

Date	<b>Monday 25 November 2019</b>
Time	4.30pm
Location	Board Room, Peterborough Regional College
Present	Mark Haydon, Dean Duffield, and Lee Kilby (External Member)
In attendance	Peter Walker (Vice Principal, Corporate Services) Lee Glover (Haines Watts) – Internal Audit Service Glen Bott (BDO – formerly Moore Stephens) Liz Nixon (PA to Principal)
Apologies	Nicola Shawe and Rachel Nicholls (Acting Principal)

## Decisions taken at the Audit Committee meeting held on 25 November 2019

Ref	Decisions
A20/19 Para 35	Minutes of the meeting held on 26 September 2019 were agreed and signed.

## Actions arising from the Audit Committee on 25 November 2019

Ref	Actions
A18/19 Para 34	The appointment of Chair of Audit and Vice Chair are to be agreed.
A23/19 Para 42	If the decisions are made for the stop/go and which college will be dissolved are made before the accounts are due to be signed off then the 'going concern' will be added as a separate note within the accounts and policies as note 1. PW to action.
A23/19 Para 42	PW to share any merger developments with GB between now and the 9 <sup>th</sup> December.
A23/19 Para 44	Include PSA as an asset and include in the notes. PW will provide a paragraph for GB to amend note 11.
A23/19 Para 52	It was agreed to recommend to the Board that a Letter of Financial Support for PRCV be signed.
A23/19 Para 56	Finance Director to address the procedural necessity of Journal authorisation to ensure evidence is available and reviewed.
A23/19 Para 62	Reconcile APT accounts on a monthly basis.
A25/19 Para 71	Planning Brief Block 2 Reports will be circulated outside of the next meeting as this isn't until April 2020.
A26/19 Para 79	PW to confirm when the tender was carried out when BDO was appointed and when the re tender should take place.
A28/19 Para 85	GDPR will be added to the Audit agenda as a verbal standing item for PW to report.

## A18/19 Welcome and Apologies

32. Apologies were as noted above.
33. All were welcomed by MH and governors introduced themselves.
34. Nominations for Chair and Vice Chair of the Committee are to be agreed.

**A19/19 Declarations of Interest**

35. Declarations of Interest were as noted on the agenda.

**A20/19 Minutes of the previous meeting (26 September 2019)**

36. The minutes of the meeting held on 26 September 2019 were **agreed** and signed.

**A21/19 Matters arising from minutes of previous meeting**

37. All actions confirmed complete.

**A22/19 Training Undertaken and Meetings Attended**

38. Directors training on 21 November 2019 held by Glynne Stanfield, Eversheds.

39. Lee Kilby attended an Enterprise Risk Seminar.

**A23/19 Draft members' report and financial statements for the year ended 31 July 2019**

40. The Members Report and Financial Statements were received by the Audit Committee to enable them to gain a proper understanding of the audit report. They will be presented to the F&GP Committee for recommendation to the Board.

41. MJ noted that the PRC Accounts state the college is a going concern questioned whether this was appropriate due to the pending merger.

42. GB noted that within the Members Report the Declaration is dependent on the format of the merger and the legal entity that will dissolve. It was highlighted that if the stop/go decision and which college will be dissolved is made before the accounts are due to be signed off then the 'going concern' will be added as a separate note within the accounts and policies as note 1.

➤ PW noted that any developments will be shared with GB between now and the 9<sup>th</sup> December.

43. The write off of CTS is shown as £468k in the College accounts and £363k in the Group accounts. The difference is due to Goodwill written off in previous years.

44. PW noted that PRC has a 20% shareholding of PSA therefore this would not be consolidated. It was agreed this should be included in the notes as it is an asset. PW will provide a paragraph for GB to amend note 11.

45. Debtor's notes state that iMET owes PRC £180k and it was asked if this is recoverable. This was discussed and PW noted that a recommendation will be made to the Board regarding iMET.

46. PW noted that a management letter will be issued for subsidiaries every year.

47. The main accounts were discussed and it was clarified that the £1.3m property spend was for the new windows and IT classroom refurbishment at the front of the college. Some of which falls into 2018/19 and 2019/20. PW noted that large projects are done over the summer so do straggle both years.

48. The Fixed Asset register will be reviewed annually going forward and adjustments made for assets that are fully depreciated.

49. The only adjustment to the audited accounts related to the FRS 102 pension provision which turned a surplus for £91k into a deficit of £992k.

50. APT Accounts were discussed and it was highlighted that the £325k loan does not have repayment terms in place. PW explained the purchase of APT and that there is £120k left to pay over the next 3 years. There are no concerns regarding the recovery of this loan. APT is in a solvent position. Profits are above forecast.

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51. PRC Ventures accounts were discussed. PW noted that last year was the first year it made a loss and a loss is projected for 2019/20. A surplus of £10k is in the budget for this year. PRCV sales are adrift of budget and the new Deli Bar income is half of what was forecast. Costs are under control and all staff costs are being reviewed. Directors are planning a half day review meeting to look at performance to date. The going concern position was discussed and the assurance to support PRCV will continue to be provided by its parent company PRC.
- MH stated that the issue for the Audit Committee is around it being a 'going concern'.
52. The Directors of PRCV have the responsibility to sign to decide it is a going concern and that it has an insolvent balance sheet position. It was agreed that a proposal is presented to the Board as a guarantee.
- PW said that as the Board didn't agree to support CTS they may not for PRCV. GB and PW were asked to draft a letter of financial support for the college to sign and an agreement not to request repayment of the current loans of £150k. GB said they would want to see a working paper from the college to show that this can be turned around. This will be taken to the Board for approval.

#### **A24/19 External Audit Completion Report and Management Letter**

53. The report and letter were received by the Audit Committee. There are a number of recommendations but none are significant.
54. The financial reporting matters focus on judgement areas. The following was noted, key audit risk revenue recognition, management override and defined benefit pension scheme and liability values. Pension contributions have been increasing and lump sum contributions have been made over the last 3 years of £200k.
55. Audit differences were noted regarding the original surplus of £91k and the Local Government Pension Scheme (LGPS). There are no other adjustments. A note on the staff costs will be made.
56. Management points were noted and two deficiencies raised.
1. Journal authorisation, any posted should have a level of authorisation and should be evidenced and reviewed. The Finance Director is addressing the procedural necessity.
  2. Employers NI allowance can only be claimed once per group and has been claimed more than once. PW highlighted that the college use three different payroll providers and we have claimed for each provider.
57. Both reports are clean. The 'going concern' will be signed off as part of the college accounts on the assumption that PRC will continue as a legal entity.
58. Letters of Representation were presented to the Audit Committee regarding the final evaluation and PRC Ventures.
59. A schedule of errors on APT was discussed.
60. Control accounts need to be reconciled monthly. The difference on APT Reserves account related to a gift aid payment in a prior year.
61. A schedule of errors on PRCV was discussed.
62. Control accounts need to be reconciled monthly on PRCV.
63. Charlotte Hobday is currently Interim Group Finance Director and will leave in July 2020.
64. Work continues to make UCP a wholly owned subsidiary with a view to do this before Christmas, around 9<sup>th</sup> December. PW noted that ARU are going to resign their

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membership and no cash will change hands. A note will be made on the date of becoming a wholly owned subsidiary.

### **A25/19 Internal Audit 2019/20 – Review of Planning Briefs**

65. The Audit Committee received the planning briefs for approval.
66. PW provided a verbal update noting that a Merger Risk Management and Governance review has been completed. A scheme of delegation is required for the Merger Steering Group.
67. A timeline for iMET is unknown. PW is waiting to hear from CRC with regards to agreeing the brief which requires agreement from both PRC and CRC. The brief will take 10 days and the iMET Board has asked for it to take less time. Haines Watts have therefore broken the brief down but LG noted that one review with multiple sections will take 10 days.
  - It was the feeling of the committee that the full 10 day audit should be commissioned. It was discussed that if CRC don't agree to the 10 days and the full brief, PRC should pay for the additional days and suggest splitting the cost 60/40. It was noted that this is the first audit to be carried out since iMET opened.
68. PRC Ventures is still forecasting a loss of approximately £96k which will be reported to the F&GP Committee on the 28<sup>th</sup> November with recommendations to discontinue some activity and potentially subsidise the activity and bring into PRC on or shortly after merger was noted.
  - PW raised the issue that PRCV staff are not part of the LGPS and the scheme they are in is not expensive and this has been one of the issues raised as part of the due diligence process for the merger. NCS have a subsidiary called QRS who employ staff and charge back to the college which could be considered.
69. LG has made amendments to the internal audit programme for 2019/20. Core Financial Controls will be included in Block 2.
70. F&GP papers for the forthcoming meetings will be made available for the Audit Committee.
71. Review of Planning Briefs Block 2 – **Approved**. Reports will be circulated outside of the next meeting as this isn't until April 2020.

### **A26/19 Audit Key Performance Indicators**

#### **Financial Statements Auditors**

72. The Audit Committee received the performance indicators and discussed the scoring. The final scores were noted by PW.
73. The Safeguarding Planning Brief was **approved**. AOR stated that this is a key area for Ofsted and is a limiting grade in relation to other areas of operation. Safeguarding has always been effective here at the college. The Safeguarding Policy is reviewed annually and there is a Safeguarding Action Plan in place which is reported to the Curriculum & Quality Committee and subsequently to the Board.
74. The standing KPIs for the auditors were **agreed**.
75. The Audit Plan and dates were **approved** by the Audit Committee.

#### **Internal Auditors**

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76. The Audit Committee received the performance indicators and discussed the scoring. The final scores were noted by PW.
77. The scoring was discussed and the overall score was amended to 89.5%.
78. MH noted that the committee are happy with the performance of Haines Watts.

#### **Funding Auditors**

79. The Audit Committee received the performance indicators and discussed the scoring. The final score was agreed and noted by PW. PW was asked to confirm when the tender was carried out when BDO was appointed and when the re tender should take place.

#### **A27/19 Annual Report of the Audit Committee to the Board**

80. This report provides a summary of the work carried out by the Audit Committee throughout the year from 1<sup>st</sup> August 2018 up to the date of the accounts are signed on 9<sup>th</sup> December.
81. PW outlined the assurances given. Overall the internal auditor's reviews are on balance and has adequate and effective risk management, governance and control processes.
82. Financial health – ESFA Good.
83. Conclusion was outlined by PW. This was **approved**.

#### **A28/19 Fraud – Verbal Report**

84. None reported since the last meeting.
85. MH asked that any significant GDPR issues are reported to the Audit Committee. GDPR will be added as a verbal confirmation as a standing item.

#### **A29/19 Annual Review of Confidential Minutes**

86. **Approved**.

#### **A30/19 Private Discussion with Auditors**

87. A private discussion was held where the Audit Committee could ask questions of the auditors with no members of staff present.
88. The auditors confirmed that all staff provided the requested information in a timely manner. There was only one issue with a member of staff not cooperating but has been resolved.
89. GB noted that the external audit has been more fragmented this year due to the departure of Executive Director Support Services, as he left at the beginning of the audit year, but did receive the information requested.
90. It was noted that it has been useful that RN has been involved in reading the reports as this has created a good escalation and PW ensured all queries were completed.
91. MH noted that CTS has been a major problem and asked if there is anything further that needs to be followed up. It was noted nothing fraudulent has taken place. GB stated the need to ensure key lessons are learned and the right questions are asked.

#### **A31/19 Date of Next Meeting: Thursday 9 April 2020**

92. There being no other business, the meeting was declared closed at 7.02pm.

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Final Audit Report

2021-02-11

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