

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
 WEDNESDAY 28 NOVEMBER 2018 AT 4.00 PM
 IN ROOM PG11 AT THE ISLE OF WIGHT COLLEGE**

Present:	Dr Nick Sinnamon	Chair
	Mr Graham Cooper	Vice Chair
	Mrs Chris Palmer	Co-opted
	Mrs Sheila Paul	
In Attendance:	Mrs Debbie Lavin	Principal
	Mr Peter Thompson	Assistant Principal
	Mr Brian Bowker	Clerk to the Corporation
	Ms Tracy Bull	College Accountant
In Attendance (External):	Ms Frances Millar	RSM UK Audit LLP
Apologies:	Mr Gordon Pownall	

The Chair commenced the meeting by thanking Mr Steve Corbett for his contribution to the Audit Committee.

With the agreement of Committee Members, the agenda was taken out of order to address external audit items first.

ACTION

45/18 DECLARATIONS OF INTEREST

There were no declarations of interest.

46/18 APPROVAL OF THE NON CONFIDENTIAL AND STAFF AND STUDENT CONFIDENTIAL MINUTES OF THE MEETING OF 10 OCTOBER 2018

The minutes were approved as a true record of the meeting.

47/18 MATTERS ARISING FROM THE MEETING OF 10 OCTOBER 2018

The Clerk informed Members that, with the exception of one item, all matters had been addressed. The outstanding item, relating to the list of all Governor interests, would be addressed by the end of the week.

48/18 DRAFT FINANCIAL STATEMENTS 2017/18

Prior to considering this item, the Assistant Principal (Finance & Resources) provided some background information. He stated that the College has presented a set of financial statements, which has led to extended discussion with the external auditors. He added that there were two or three items identified in the management letter - including categorisation of stocks and assets, capital purchasing and categorisation and treatment of retention monies from capital projects - that the College has accepted and will address in the final presentation. However, the external audit team identified more complex issues relating to the treatment and categorisation of the facility from Sancus.

The external audit representative took Members through the detail behind their assessment of this and, following questions, confirmed that the College has not broken its cash flow covenant irrespective of its treatment. The Assistant Principal illustrated the determination to continue to use this facility as working capital as it would allow the College to dispense with the Barclays Bank overdraft facility, with a subsequent saving and allow early commencement to capital projects, which the formation of the current agreement with Lloyds disallowed.

The external audit representative confirmed that, in her judgement, the working capital arrangement was not a loan and, following the lengthy discussions with the Assistant Principal and Vice Chair of Audit, she understood the rationale for the College's approach. The College understood that for it to be considered Working Capital and not a loan, such a facility would have to be used regularly – at least two occasions were identified for when it will be used - and for a clear need for its use to be established. The Management Letter explains this in fuller detail.

The Committee, subject to the agreed changes, RECOMMENDED the revised financial statements 2017/18 to Corporation for approval.

49/18 FINANCIAL STATEMENTS MANAGEMENT LETTER

The external audit representative took Members through the draft audit findings report and drew attention to some recommendations in section 3 relating to inventory classification, IT equipment depreciation and tendering of IT equipment. Members noted that the College had agreed to implement the recommendations.

The external audit representative then identified three issues in section 6 of the report relating to an invoice being paid twice, delayed pension payment and capital items written off. The College Accountant provided Members with details of the action taken to address these matters. Members were informed that a revised and final version of the audit report, including Appendix A, letters of representation, would be forwarded to the College by 3 December 2018.

The Chair thanked the external audit representative for recognising the good work of the College Accountant and her team.

The Committee CONSIDERED the report.

50/18 DELAMITES LIMITED: FINANCIAL STATEMENTS 2017/18

The Committee CONSIDERED and RECOMMENDED the financial statements of Delamites Limited 2017/18 to Corporation for Approval.

51/18 DELAMITES LIMITED: LETTER OF SUPPORT

The Committee CONSIDERED the report and RECOMMENDED the letter of support to Corporation for approval and signature.

The external audit representative left the meeting at this point.

The Chair of the Audit Committee formally thanked the Assistant Principal (Finance & Resources), the College Accountant and the Vice Chair of the Audit Committee for their excellent work in addressing the issue of the working capital.

52/18 COLLEGE ACCOUNTING POLICIES

The College Accountant reminded Members that before the annual report and financial statements can be recommended for approval by Corporation, the accounting policies on which the accounts are based must be reviewed and agreed by Corporation. She then drew attention to one policy change relating to the depreciation of computer equipment, other than laptops, which has been extended from five to seven years.

The Committee CONSIDERED the report and RECOMMENDED the College Accounting Policies to Corporation for approval.

53/18 STATEMENT OF INTERNAL CONTROL

Members drew attention to a few drafting inaccuracies and made recommendations for strengthening the evidence base. The College Accountant agreed to address these.

PT

Members CONSIDERED the Statement of Internal Financial Control and the evidence used to produce it.

54/18 LETTER OF REPRESENTATION

Members recommended a few drafting points and the College Accountant agreed to incorporate them.

PT

The Committee CONSIDERED the letter of representation and RECOMMENDED it to Corporation for approval.

55/18 ESFA FINANCE RECORD

This item was not considered as following discussions with the external audit team it requires re-drafting. It was agreed that the finance record would be circulated to Members for consideration on completion of the final document.

PT / Clerk

56/18 SELF-ASSESSMENT QUESTIONNAIRE FOR REGULARITY AUDIT

Members CONSIDERED the report and RECOMMENDED it to Corporation for ratification.

57/18 ANNUAL REPORT OF THE AUDIT COMMITTEE 2017/18

This item was not considered as it requires re-drafting following the discussions with the external audit team. The Clerk agreed to circulate following the redraft.

Clerk

58/18 COLLEGE BOARD ASSURANCE FRAMEWORK: RISK REGISTER

The Assistant Principal (Finance & Resources) informed Members that, following the most recent management meeting related to risk, no alternations or adjustments were made to the risk register last considered by the Audit Committee in June 2018. However, following the management meeting, it was agreed that for the March 2019 Audit Committee meeting; all risk descriptions would be amended to better describe the context of the risk; all financial values would be reassessed and the scoring amended to reflect both consequence (impact) and likelihood of occurrence (probability) and total

risk judgement. Any additional risks arising from external change or the recent processes of organisational self-assessment would also be considered.

A Member congratulated the Assistant Principal on progressing the risk register and suggested that there was a need to identify and focus on the top three risks.

The Committee CONSIDERED the report and NOTED the progress in the development and management of the risk register.

59/18 GDPR DATA BREACHES

The Assistant Principal (Finance & Resources) reminded Members that following the introduction of the General Data Protection Regulation in May 2018, the College now maintains a log which records and details GDPR data breaches. He added that there were no significant issues and a report will continue to be presented at each Audit Committee meeting.

The Committee CONSIDERED the report.

60/18 ANY OTHER BUSINESS

There were no items of any other business.

61/18 DATE OF NEXT MEETING

Wednesday 6 March 2019, 4.00pm – 5.30pm, Room PG11.

Date: _____ Chair: _____

MISSION STATEMENT
Putting Students First
Working for Employers
Supporting our Community