

**Minutes of the Meeting of the Audit Committee held on  
Wednesday 11 November 2015 at 9.00 am in BT28, Flemingate, Beverley**

**Committee Members:** Lesley Archer, Business Member  
Alex Denholm, Co-opted External Member  
Neil Waterhouse, Business Member (Chair)  
John Winepress, Local Community Member

**Also in Attendance:** Derek Branton, Principal  
John Doris, Vice Principal, Finance & Resources  
Judi Smith, Finance Manager  
Helen Wooldridge, Assistant Director, Planning & Performance  
Lesley Hill, East Coast Audit Consortium  
Lisa Phillips, Grant Thornton UK LLP  
Joanne Mylrea, Secretary to the Corporation

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**1029 APOLOGIES FOR ABSENCE**

Apologies had been received from Liz Johnson, Co-opted External Member; Benita Jones, East Coast Audit Consortium; and Graham Nunns, Grant Thornton UK LLP.

**1030 DECLARATION OF INTEREST IN ANY OF THE ITEMS ON THIS AGENDA**

The Chair reminded members of the Committee to declare at the start of the meeting interests held in any matters to be discussed.

No interests were declared.

**1031 MINUTES OF THE MEETING HELD ON 30 SEPTEMBER 2015**

The minutes of the meeting held on Wednesday 30 September 2015 were confirmed as an accurate record and signed by the Chair.

**1032 MATTERS ARISING**

**Item 1023: Annual Internal Audit Service Report of East Coast Audit Consortium (ECAC) – year ended 31 July 2015**

The Secretary confirmed that she had emailed a copy of the internal audit report regarding the Staff Single Central Record to all members as requested.

There were no further matters arising that were not to be dealt with in the business of the meeting.

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### ADMINISTRATIVE ITEMS

#### **1033 REPORT FROM THE MEETING OF THE BOARD OF THE CORPORATION HELD ON 14 OCTOBER 2015**

The Secretary reported the minutes of the meeting held on 30 September 2015 were presented to and received by the Board of the Corporation at its meeting on 14 October 2015.

### AUDIT REPORTS

#### **1034 INTERNAL AUDIT**

##### **Final Reports**

##### **Personnel Policies**

Ms Hill informed the Committee that a single audit had been undertaken to date looking to ensure that the College has adequate and up to date personnel policies in place. The results of the audit were positive and the Internal Auditors were able to offer 'substantial' assurance that adequate procedures are in place.

Two grade 3 recommendations were made as a result of the review. One recommending a policy to cover secondment of staff, which the College will look to incorporate into an existing policy. And the second to ensure all policies are linked to all related policies, which has now been completed by the College.

Members asked for clarification as to whether this report would go to the RF&HR Committee. The Vice Principal Finance and Resources responded that such reports would not fall under that Committee's remit but assured Members that the actions of such reports are taken to Directorate and the Director of HR had already been briefed on it, had provided the management response in the report and had taken actions forward. In addition, the minutes of this Committee are taken to Corporation meetings.

##### **Internal Audit Progress Report to 11 November 2015**

Ms Hill briefly outlined the contents of the report, noting the summary of work on the first page. She went on to note that two further blocks of audits were scheduled for December and March. Graphs which are usually included in the report will be reported upon after the December internal audit.

The paper was NOTED by the Committee.

##### **Action Plans from Previous Audits – Rolling Update**

The Finance Manager briefly noted that this had reduced to a single page with just one outstanding action, demonstrating that actions were followed through.

#### **1035 FUNDING AUDIT**

##### **Quality Planning Schedule – Reporting of Data Return Deadlines**

The Director of Learner Services, Planning and Diversity reported that all ILR returns and funding claims had been submitted within the EFA/SFA deadlines. She noted the returns due before the next

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Committee meeting adding that resource was in place to ensure those deadlines were also met.

Members NOTED the information.

**1036 ANNUAL REVIEW OF RISK MANAGEMENT 2014/2015**

The Vice Principal, Finance & Resources noted that the report was unaltered from that presented at the previous meeting on 30 September with the exception of the action posed to Members which following discussion at the last committee had included the term 'reasonable assurance'. This is based on the understanding that the Board would have to give 'assurance' in line with the wording required by the SFA.

The Committee confirmed that it was able to give the Board of the Corporation reasonable assurance as to the adequacy and effectiveness of the College's framework for risk management, which will form part of the Committee's annual report to the Board of the Corporation.

**1037 FINANCIAL STATEMENTS AUDIT**

Audit Findings

Mrs Phillips reminded members that the audit was based on risk and that the purpose of the report was to highlight any significant findings affecting the preparation of the financial statements in order to give assurance to the governing body. She added that the document was still draft with a few elements yet to be finalised due to outstanding information from third parties.

Mrs Phillips then outlined the key findings of the audit, including:

- Improper revenue recognition – which included the recurrent funding from the SFA/EFA; tuition fees income; some outstanding documentation relating to offender learning; and the remaining Insurance Claim some of which will be recognised in 2014/2015, some of which will fall into 2016/2017. Members asked why settling the claim was taking so long. The Vice Principal Finance and Resources responded that the company was struggling to understand the nature of College funding, in particular the lagged funding methodology of the EFA, alongside the size of the claim and the company's internal controls. However, he believed that full settlement should be confirmed by the end of the year.
- Impact of Beverley site relocation on the balance sheet and surplus position - the accounts treatment is appropriate;
- Completeness of staff costs - no significant issues raised. A control recommendation was made concerning processes around employment contracts in the previous year and was covered in section 6;
- Completeness of creditors - the reconciled aged creditor report is yet to be reviewed; the Finance Manager believed few were more than 4 months overdue but she would confirm at the next meeting;

Finance  
Manager

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- Local Government Pension Fund Disclosures – the assumptions were deemed to be reasonable and in line with the norm;
- Issues Identified – with the Carnaby site being rented out this has been reclassified as an Investment Property, although the Vice Principal Finance and Resources confirmed that the intention was to ultimately sell this property;
- Issues Identified – Going Concern – Mrs Phillips drew members' attention to ongoing risk around the sale of Gallows Lane and the impact a non sale could have. The Vice Principal Finance and Resources noted that the sale will not have concluded by the time the Financial Statements are signed but he will be able to update on progress towards that event. He stated that whilst he fully expected the sale to take place at the end of the year, should it not the College had contingency plans in place to ensure service would continue whilst the site was re-marketed. Mrs Phillips confirmed the term 'foreseeable future' referred to a minimum of 12 months after signing, so until December 2016. The Vice Principal Finance and Resources added that the SFA requires colleges to have a 2 year financial plan.

Mrs Phillips added that assumptions used are covered in the letter of representation.

Section 3 - Mrs Phillips stated that there were no material findings.

Section 5 - governors were asked to note Misstatements.

Section 6 - Review of issues raised in the prior year - Mrs Phillips noted the first two were complete and the recommendation relating to the third one covering employee contracts had been accepted and actioned by the College.

Section 7 - Mrs Phillips noted the fees and confirmed the independence of the auditors.

Section 8 – Mrs Phillips noted that the alignment of international and UK accounting standards under FRS102 would have an impact on how the financial statements were presented next year. Members asked that the implications of this change be considered at the next Committee meeting.

VP Fin /  
Res

24.02.15

Subject to the finalisation of outstanding matters as detailed in the document, the draft Audit Findings for the year ended 31 July 2015 were NOTED. Members asked if there was substantial change that the Committee have further sight of the document.

Draft Financial Statements for Year Ended 31 July 2015

The Vice Principal Finance and Resources talked to the draft Financial Statements noting that this would also be considered at the Remuneration, Finance and Human Resources Committee later in the month.

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Members asked for clarification around the statement regarding consolidation of accounts. Mrs Philips responded by explaining that whilst Grant Thornton had audited the accounts for both the College and East Riding College Limited for the year ending 31 July 2014 they had not been consolidated accounts. Therefore, under advice from the company's technical department, Grant Thornton could only state that comparative information for the consolidation for the year end 31 July 2014 was unaudited. Mrs Phillips agreed to discuss with colleagues at Grant Thornton as to retrospectively auditing and ensuring that such an unaudited statement was permissible.

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Grant  
Thornton

ASAP

Members noted a few changes to wording and questioned the proportion of non-teaching staff to teaching staff. The Vice Principal Finance and Resources responded that whilst teachers and assessors would fall under 'teaching staff' others who take on front line roles would not, for example, learning support staff, so it really depended on what contract staff were working under.

Members noted a seeming discrepancy in percentage figures regarding pensions. The Finance Manager responded that this was wording provided by the Pensions Scheme but that she would investigate.

Finance  
Manager

ASAP

The independent auditor's report opinion was that the financial statements 'give a true and fair view' and "have been prepared in accordance with the 2007 Statement of Recommended Practice'.

The independent auditor's report on regularity opinion states that "nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2014 for which the annual accounts have been prepared to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them."

It was AGREED to recommend the draft Financial Statements for the year ended 31 July 2015 – subject to any necessary amendment - to the Corporation for approval.

Letter of Representation for the Year Ended 31 July 2015 –  
Financial Statements Audit and Regularity Audit

The letter of representation for the year ending 31 July 2015 for both Financial Statements and Regularity Audit - was recommended to the Board of the Corporation for approval.

Teachers' Pension Contributions Audit

The contents of the report letter were NOTED.

East Riding College Limited – Draft Financial Statements for year  
ended 31 July 2015

These had not yet been received but would be reviewed at the RF&HR Committee on 25 November 2015 and by the Board on 9 December 2015.

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**1038 REGULARITY AUDIT**

Regularity Audit Final Opinion for year ended 31 July 2015

This item was dealt with under Draft Financial Statements and was RECEIVED.

Draft Annual Report of the Audit Committee 2014 - 2015

Members reviewed the report noting some changes to the text. The revised document would be circulated to Members. Subject to these alterations it was AGREED to recommend the draft Annual Report for the year ended 31 July 2015 to the Corporation for approval.

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Secretary

ASAP

Chair

09.12.15

**ITEMS FOR INFORMATION**

**1039 SUB-CONTRACTOR (PARTNERSHIP) ACTIVITY REPORT**

The Vice Principal, Finance and Resources reminded members that the purpose of the report was to state current and planned EFA and SFA sub-contractor/partnership delivery. He added that wherever feasible the College aimed to deliver directly to learners and employers but occasionally sub-contracted provision was more appropriate. He stated that all sub-contracted provision is rigorously quality assured in line with approved College procedures.

He drew members attention to activity for 2014/2015 noting that the funding income generated of £305,800k represented 3.7% of total funding received and he reminded members that some years ago when the SFA had set a limit it was at 5%. He noted that the planned activity for the coming year and then drew members attention to the controls and reporting of sub-contracted provision.

Partnership Report was NOTED.

**ANY OTHER BUSINESS**

**1040 FEEDBACK FROM THE AUDIT COMMITTEE SELF ASSESSMENT SURVEY 2014/2015**

The Secretary noted that overall it was again a positive response and talked through some points to clarify for newer members.

She added that next year the overall grading categories would be amended to be in line with the Current Ofsted grading, for example 'satisfactory' would become 'requires improvement'. Members welcomed this, as it would alleviate possible confusion over accountancy/audit use of the word 'satisfactory' which is a positive statement, compared to the previous Ofsted use, which implied not good enough. One member had graded the Committee as satisfactory and explained that this was based on the understanding of the term as relates to the audit use, and that following the explanation given was happy to change the rating to 'good'.

Secretary

ASAP

The Committee NOTED the feedback report.

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1041 CLOSE

There being no further business the Chair thanked those present for attending and closed the meeting at 10.30am.

ACTION by whom	DATE by when

Joanne Mylrea  
Secretary to the Corporation

Signed as a correct record on ..... 11/5/16 ..... (Date)

..... (Chair)

