

AUDIT AND CORPORATE SERVICES COMMITTEES



GATESHEAD COLLEGE

Wednesday 2 December 2015

Report: Minutes of a meeting held on 4 December 2014
Author: Clerk
Action: Approve
Status: Open

Present:	Audit Committee Chris Macklin Neil Weddle Darren Heathcote	Corporate Services Committee Keith Cann-Evans John Holt John McElroy Robin Mackie Judith Doyle Ivan Jepson
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In Attendance: Claire Leece (Baker Tilly)
Laura Hutchinson (PWC)
Samantha Pritchard as Acting Clerk

JCA/1 Welcome/Apologies

Chris Macklin took the chair and welcomed everyone to the meeting. Apologies for absence were received from Ian Renwick and it was noted that Robin Mackie would be joining the meeting shortly.

Members were invited to declare any interests on any item on the Agenda. No interests were declared at this stage in the meeting; however, members noted that should the direction of debate on any item result in a potential conflict of interest, this should be indicated in the meeting. Members were also reminded to advise the Clerk of any changes to be made to declaration of interests.

JCA/2 Minutes of the meeting held on 4 December 2013

It was noted that the Minutes of the meeting held on 4 December 2013 had already been approved by the Audit Committee.

JCA/3 Matters Arising

It was agreed that the Minutes were an accurate record of the previous joint meeting and there were no matters arising.

JCA/4 External Audit Findings Report for the Year to 31 July 2014 – Subsidiary Companies/Subsidiary Companies' Financial Statements

Claire Lease (CL), Baker Tilly introduced the Subsidiary Companies External Findings Report and the financial statements for the year ended 31 July 2014. She advised that there were no particular issues to draw to the Committees' attention.

The Chair confirmed that the letters of support for the subsidiary's would be signed by Robin Mackie as it was felt appropriate to manage any perceived conflict of interest as John Holt (JH) as Finance Director is also a Director of the Subsidiary Companies.

JH confirmed that he had been through each individual Company in detail. The Committees were happy to sign off the Report on the basis of the recommendations of the Directors of the Subsidiary Companies.

The Report and the Subsidiary Companies' financial statements were noted.

JCA/5 College External Audit Findings Report for the Year to 31 July 2014

CL presented the External Audit Findings Report for the College for the year to 31 July 2014.

CL explained that the approach had been refreshed since Baker Tilly presented their Audit plan dated 11 June 2014 communicating the scope of their work on Regularity audit. The Regularity Audit Framework was revised and published on 29 August 2014. Whilst the scope of Baker Tilly's work is largely unchanged, and it continues to be a reasonable assurance reporting engagement, assurance on propriety is not included within the scope of their regulatory opinion.

CL confirmed that, at the date of the Report, Baker Tilly anticipated no modifications from the pro-forma audit reports provided in the Audit Plan previously communicated to the College. CL highlighted the following key areas:

Income Recognition: there is the risk of retrospective claw back against the College's main funding allocations should it under perform under the demand-led funding regime, and as a result there is a risk that income recognised for the year under review is mis-stated.

Baker Tilly have benchmarked the College against other Colleges in relation to their pension arrangements and confirmed that their assumptions were reasonable.

CL confirmed that Baker Tilly had reviewed the latest available forecasts and considered both the actual year end position, and that forecast for the above period, and was satisfied that there is no indication of risk to the going concern assumption, with no covenant breaches noted in the year under review or anticipated in future periods.

No issues were identified in relation to the accounting treatment applied to the acquisition of Barmston Court or in relation to any management override of controls.

CL confirmed that no further issues had been identified that needed to be brought to the attention of the Board. There were some minor reallocations made by management and a potential adjustment to Zero Carbon Futures.

No significant deficiencies in internal control were identified during the course of the audit work and outstanding information has been resolved.

CL explained that the letter of representation set out at Appendix A of the Report requires the Chair and the accounting (Principal) to confirm that to the best of their knowledge and belief, and having made appropriate enquiries of other officials at the College and other entities included in the group financial statements that the information they have provided to the auditors is accurate.

The letter of representation set out at Appendix B to the Report confirms that the representations given to the auditors in connection with the regularity audit were also accurate.

The Chair noted the level of professionalism and dedication from JH and his finance team and asked that JH pass on the congratulations of the Audit Committee for their work.

The Audit Committee approved the College External Audit Findings Report for the year to 31 July 2014 and approved for recommendation to the full Board of the letters of recommendation.

JCA/6 Annual Report of the Audit Committee 2013/2014

JH, Director of Finance reported to the Board on the Annual Report of the Audit Committee 2013/2014.

The Chair commented that as Chair of the Audit Committee and as a Board member, he wished to draw the Committee's attention to the volume of 'low' recommendations and advisory notes. He felt this provided a comfort blanket to the full Board of the good governance and control arrangements in place of the College.

Laura Hutchinson of PWC confirmed that the highest opinion that could be provided was 'satisfactory'. A member commented that even though there had been some advisory comments, the College had been quick to take action and to continuously improve.

The Principal noted that many Colleges in the sector aren't in as a strong position as Gateshead College. 43% of the sector is bordering on significant financial problems and this is likely to increase to 50%.

The Chair noted that with the risks to the sector, one way of mitigating this was having good processes of governance and doing things properly.

The Audit Committee approved the Annual Report of the Audit Committee 2013/2014 for presentation to the Board.

JCA/7 Report on Financial Statements for the Year ended 31 July 2014

JH presented the Report to the Board.

The Chair commented that the link between the financial success of the College and the improvement in outcomes for learners was important. The quality of the learner experience was integral and worth noting especially against the outlook for the sector as a whole. It was noted that the Corporate Services Committee had been updated on financial matters on a regular basis.

In response to questions JH confirmed that the increase in trade debtors (by one third) reflects the onus on certain learners to pay for their fees directly for level 3 programmes and that whilst it appears that headcount is going down, we have more full time equivalent learners now, whereas we had more part time learners in the past. JH further confirmed that employer contributions to the pension scheme had increased from 14.2% to 16.5% in September resulting in 2% increase in pay costs and charges to National Insurance. The College would need to keep an eye and be able to react if government policy changes in the coming twelve months.

The Audit Committee and Corporate Services Committee approved the Report for recommendation to the Board.

Ivan Jepson took the Chair at 5.30pm.

JCA/8 Management Accounts October 2014

This item is CONFIDENTIAL and not for publication.

JCA/9 Authorisation of Capital Expenditure to Support the Nissan Infiniti Model Training Programme

This item is CONFIDENTIAL and not for publication

JCA10 Date of Next Meetings

Audit Committee – Wednesday 4 February 2015 at 4.30pm

Corporate Services Committee – Thursday 29 January 2015 at 12.30pm