

**ST HELENS COLLEGE CORPORATION**

**RE-SCHEDULED MEETING OF THE AUDIT COMMITTEE HELD AT**

**9.00 am ON THURSDAY 1 DECEMBER 2016 IN THE BOARD ROOM,**

**TOWN CENTRE CAMPUS**

***M I N U T E S***

**MEMBERSHIP:**

\* Mr P Christian

Ms D Charnock

\* Mr J Middlehurst **(Chair)**

\* Mr K Sanderson

\* Mr N Shore

**IN ATTENDANCE:**

Ms K Stott, ICCA

Ms S Suchoporek, KPMG (from Minute number 1518 only)

Mr R Molloy, Deputy Principal (Finance, Estates and ICT)

Mr S Arnfield, Head of Department (Finance)

Mrs C Jones, Clerk to the Corporation

**Minute Number 1524 - the recommendation to the Corporation about the annual appointment of the External and Internal auditors - was taken as the final item and without the presence of the internal and external auditors.**

**1509 ANNUAL ELECTION OF CHAIR**

It was proposed by Mr P Christian, seconded by Mr K Sanderson and duly **agreed** by the Committee that Mr J Middlehurst be re-appointed as Chair of the Audit Committee for 2016/17.

**1510 DECLARATIONS OF INTEREST**

There were no declarations of interest notified.

**1511 APOLOGIES FOR ABSENCE**

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Apologies for absence were received from Ms D Charnock Ms Suchoparek apologised for lateness.

**1512 NOTIFICATION OF URGENT BUSINESS**

There were no items of urgent business notified.

**1513 MINUTES OF THE PREVIOUS MEETING HELD ON 27 JUNE 2016**

The minutes of the above meeting were **agreed** and signed as a correct record.

**1514 MATTERS ARISING**

a Minute 1507a p6 – Waterside Training: progress report

It was confirmed that the Year-End Accounts for Waterside Training had now been audited by their external auditor, with no issues identified. The new apprenticeship levy arrangements are being addressed by Waterside Training. An update was also received about the pension liability.

A progress report was requested at the next meeting of the Audit Committee to include key priorities.

**ACTION: Deputy Principal to present a progress report relating to Waterside Training Ltd at the next meeting**

**1515 PROPOSED ANNUAL SCHEDULE OF BUSINESS ITEMS TO THE AUDIT COMMITTEE 2016/17**

The Audit Committee approved the annual schedule of business items for the Audit Committee for 2016/17 as presented, noting that this was a live working document and could therefore be subject to change. The Committee agreed to delete the Fraud Risk Self-Assessment which was no longer a mandatory requirement, and is covered via the year-end financial audit and other finance focused audits.

**1516 AUDIT LOG OF INTERNAL AUDIT RECOMMENDATIONS BROUGHT FORWARD FROM PREVIOUS MEETING**

Mr S Arnfield, the Head of Department (Finance), presented the audit log of internal audit recommendations from the previous meeting.

It was confirmed that with regard to tuition fees and debt management audit report (ref 3.1), the financial monitoring process are ongoing throughout the year, with the process outlined for the benefit of the Committee.

The smart targets referenced in the Learner Journey audit report (ref 3.1) were confirmed as being on target. It was also confirmed that an online booking system referenced in the Learner Journey audit report (ref 3.4) was being explored with regard to interviews for students.

The audit log of internal audit recommendations was accepted by the Audit Committee as presented.

**1517 DATA REPORTING TO THE CORPORATION AND COMMITTEES**

The Clerk reported that the presented report had resulted from discussions held at the previous meeting about the element of the AoC Code of Good Governance (Section 6.11 - Financial Strategy and Audit) that referred to the Board ensuring that effective arrangements were in place for the management and quality assurance of data. This had been referred by the Resources Committee to the Audit Committee. The Code indicates that the assurance should include a statement on data quality from the Audit Committee.

The Audit Committee had requested that a separate report be presented to the Committee to include all the different types of data that is reported to the Corporation and Committees so that any potential gaps in reporting processes can be identified and also to inform discussions about the quality of data being reported to Governors so that the appropriate assurances can be derived.

The Committee requested that reports relating to Waterside Training Ltd should be included in this report.

The Audit Committee accepted the report and confirmed that the current reporting methodology to Governors was sufficient in relation to both content and quality.

**1518 REPORT AND FINANCIAL STATEMENTS: YEAR-ENDED 31 JULY 2016**

Ms S Suchoporek from KPMG, presented the Report and Financial Statements for the Year-Ended 31 July 2016 which had also been approved by the Resources Committee at the meeting held on 18 November 2016 and recommended for approval by the Corporation at the Annual General Meeting scheduled on

12 December 2016.

The meeting discussed the bank loan covenant arrangements in relation to the new accounting standard FRS102. It was confirmed that Lloyds bank are discussing this matter with KPMG to ensure compliance.

The Report and Financial Statements for the Year-Ended 31 July 2016 were noted by the Audit Committee, which included the Letter of Representation being noted.

**1519 AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER:**

**YEAR ENDED 31 JULY 2016**

Ms S Suchoporek from KPMG presented the Audit Highlights Memorandum and Management Letter 31 July 2016, which represents the findings of the audit that is undertaken as part of the audit of accounts of the College, the Gamble Education Charity Trust and the regularity audit.

It was noted that there were no significant concerns or audit issues arising from the audit work undertaken at the College and that an unqualified audit opinion would be provided by KPMG for the year relating to the College and subsidiary financial statements, following the approval of the financial statements by the Corporation.

It was noted that there were no recommendations made in the prior year to follow-up on and that there were two performance improvement observations identified arising from the 2015/16 external audit.

The deferred capital grant position in relation to FRS102 was particularly highlighted, which is only a change of representation in the accounts as part of the accruals approach. The transferred of funds from the Gamble to the College was also confirmed as being properly reflected in the accounts.

Following a question from the Committee, it was confirmed that the College had fully released in year the provision for potential SFA funding clawback relating to Skillswork funding from 2010/11 which KPMG had agreed with the College that this no longer met the definition of a provision.

The Merseyside Pension Fund position was highlighted, and KPMG had confirmed that the assumptions adopted were just within the benchmark range, on the optimistic side, but still producing a net liability that was within the benchmark range.

Two low priority risk recommendations had been identified as part of the audit, with the management responses accepted by the Committee.

The Audit Highlights Memorandum and Management Letter for the year ended

31 July 2016 was accepted by the Audit Committee, and the report would be presented to the Corporation at the Annual General Meeting scheduled on

12 December 2016.

KPMG were thanked for their contribution to the audit process.

**1520 REGULARITY AUDIT – SELF-ASSESSMENT REPORT QUESTIONNAIRE**

The Head of Finance presented the Regularity Audit: Self-Assessment report questionnaire, which is part of KPMG’s regularity audit and supports the financial statements audit review process.

The Audit Committee accepted the Regularity Audit Self-Assessment report as presented, which would be signed by the Principal and by the Chair of the Corporation.

**1521 ICCA’s ANNUAL INTERNAL AUDIT REPORT 2015/16**

Ms K Stott from ICCA presented their internal audit annual report for the year ended 31 July 2016, which outlined the internal audit work that ICCA had carried out for the year-ended 31 July 2016 as the College’s appointed internal audit service provider.

The internal audit service have confirmed the following, following 9 audit reviews undertaken throughout 2015/16:

**“Based on the work undertaken during the year, and the implementation by management of previous internal audit recommendations, we can provide the Audit Committee and Corporation with reasonable assurance that St Helens College’s governance, risk management, and systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in a material discrepancy.**

**In our opinion, the College has adequate and effective governance, risk management, and systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness ”.**

The Internal Audit Report for 2015/16, as presented from ICCA, was accepted by the Audit Committee and recommended for acceptance by the Corporation at the meeting scheduled on 12 December 2016. Thanks were expressed to the College management for their approach to all audits.

**Action: Chair of Audit Committee to present the Annual Internal Audit Report to the Corporation**

**1522 DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE 2015/16**

The Head of Finance presented the draft annual report of the Audit Committee for 2015/16, which was primarily based on ICCA’s annual report, as outlined within the previous agenda item.

The Annual Report summarises the work of the Audit Committee over the period 2015/16 and provided the Corporation, and the Principal as the Chief Accounting Officer, with an opinion on the adequacy and effectiveness of the College’s internal control, governance and risk management systems.

It was **agreed** that the overall opinion of the Audit Committee to the Corporation was as follows:

**‘After consideration of reports and opinions of both the College’s Internal and External auditors, and taking into account the materiality of each report, it is the opinion of the Audit Committee that the College’s internal controls, governance and risk management frameworks are adequate and effective.**

**It is also the opinion of the Audit Committee that, based on the opinions provided by the Financial Statements Auditors in relation to the Regularity Audit, the use of funds received are being used for the purposes for which they have been provided’.**

The Audit Committee requested that the risk management register be presented to the Committee for review as a standing agenda item, with the updated register to be circulated to the Committee in advance of presentation of this report to the Corporation.

**ACTION: Head of Finance to present the risk management register to the Audit Committee at the next meeting**

The Audit Committee endorsed the Annual Report of the Audit Committee, subject to some slight amendment, which would be presented to the Corporation at the meeting scheduled on

12 December 2016.

**ACTION: Chair of Audit Committee to present the amended Draft Annual Report of the Audit Committee to the Corporation**

**1523 INTERNAL AUDIT REPORTS**

**1523.1 Payroll**

Ms K Stott from ICCA presented the above internal audit report, reporting that the review had identified no areas for improvement, which represents a very positive outcome.

Based on this assessment, it was reported that ICCA were able to provide management and the Audit Committee with **Substantial Assurance** that the areas of the control environment tested during the audit were designed and operating effectively, with no significant weakness identified.

The Audit Committee accepted the internal audit report relating to the Payroll as presented.

**1523.2 Safeguarding**

Ms K Stott from ICCA proposed that the Safeguarding report be presented at the next meeting, which was accepted by the Audit Committee.

**The internal and external auditors were requested to leave the meeting for consideration of the next item**

**1524 ANNUAL RECOMMENDATION TO THE CORPORATION ABOUT THE ANNUAL**

**APPOINTMENT OF THE EXTERNAL AND INTERNAL AUDITORS**

The Audit Committee **agreed** to recommend to the Corporation that KPMG be

re-appointed as the College’s Financial Statements/External Audit Providers for 2017, and that ICCA be re-appointed as the College’s Internal Audit Providers, and these recommendations would be presented to the Corporation at the AGM meeting scheduled on 12 December 2016. The Committee discussed the plans for the audit arrangements that would operate under the merged College.

**ACTION: Chair of Audit Committee to make the above recommendations about the annual appointments of the external and internal auditors to the Corporation**

**1525 ANNUAL REVIEW OF TERMS OF REFERENCE OF THE COMMITTEE**

The Committee undertook the annual review of the Terms of Reference and Scheme of Delegation for the Audit Committee, which had been populated with evidence to support each statement, with no amendments recommended to the Corporation as part of this review.

**1526 ANNUAL REVIEW OF CONFIDENTIAL ITEMS 2015/16**

The Clerk reported that there had been no items of confidential items reported to the Audit Committee in 2015/16. This would form part of an annual report relating to the review of confidential business which would be presented at the Corporation’s Annual General Meeting to be held on 12 December 2016.

**ACTION: Clerk to present a report at the Annual General Meeting of the Corporation relating to the annual review of confidential items for 2015/16**

**1527 ANNUAL STATEMENT OF REPORTED INCIDENTS OF FRAUD/ WHISTLEBLOWING**

The Clerk reported that there were no reported incidents of fraud or whistleblowing made in 2015/16, which was accepted by the Audit Committee.

**1528 ANNUAL IDENTIFICATION OF DEVELOPMENT NEEDS FOR THE COMMITTEE**

The Clerk reported that, as a model of good practice, each Committee is requested to undertake a review of any training/development needs specific to the work of each Committee. Any specific development requirements specifically relating to the Audit Committee were invited for notification to the Clerk.

**ACTION: Audit Committee Members to notify the Clerk of any Committee development needs**

**1529 ANNUAL GIFTS AND HOSPITALITY RETURN**

The Clerk presented the annual Gifts and Hospitality Register for 2015/16 which was accepted by the Audit Committee.

**1530 URGENT BUSINESS (AS NOTIFIED UNDER MINUTE NUMBER 1512 ABOVE)**

There were no items of urgent business notified.

**1531 DATE AND TIME OF NEXT MEETING: 10.00 am on Monday 27 February 2017.**

**Ms K Sottt from ICCA and Ms S Suchoparek from KPMG were asked if there were any issues that they wished to raise without the presence of College Staff, with no issues raised. Similarly, the Audit Committee had no issues to raise with the internal and external auditors without the presence of College staff.**

**KEY OUTCOMES:**

**REPORT AND FINANCIAL STATEMENTS: YEAR-ENDED 31 JULY 2016: The Report and Financial Statements for the Year-Ended 31 July 2016 were noted by the Audit Committee.**

**AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER: YEAR ENDED**

**31 JULY 2016: The Committee accepted the Audit Highlights memorandum and Management Letter for the year-ended 31 July 2016 and recommended acceptance to the Corporation.**

**REGULARITY AUDIT: SELF-ASSESSMENT REPORT QUESTIONNAIRE: The Audit Committee accepted the Regularity Audit Self-Assessment report to be signed by the Chair of the Corporation and the Principal.**

**ANNUAL RE-APPOINTMENT OF EXERNAL AUDITORS: RECOMMENDATION TO THE**

**CORPORATION: The Committee agreed to recommend to the Corporation**

**the re-appointment of KPMG as the College’s Financial Statements/External Audit**

**Providers and ICCA as the College’s Internal Audit Providers for 2016/17.**

**ANNUAL REPORTS: The Audit Committee accepted the Annual Internal Audit report for 2015/16 from ICCA and recommended acceptance to the Corporation; the Committee also recommended to the Corporation, and to the Principal as the Chief Accounting Officer of the College, the Annual Internal Audit report for 2015/16 from the Audit Committee.**