

HILLS ROAD SIXTH FORM COLLEGE

Audit Committee Meeting

Minutes of the Meeting held on Tuesday 10 November 2015 at 6.00pm

Present:

Independent Chair Laragh Jeanroy

Corporation Members Peter Brindle, Edmund Brookes, Jonathan Culpin, Dinesh Jacob, Julie Taylor

Clerk to the Committee Robert Smith

Observers Jill Aberdour (Assistant Principal – Resources), Jonathan Creed and Mark Ashton-Blanksby (Icca: internal audit service), Rory Seddon (Director of Business and Finance), Rakesh Shaunak (MacIntyre Hudson: financial statements audit)

Principal Business

<i>Item No.</i>	<i>Title</i>
5	Annual Report of the Internal Auditors
6	Financial Statements Audit: Draft Financial Management Letter – Audit Findings Report to 31 July 2015
14	Audit Committee Annual Report

1. Apologies for Absence/Quoracy

All members were present.

2. Declaration of Interests

None.

3. Minutes of the Previous Meeting (17 June 2015)

The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate.

4. Matters Arising from the Minutes

None.

5. Annual Report of the Internal Auditors

A report prepared by Icca Education Training and Skills was received and considered.

It was reported that the internal auditors' work in 2014-15 specifically included coverage where independent assurances were required by the Audit Committee, the plan having been informed by a review of the College's risk register and discussions with management and the Audit Committee.

The following draft internal audit opinion 2014-15 had been given:

- the Corporation can be provided with reasonable assurance that the College's systems of internal control, governance and risk management are operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy; *and*
- the College had adequate and effective management, control and governance processes in place to manage the achievement of its objectives.

The above opinions are the most positive available under regulation.

The Opinion may be used by the Corporation in the preparation of the Statement of Corporate Governance and Internal Control.

The report was recommended for approval by the Corporation.

6. Financial Statements Audit: Draft Financial Management Letter - Audit Findings Report to 31 July 2015

The above draft letter and report prepared by MacIntyre Hudson was received and considered.

It was noted that the financial statements audit had been completed to the auditor's satisfaction.

It was further noted that the financial statements auditor had been satisfied on all matters forming the substance of the audit including the regularity audit, so as to issue an unqualified audit opinion in the standard format on the financial statements.

Members noted that the financial statements auditor is satisfied that the College is a going concern on the basis that:

- although the result of a £10,000 deficit is significantly lower than the 2013-14 operational profit of £154,000, before FRS 17 adjustment of £56,000 and recognition of accelerated depreciation of £85,000 the operating surplus of £131,000 exceeded the target for 2014-15 of £50,000 - government reductions in College funding have been the overriding factor causing the College to implement spending cuts where possible, but the College continues to maintain its high level of service and has maintained outstanding status throughout 2014-15 for financial health;
- the College's strategy is to continue absorbing the funding cuts, partially offset by enrolling additional students without a significant increase in costs, restructuring parts of the curriculum and increasing the output of its staff; *and*
- the College's financial plan also indicates that its strong net asset position will be maintained which should ensure its going concern status for the foreseeable future - the College has been given a financial health rating of 'good' for 2015-16 which is not unexpected due to the next phase of the capital project being undertaken and the draw-down of the loan.

The following additional matters were also noted:

- a formal continuing process for identifying, evaluating and managing the College's significant risks had been in place and operating for the period up to the date of approval of the annual report and accounts, and therefore in the opinion of members of the Corporation the College had complied with the UK Code of Corporate Governance as applicable to the education sector;
- in the opinion of the financial statements auditor, the College's financial statements for the period under review had met the regularity requirements set by the Education Funding Authority and the Skills Funding Agency, and applicable Financial Reporting Standards had been applied;
- the accounting policies used in preparing the financial statements had been appropriate and consistently applied, and attendant accounting practices had also been appropriate;
- no instances of fraud or irregularity had been found in the course of the audit, nor any areas where the College had not complied with laws and regulations;
- the financial statements auditor had concluded that the College appears overall to have good controls in place for the key financial systems which are operating effectively; *and*
- no risks had come to light during the audit not previously identified at the planning stage.

It was agreed that at the Spring Term meeting of the Committee the College's depreciation policy should be discussed in the context of a possible change from the reducing balance to the straight line method.

The draft letter and report were recommended for approval by the Corporation.

7. College Report and Financial Statements for the period ended 31 July 2015

The draft College Report and Financial Statements, prepared after application of Financial Reporting Standard 17 (treatment of pension liabilities in published accounts) adjustments and the auditors' review, were received.

Key outcomes were noted, and found in all cases to be satisfactory.

It was also noted that the financial statements auditor had given an unqualified report, and that there were no control issues bearing on the opinion to report.

The report, forming part of the consolidated group financial statements, was recommended for approval by the Corporation.

8. Cantabrigian Limited Report and Financial Statements for the period ended 31 July 2015

The draft Cantabrigian Limited Report and Financial Statements prepared after the auditors' review were received.

It was noted that the financial statements would be approved by the directors of the subsidiary undertaking at a meeting to be held before the Corporation meeting.

It was further noted that the financial statements auditor had given an unqualified report, that accounting policies used in the preparation of the financial statements are appropriate, that the accounts have been prepared in accordance with the 2006 Companies Act and the UK Generally Accepted Accounting Practice applicable to smaller entities and that there are no control issues to draw to the attention of the Corporation.

The report, forming part of the consolidated group financial statements, was recommended for approval by the Corporation.

9. Group Report and Financial Statements for the period ended 31 July 2015

The draft Group Report and Financial Statements after auditors' review were received and recommended for approval to the Corporation.

10. Financial Statements Audit Letter of Representation

The letter of representation in relation to the audit of the financial statements and regularity audit of the College and its subsidiary undertaking (year ended 31 July 2015) was received and recommended for approval by the Corporation and signature by the Chair of the Corporation.

11. Financial Statements Auditor Letters of Engagement

The letters of engagement in relation to the audit of the financial statements and regularity audit of the College and its subsidiary undertaking (year ended 31 July 2015) were received and recommended for approval by the Corporation and signature by the Chair of the Corporation.

12. Performance of Financial Statements Auditor against Approved Performance Indicators

A paper prepared by the Director of Business and Finance was received for consideration.

It was noted that audit performance had been assessed against revised criteria approved by the Committee.

A generally high level of satisfaction was noted. However, it was reported that the Management Letter had been received later than scheduled and had contained numerous errors. Mr Shaunak apologised on behalf of his firm and undertook to fully investigate the matter and report the outcome in writing for circulation to members of the Audit Committee.

13. Performance of Assistant Principal (Resources)

No concerns were raised. It was noted that the Director of Business and Finance, who is a qualified accountant, is being developed to take on a larger share of work, and had prepared the annual financial statements.

The Committee expressed the hope that staff of sufficient seniority will be invited to observe the proceedings of the College Strategy Team as part of their development.

14. Audit Committee Annual Report

A draft report, prepared by the Clerk to the Corporation, was received, approved for signature by the independent Chair of the Committee, and recommended for approval by the Corporation.

It was noted that the report relates to the work of the Committee *during* the stated period, not to that carried out by auditors with reference to the period and considered by the Committee after its expiry.

The independent Chair of the Committee drew attention to the central importance of the Committee in the discharge of the Corporation's responsibilities, and noted with pleasure the full attendance achieved at the meeting in contrast with the disappointing levels previously obtaining and commented on in the Report.

15. Regularity Self-Assessment Report

A paper prepared by the Director of Business and Finance was received and approved for signature by the Principal (as accounting officer) and the Chair of the Corporation.

16. Joint Audit Code of Practice

A summary of the major changes to the Code, together with the revised Code, prepared by the Director Business and Finance, was received for information.

17 Business for the Corporation

Agenda 5-9, 11 and 14-15 were approved as business for the Corporation meeting to be held on 16 December 2015.

18. Any Other Competent Business

None

19. Date and Time of Future Meetings

Monday 14 December 2015 (6.00pm)
Wednesday 24 February 2016 (6.00pm)
Wednesday 15 June 2016 (6.00pm)