



Audit and Risk Assurance Committee and Finance, Employment and General Purposes Committee

Joint meeting of the Audit and Risk Assurance and Finance, Employment and General Purposes Committee held on Monday 4th December 2017 at 8.00 am in the Board Room City Campus.

Governors Present: Seb Schmoller, Audit Committee & Meeting Chair (Audit & Risk Assurance Committee)
Gwyn Arnold (Audit & Risk Assurance Committee)
Ian Brown (Audit & Risk Assurance Committee)
Ian Falconer (Audit & Risk Assurance Committee)
Angela Foulkes (Finance, Employment & General Purposes Committee)
Gil Vasey (Finance Employment & General Purposes Committee)
Richard Wright (Finance Employment & General Purposes Committee)

In Attendance: Kate Platts, Executive Director of Finance and Resources
Maxine Bagshaw, Clerk for the meeting
Richard Lee, KPMG
Clare Partridge, KPMG
Madeline Hawley, Grant Thornton
Frazer Pirie, Grant Thornton

Min. No.		Action By Whom	Action By When
1	WELCOME INTRODUCTIONS & APOLOGIES FOR ABSENCE		
	Apologies for absence were received from Kathy Atkin (Audit & Risk Assurance Committee), Jane Jones, Chris Linacre, Kim Streets (Finance, Employment & General Purposes Committee) & Phillip Keown (Grant Thornton).		
	Ian Falconer, a new co-optee to the Audit & Risk Assurance Committee was welcomed to his first meeting. The Committees were advised that it is expected that at some future point he will take over the role of the Audit & Risk Assurance Committee Chair.		
	It was noted that the meeting Clerk today would be Maxine Bagshaw.		
2	DECLARATIONS OF INTEREST		
	The Chair reminded everyone present to declare any interests that they may have on matters to be considered. Ian Falconer asked		

that it be recorded that he is a Governor at DN Colleges Group and is Vice Chair of their Audit Committee. This College is in a period of transition and it is expected that he will retire as a Governor there in the near future.

Clare Partridge from KPMG also asked that it be noted that she is a Governor at Barnsley College.

3 INTRODUCTION

The Chair took the opportunity to remind everyone present of the split of responsibilities between the A&RA and FE&GP Committees. It is the role of both to advise the Governing Body on a number of key documents, which is why the groups are jointly meeting today. This joint meeting will consider:

- a) KPMG's Management Letter
- b) The draft Members' Report and Financial Statements for the year ended 2016/17, and
- c) The Regularity Audit Questionnaire

He confirmed that it is the Governing Body's responsibility to adopt accounts and determine whether or not the College remains a going concern but that its conclusion will be based upon the advice of both Committees.

Before considering the documents circulated the Chair asked whether Governors or auditors would like the opportunity to meet without management present. It was agreed that this was not required. It was noted that Ian Falconer, Seb Schmoller and the Clerk to the Corporation had met with Clare Partridge of KPMG on 20 November. This had been an opportunity for open dialogue and a summary of the discussions has been shared by email with the Chair of the Governing Body and the Chair of FE&GP; and the issues raised had already been discussed at the November FE&GP Committee meeting. All present acknowledged that they understood the nature of the private meeting discussions.

4 DRAFT MEMBERS REPORT & ANNUAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2017

It was agreed that discussions on this agenda item were commercially sensitive and therefore would be recorded separately on a confidential basis.

On the basis of the discussions, the joint Committees were in agreement to recommend to Governing Body approval of the 2016/17 Financial Accounts as presented, subject to finalisation of commentary regarding going concern and emphasis of matter.

The Committees took the opportunity to thank the finance team and external auditors for their hard work in getting to the current position.

5 FINANCIAL STATEMENTS' AUDITOR'S (AUDIT HIGHLIGHTS MEMORANDUM) MANAGEMENT LETTER

KPMG referred to its draft report, confirming that the core audit process had gone smoothly although there were a small number of actions identified to bring about necessary improvements. The Committees were reminded that in July 2017, the KPMG audit plan for the year was approved and this report is the outcome of the expected work. Members considered the report on a page by page basis:

- Page 3 - sets out the structure of the report and the purpose of audit.
- Pages 4 & 5 - set out the progress of audit.
- Pages 7 to 10 - summarise the risk areas identified.
- Page 7 - sets out two standard risks.
- Page 8 - the College's overall financial position and going concern was identified early as a risk.
- Page 9 - sets out areas of focus and includes:
 - a) Change in accounting policy.
 - b) Pensions - it was explained that the calculations are within accepted benchmark bands and therefore there are no concerns here.
 - c) Regularity - KPMG are currently checking internally to see whether the emphasis of matter regarding going concern will have an impact on the regularity opinion. If it does, there will be a similar paragraph included within this opinion as in the main audit opinion.
- Appendix 1 - sets out two improvement recommendations made. Both are RAG rated as a 'medium' priority. The first relates to improved segregation of duties and the second simply notes that there are a number of registers of interest missing for Governors. In relation to the latter it was explained that these are the Student Governors and the Clerk is progressing to have these completed as a matter of urgency.
- Appendix 2 - sets out the follow up review of prior year actions
- Page 20 - gives a summary of financial performance.

It was noted that members of the Committees have not yet seen the proposed wording to be inserted regarding the emphasis of matter. It was explained that the College is still working with KPMG to agree. Governors agreed that, in terms of the wording to be utilised, there needs to be clarity regarding the control that the Governing Body is exerting.

The Committees welcomed the assurances provided by auditors today. They were clear in terms of the need to agree outstanding commentary/wording in relation to the emphasis of matter. They restated the firm intention to secure a balanced budget in 2017/18 at an operational level. There was confidence that plans being developed will be clear and focused and that they will stand up to scrutiny. The Committees noted that the comments on the College's internal controls are positive, albeit that forecasting remains an area for improvement. The Committees acknowledged that auditors are independent and thus in a position to issue their opinions, and agree that the proposed opinions are appropriate, including the proposed emphasis of matter as regards going concern.

On the basis of the above, the Committees were happy to AGREE to receive the 2016/17 Financial Statements Auditor Management Letter (draft).

6 REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

The Executive Director of Finance & Resources introduced this item and confirmed that the completed questionnaire forms part of the assurance processes that the College gives to external auditors. The content of this document will support the representations that the College will make.

The Committee considered the document and questioned why there was a blank in terms of the College's response at page 5. They felt that there was information that needed to be provided in terms of any termination payments made.

ED of
F&R

Dec.
2017

The Committee also considered page 10 and it was felt that the figure of '£3,200' at the bottom of the page was incorrectly aligned and should be moved to page 11. This to make it clearer that the only expenses paid to Governors in 16/17 were £25 in relation to expenses and mileage.

Subject to these two minor changes the Committees were happy to RECEIVE AND APPROVE the Regularity Audit Self-Assessment Questionnaire as presented.

Joint meeting concluded at 8.50 am.