

**Woking College
Finance & Audit Committee**

Minutes of the meeting of the Finance & Audit Committee held on Wednesday 27th November 2019 at 6.30pm in Room 33 of the Learning Resource Centre.

Present: **John Moffat** **Chair**
 Brett Freeman **Principal**
 Tim Stokes
 Rob Kemp
 Jonathan Miles
 Yasmin Aslam

In Attendance: **Gaynor Mather**
 Sangida Khan
 Paul Creasey **Audit Partner/ Wilkins Kennedy**
 Nuweed Razaq **Deputy Principal**
 Fiona Munday **Finance Director**
 Barbara Maude **Clerk to the Trustees**

Item	Agenda Description	Action
1.	Apologies for Absence & Declaration of Interest Apologies had been received from Mike Mulheron and the apology was agreed. It was confirmed that the meeting was quorate and no member present declared an interest in any item on the agenda.	
2.	Election of Chair & Vice Chair John Moffat was proposed as Chair of the Committee by Tim Stokes and seconded by Jonathan Miles. As there were no current nominations for the post of Vice Chair, the election was deferred. The Committee duly resolved: To appoint John Moffat as Chair of the Finance & Audit Committee for the academic year 2019/20.	
3.	Minutes of previous meeting The minutes of the previous meeting held on 24 th June 2019 were agreed as an accurate record and approved for signature by the Chair. It was noted that it would be helpful in future, as there was a period of time between meetings, if the minutes of the meeting once approved by the Chair could be circulated to all members.	BMA
4.	Matters arising In terms of matters arising it was noted that items 1 and 2 (approval of 3 year budget forecast return and the circulation of a paper on the LRC project) had both been completed. In respect of item 3, regarding the appropriate treatment of funds being held for an expansion build, the Finance Director advised that no designated fund had as yet been set up pending the CIF bid outcome. Item 4 and the Five-Year Maintenance Report was agreed to be deferred to the next meeting. Item 5 and the light touch funding audit had been undertaken. Item 6 and the compliance review against the revised 2019 version of the Academies Financial Handbook was item 11 on the current agenda. Finally, item 8 and the suggested amendments to the Health and Safety Policy had all been completed.	
5.	Committee Terms of Reference and Annual Report	

	<p>In accordance with best practice, the Committee reviewed their Terms of Reference. The Committee noted that the Terms remained fit for purpose and no amendments were considered necessary. It was however noted that in accordance with 7.2, the Clerk would in consultation with the Chair, produce a short report summarising the committee’s activities over the last academic year and identifying all areas of compliance or non-compliance with the Terms of Reference.</p> <p>The Principal raised a query with regard to the distinction between his involvement in Finance matters and those relating to Audit, where in terms of the latter he could not participate in and whether there need to be a clearer distinction in terms of the formatting of the agenda to adhere to that distinction. After discussion, it was considered that the Chair ultimately would make a call should that ever be an issue and that the Committee were clearly cognisant of the spirit and intention of the Terms of Reference.</p>	
6.	<p>Financial Statements & Regularity Audit Report for the year ending 31st August 2019 The Committee reviewed the Financial Statements for the year ending 31st August 2019; the reconciliation between the August 2019 Management Accounts and Statutory Accounts; and the External Auditors Management Letter and Letter of Representation.</p> <p>The Finance Director presented the Annual Report and Financial Statements for the year ending 31st August 2019. The Financial Statements contained an unqualified audit opinion and an unqualified regularity opinion.</p> <p>Financial Statements fye 31st July 2019 The statements had been prepared in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) the Charities SORP; the Academies Accounts Direction; the Charities Act 2011 and the Companies Act 2006.</p> <p>For the period in question, the College generated a deficit before other gains and losses of £15k, with total funds available as at 31st August 2019 of £31,622k and unrestricted reserves of £1,495k.</p> <p>The amount of reserves held was currently under review and it was anticipated that funds over and above the target free reserves would be transferred to a designated fund to be used to improve the infrastructure of the College’s premises once the outcome of the CIF bid was known.</p> <p>Reconciliation between August 2019 Management Accounts and Statutory Accounts This was duly noted by the Committee.</p> <p>Audit Findings Paul Creasey of Wilkins Kennedy presented the Audit Findings (previously referred to as the Management Letter) for the year ending 31st August 2019. The report was intended to highlight any key issues that arose from the audit and the preparation of the financial statements for the last academic year.</p> <p>Mr Creasey confirmed that there were two audit opinion expressed within the report, both of which were unqualified. From the testing undertaken, there had been no findings of any significant risks.</p> <p>Under ISA (UK) 240 there is a presumed risk of management over-ride of controls and following review of accounting entries; testing of journal entries and reviewing significant transactions, no instances of management override of controls had been identified.</p> <p>Furthermore, with regard to pension liability there was a risk that the valuation of the pension scheme could be incorrectly stated in the accounts. Following a review of the actuary valuation report and related disclosures in the accounts, there were no issues noted with regard to the valuation of the defined pension scheme. It was therefore a very “clean” audit, with nothing to bring to the Committee’s attention in terms of these elements.</p> <p>In respect of findings in other areas there were no issues in respect of related party transactions and there were no going concern issues identified either.</p> <p>In respect of the Regularity Audit, the only issue noted was that the Trust had incurred expenditure on alcohol purchased after April 2019 (principally for events at the Light Box). Following clarification in the</p>	

	<p>Academies Accounts Direction 2018/19 all purchases of alcohol from Trust funds was prohibited. This was highlighted as a control point and not as a material breach of regularity and the Senior Leadership Team confirmed that they had already taken immediate steps to ensure future compliance.</p> <p>One further point in terms of tangible fixed assets was that as part of a review of repairs and renewals it had been noted that there were purchases for several items in one invoice and as the invoice total was above £1,000, which was the capitalisation threshold for the Trust it was recommended that the Trust add a capitalisation threshold for groups of items.</p> <p>Under item 6 of the report, late client adjustments, corrected misstatements and uncorrected misstatements were set out. There were a number of minor adjustments noted under 6.1 and the Auditor confirmed there were no audit adjustments made to the figures presented for audit under 6.2 (corrected misstatements) and 6.3 (uncorrected misstatements). Mr Creasey commended the work of the Finance Director as this was the only Academy they had audited that did not have any entries under 6.2 and 6.3.</p> <p>The report included a useful sector update and sector generic recommendations together with a comprehensive review of the MUSTs as set out in the Academies Financial Handbook 2019 for members attention.</p> <p>Letter of Representation</p> <p>The Committee noted the Letter of Representation from Wilkins Kennedy which was in a prescribed and recognised format. This would be signed and lodged with the filing of the Financial Statements fye 31st July 2019.</p> <p>The Committee resolved:</p> <ol style="list-style-type: none"> i. To commend to the Academy Trust Board the Report and Financial Statements fye 31st July 2019 for approval and signature by the Principal and Chair; ii. To commend for approval to the Board the reconciliation statement between the August 2019 Management Accounts and Statutory Accounts; iii. To note the Audit Findings of Wilkins Kennedy; iv. To commend for signature by the Chair of the Board, the Letter of Representation. <p>Closed Session 7.05pm to 7.10pm</p> <p>The Principal, Deputy Principal, Finance Director and Clerk left the meeting to allow the auditors to raise any matter of concern directly with the Chair of the Committee.</p> <p>No matter of concern was raised. Mr Creasey of Wilkins Kennedy left the meeting at 7.10pm.</p>	
7.	<p>Management Accounts</p> <p>The Committee reviewed the October 2019 Management Accounts,</p>	
8.	<p>Condition Improvement Fund Bid</p> <p>The Committee received an update on the CIF bid for a new eight classroom block together with details of the associated spend. The construction cost of the new block was anticipated to be approximately £2,250,000 and it was the College's intention, based on advice received, to contribute 25% of restricted reserves towards the total cost of the construction project. Expenditure was required at an early stage before submission of the bid itself by way of the professional costs of the CIF consultant, architect and structural engineer, together with planning application fees. This expenditure was required now without any guarantee of a successful outcome of the bid. However, should the bid be unsuccessful it would be possible in future years to re-submit without the professional costs having to be re-incurred.</p> <p>The costs at this early stage totalled approximately £53k and therefore, consent was required from the Board to incur this associated spend. It was also confirmed, that the College's contribution of approximately £700k, once withdrawn, would not affect the level set under the terms of the Reserves Policy.</p> <p>It was noted that a more detailed update on the College's strategic development would be provided by Mark Penfold, Chartered Architect, in a presentation due to take place before the next Board meeting.</p> <p>In discussion, members asked that the SLT produce a summary paper for the December Board outlining the rationale for the project; the spend to date and; the deliverability of the plans.</p>	

	<p>In addition, the Principal advised that he would welcome the input of a small number of Trustees to join a steering group who would be able to meet every month to review the progress of the bid and provide strategic oversight. It was agreed that this proposal and the membership of the group would be confirmed at the December Board meeting.</p> <p>The Committee resolved: To commend to the Board approval of the CIF bid associated spend of approximately £53k.</p>	
9.	<p>Risk Management & Board Assurance</p> <p>Risk Management & Board Assurance Annual Report The Committee reviewed the Risk Management and Board Assurance Annual Review for 2018/19, together with the Risk Register for 2018/19 which was tabled at the meeting, at the Chair’s request.</p> <p>There were two significant risks identified in 2018/19, namely (R1) that the College failed to attract students to secure adequate funding and secondly, (R2) that insufficient funding rate changes and compulsory increases in salary related costs reduced College income, with both risks potentially leading to the College not being able to continue as a going concern.</p> <p>In terms of R1, the College had experienced a small decrease in enrolment numbers in September 2019 and this would lead, via lag funding to a lower number of students being funded in 2020/21. However, with a slight increase in funding for 2020/21, this was likely to offset the impact of lag funding resulting in a balanced position.</p> <p>Five contingency risks had been identified and these were individually reviewed. It was noted that R7, which was a contingency risk relating to the failure to implement the requirements of GDPR had now been downgraded and of the remaining 9 low risks, R13, relating to the changes in the SLT had been removed completely as all SLT had now been in position for some time.</p> <p>The Chair thanked the Deputy Principal for a well-managed and robust Risk Management process and commented that he would like the opportunity to review, at this time of year the identified and possible risks for the year ahead. It was noted that at this meeting, the focus was very much on a review of the previous year in terms of the financial statements and the Audit Report but it would be beneficial if it was possible to incorporate a pro-active “looking ahead” aspect as well.</p> <p>SLT and the Clerk were currently looking at reviewing the format and sequencing of Board meetings and it was agreed to carry forward the Risk Register and Risk Management Framework items into that calendar to accommodate the request.</p> <p>It was also agreed that the CIF bid should be incorporated into the Risk Register and should the project proceed that a separate project Risk Register would be formulated which would be overseen by the appointed project manager.</p> <p>Members discussed R10 which related to the Disaster Recovery Plan and SLT agreed that they would review how the plan could realistically be tested and in addition members requested that all significant risks should be cross referenced to the financial statements.</p> <p>The Committee resolved: To note the Risk Management & Board Assurance Report for 2018/19</p> <p>To discuss areas for future Board Assurance reports to commission for 2019/20 In terms of areas for future Board assurance reports the Committee agreed to review Cyber security and VAT. The Finance Director was asked to obtain quotes and a specification for the audits.</p> <p>A potential third area, should the CIF bid proceed, were the protocols for payment of invoices etc.</p> <p>The Committee resolved: To approve the commissioning of two Board assurance reports on Cyber security and VAT.</p>	

	<p>To receive the Accounting Officer's Statement on regularity, propriety and compliance (1.31 AFH 2019) The Committee reviewed and duly noted the Accounting Officer's statement on regularity, propriety and compliance which was required to be filed with the financial statements.</p>	
10.	<p>Fraud & Whistleblowing Reports The Deputy Principal confirmed that there were no fraud or whistleblowing reports to receive.</p>	
11.	<p>Academies Financial Handbook The Committee reviewed a compliance summary of the new changes introduced by the Academies Financial Handbook which were effective from 1st September 2019. It was noted that there was one action point to address, namely that the Trust should appoint one trustee and one member of staff who other staff can contact to report concerns.</p> <p>It was felt that the most appropriate Trustee to be appointed as a point of contact was the Chair of the Board and therefore the Committee resolved: To appoint of Gaynor Mather as the designated Whistleblowing Trustee.</p> <p>SLT agreed to take up the appointment of a member of staff at the next staff briefing.</p>	
12.	<p>Policies for Review & Sector Briefings The Finance Director gave a brief overview of the proposed changes to the Financial Regulations, including for example the audit recommendation on the capitalisation policy which had been incorporated and the revised regulations would come back to the Committee at the next meeting for approval.</p>	
13.	<p>External Audit Service The Committee, with input from the Finance Director, completed the agreed Key Performance Indicators for the External Audit Service. This was the first audit undertaken by Wilkins Kennedy and their knowledge was considered to be good and the Audit Findings Report was both comprehensive and included a very useful sector update.</p> <p>The Chair suggested that KPIs from the Auditors themselves should be requested for possible future use.</p>	
14.	<p>Any Other Business There were no other items of business.</p>	
15.	<p>Date and Time of Next Meeting It was agreed that the next meeting of the Committee would take place on Wednesday 11th March 2020 at 6.30pm.</p>	