

## **SOUTHPORT COLLEGE**

### **MINUTES OF SPECIAL AUDIT COMMITTEE MEETING HELD ON 4<sup>TH</sup> JULY 2018**

<b>Present:</b>	John Fell	Independent Governor
	Terry Fleetwood	Independent Governor
	Mo Kundi	Independent Governor (Chair)
	Ilush Bricknell	Associate Member
	Richard Jacklin	Associate Member
<b>In Attendance:</b>	Aileen Ogston	Wylie & Bisset (External Auditor)
	Eddie Green	Vice Principal Services
	Lesley Venables	Clerk to the Corporation

#### **PART ONE**

##### **APOLOGIES FOR ABSENCE**

161 Apologies for absence were received from Jim Turner (Parent Governor) and Philip Porter (Associate Member).

##### **DECLARATIONS OF INTEREST**

162 A declaration of interest was received from John Fell as he is married to the Chair of the Corporation.

##### **CONFIDENTIAL ITEMS**

163 No items on the agenda were classified as confidential.

##### **EXTERNAL AUDIT PLAN FOR 2017/2018 FINANCIAL STATEMENTS**

164 The newly-appointed External Auditors presented the proposed plan and timetable for the work to be carried out on the 2017/2018 Financial Statements.

165 Governors noted that a risk-based approach would be used, the focus of which had been discussed with management and the Auditor's experience within the FE sector. There would be substantive testing of the College's financial systems and procedures during the audit. The testing was designed to provide assurance that the Financial Statements provided a 'true and fair view'.

166 The Auditor was required to assess the level of risk on the potential for management overriding internal controls and ensuring that revenue was properly recognised, together with issues relating to the merger with KGV. One example of the latter was the position on VAT exemption on the Media Centre, which had been classified as zero-rated for the Sixth Form College. However, on merger, the VAT expenditure crystallised. The Vice Principal Services advised that there was no overall financial impact of this issue as the College received grant funding to cover the cost and that the cost of the VAT had been added to the

amount included in the accounts for fixed assets and would be written off over the remainder of its useful economic life.

167 Governors were informed that the majority of the fieldwork for the audit would take place during the first part of October. Separate Financial Statements would be prepared for KGV and the Committee was advised that it was likely that these would provide a 'qualified' opinion, due to issues surrounding the pension valuation.

168 The draft Financial Statements would be submitted to the Corporation for approval prior to the end of December and would be signed by the Chair and the Principal/CEO.

169 Letters of engagement would be issued to the College shortly and would be presented at the next Committee meeting. An audit of the Teachers' Pension Scheme would be undertaken as a separate engagement and would be for the full year for Southport College and for the period from September 2017 to January 2018 for KGV.

170 **Resolved -** That the Corporation **be RECOMMENDED** to approve the External Audit Plan for the 2017/2018 Financial Statements

#### **INTERNAL AUDIT PLAN FOR 2018/2019**

171 Governors were reminded that at its meeting on 6<sup>th</sup> June, the Committee had recommended for approval the Internal Audit Plan for 2018/2019. However, following previous discussions at this Committee and at Corporation level on the accommodation in general and the College's tendering processes, governors felt it was appropriate that the Internal Auditors should be asked to undertake some work on these areas.

172 Governor concern had been expressed that the projected costs of a number of capital projects were substantially in excess of the initial agreed budget. The Committee was of the view that the Corporation required assurance that the College's tendering and capital project management procedures were appropriate and were being followed.

173 It was proposed, therefore, to amend the Internal Audit Plan to enable this work to be undertaken. Governors noted that there was a contingency in the Plan of 2 days, which could be used for this purpose. The Clerk advised that the Committee should seek approval in principle from the Corporation for the item on tendering processes to be added to the Plan and that discussions with management could then take place on the allocation of audit days within the Plan.

- 174 **Resolved -**
- 1 That the Corporation **be RECOMMENDED** to approve an amendment to the Internal Audit Plan for 2018/2019 to facilitate work to be undertaken on the College's tendering processes
  - 2 That, subject to approval being given, management discuss with the Internal Auditors the reallocation of audit days within the Plan and report back to the Committee's September meeting

## **ITEMS TO BE REPORTED TO THE BOARD**

175 The Chair summarised the key points that would be reported to the Corporation at its meeting on 4<sup>th</sup> July 2018:

- Draft Plan for the External Audit of the Financial Statements for 2017/2018 was recommended for approval by the Corporation
- Recommendation to amend the Internal Audit Plan for 2018/2019 to incorporate work on the College's tendering and estimating processes

## **DATE OF NEXT MEETING**

To be agreed.