of £149K (£255K before 'below the line' items), as previously reported in the management accounts presented to the Finance, Staffing & General Purposes Committee. No adjustments had been required to the management accounts. Jim Pain asked for clarification of the FRS17 Pension adjustment. Mark Matley explained this as the difference between the actuarial value of pension liabilities and the contributions actually paid by the College. Hamid Ravat stated that the College's balance sheet was strong and that there had been a cash inflow of £376K over the year.

Hamid Ravat advised the meeting that in 2015/2016 FRS102 would come into effect. Its purpose was to harmonise international reporting standards. The principal effect upon the College's accounts would be to move Deferred Capital Grants into Creditors. This would reduce the reported value of Net Assets, and hence the value of the ratio Net Assets: Total Reserves. Harnish Hadani said that a further consequence would be to affect pension liabilities adversely. Hamid Ravat said that the College was in a much stronger position financially than many others as it had positive net funds of £1.054 million.

Mark Matley introduced himself as the Audit Manager for the College. Gareth Jones, now Audit Director, had hoped to attend and had sent his apologies. Mark Matley referred the meeting to the Independent Auditor's Report and the Regularity Report, both of which were clean reports. He commented upon the accounts as follows. The Income & Expenditure Account to a degree masked the true health of the College's finances. This was more clearly represented by the operating surplus (prior to allowing for depreciation, deferred capital grants and pension adjustments). Jim Pain said that pension adjustments surely represented a real cost that the College was expecting to have to meet in the future. Mark Matley concurred but said that as a going concern the College was on a strong relative footing.

Harnish Hadani asked if the auditors had researched the advice provided by actuaries about reducing pension deficits, for example by making lump sum payments. Hamid Ravat said that pension contributions were being regularly increased following triennial reviews in order to try to maintain a balance between stability and the needs of pension funds. He did not believe that making lump sum payments would be in the College's interests in the present climate.

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

A/15/23

Item 4 – Management Letter from Financial Statements

Auditor:

Mark Matley presented the draft Audit Findings Report for the year ended 31 July 2015. This set out the approach adopted by and responses of RSM UK Audit to various audit risks and regularity issues. In no instances had concerns been identified that called into question the accounts prepared by the College. No adjusted or unadjusted misstatements had been found above the level of materiality (defined as £6,000). No impropriety issues had been found and no significant deficiencies in internal control. This was an excellent result. The Board was asked to sign the management representation letters at the end of the report in respect of both the Financial Statements and the Regularity Audits.

Harnish Hadani asked whether RSM had undertaken an assessment of the impact of FRS102 upon the College. Mark Matley described the main impacts upon colleges as being as follows. Colleges would have a once-off opportunity to revalue their fixed assets, without incurring an obligation thereafter to have regular revaluations. Colleges would also be allowed to choose between (a) allocating their deferred capital grants between short and long term creditors and (b) writing them off in the Income & Expenditure Account. Funding Agencies would doubtless review the way in which they calculated financial health in the light of the changes. Harnish Hadani congratulated Hamid Ravat on another excellent set of accounts. Hamid Ravat said that he was fortunate to have the support of a strong Finance team. Nelista Cuffy asked whether the College should be considered exceptional. Mark Matley said that the College's accounts were some of the best that he had seen. He confirmed that his clientele was spread across general further education as well as sixth form colleges. John Turner said that he understood the College to be in the top 20% in financial terms.

The meeting unanimously commended the Management Letters to the Board for formal approval.

A/15/24

Item 5 – Minutes of Meeting of the Audit Committee on 22 September 2015 and Matters Arising:

The minutes of the meeting of the Audit Committee on 22 September 2015 were accepted as an accurate record and were duly signed by Harnish Hadani. There were no matters arising from the minutes.

A/15/25

Item 6 – Recommendation Tracking:

Hamid Ravat presented the recommendation tracking

report, advising the Committee of the progress made in responding to the recommendations arising from the Internal Audit in 2014/2015. The laptop policy had now been updated. The recommendations relating to space utilization were not of immediate concern and would be addressed later during the academic year. John Turner reminded the meeting that physical capacity and space utilization would certainly be significant considerations under the Area Review, and it was important that the College was well-prepared for this on all fronts.

The meeting received the recommendation tracking report.

A/15/26

Item 7 – Minutes of the Meeting of the Finance, Staffing & General Purposes Committee on 17 November 2015:

The minutes of the meeting of the Finance, Staffing & General Purposes Committee on 17 November 2015 were accepted as an accurate record and were duly signed by John Turner. There were no matters arising from the minutes.

A/15/27

Item 8 – Dates and Times of Next Meetings:

The dates and times of the next meetings were confirmed as follows:

Finance, Staffing & General Purposes Committee – Thursday 21 January 2016 at 5.30 p.m.

Audit Committee – Tuesday 15 March 2016 at 5.30 p.m.

A/15/28

Item 11 – Any Other Business:

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