



Minutes of the Joint Audit and Resources Committee held at 8.00am on 30th November 2016,
Room MC5.

Present:	Clare Watling	Chair
	Steve Brice	
	Terry Lazenby	
	Richard Shaw	
	Jerry Loy	
	Chris Barlow	
	Gail Walker	Princi

Principal

In Attendance:	Shereen Sameresinghe	Vice Principal
	Josephine Carr	Clerk
	Marie Ghansah	Head of Finance

Charlotte Gazzard	Audit Manager, RSM UK, External auditors
Alexandria Krauze	Senior Auditor, RSM UK, External auditors

Item 1 Action in the event of fire

AR/11/16/1	Action in the event of fire was noted.
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Item 2 Welcome and apologies for absence

AR/11/16/2 Apologies were received from Jerry Tapp.

Item 3 **Declarations of interest**

AR/11/16/3 There were no declarations of interest.

Item 4 Minutes of the meeting held on 25th November 2015

AR/11/16/4 The minutes of the meeting held on 25th November 2015 were approved as a correct record subject to the correction of typographical errors.

Item 5 Audit Findings Report

AR/11/16/5 RSM presented the report to the Committee noted the following points:

Section One: Outlines the scope of the audit and acknowledges the change in Government Department responsibilities for FE (BIS to DfE). RSM will amend their engagement letter and this will be presented to the December FGB for signing.

Section Two: Risks identified during the audit

- Income recognition – no issues identified. The College is anticipating a claw-back of £590K from the SFA. This will be clarified by December 2016. A small adjustment regarding free school meals has been made
- Pension Scheme liabilities: this is a standard risk for all FE colleges. RSM found no inconsistencies or areas of concern.
- Going concern: RSM believe the College forecasts are reasonable. The College has not breached its bank covenant.
- Management override of control: RSM tested Management journals and no issues arose from these.
- Adoption of SORP: RSM confirmed that the statutory changes had been introduced for the 2015/16 accounts and the 2014/15 accounts restated for

comparative purposes. A one-off holiday accrual has been made as part of the transitional changes.

- Capital Projects: A small adjustment has been made with regard to late August payments
- Partnerships: RSM completed the reconciliation with no issues arising, other than a small adjustment relating to partnership costs following the submission of the S15 return to the SFA.

Section Three: Issues Identified:

- Trade debtor recovery: 66% increase compared to 2014/15. This relates principally to 2 debtors: Surrey County Council and the Howard of Partnership Trust (recovery of VAT relating to part of the new Ashford campus). Surrey County Council has subsequently paid the o/s debt.

Section Four: FRS102 Adjustments:

- A number of journals were posted to allow for the transition to FRS102; these journals were not financial errors.
- Holiday pay accrual
- Reclassification of software costs to intangible assets

Section Five: Unadjusted/Adjusted Misstatements: materiality levels of £1K for an individual item and £5K for an aggregate.

The number of adjustments made was in line with a College the size of Brooklands. RSM would expect there to be less adjustments during the second year of FRS102 and now the vacancies in the College Finance Team have been filled.

The Chair of Audit asked whether the 4 items listed as unadjusted misstatements factual would be adjusted. RSM advised that the first and fourth items are items requiring reclassification and these will not affect the bottom line of the annual account. The second and third items relating to SFA income relate to different interpretations/ treatment of items.

Section Six: No issues of potential impropriety were identified during the audit.

Section Seven: Significant deficiencies in internal control: 3 items listed which are not significant:

- VAT turnover reconciliation – this does not impact on the VAT return but reflects the staff shortage in the Finance Team – this will be addressed with a quarterly reconciliation in 2016/17.
- Disaster Recovery Plan – This was formally written up during the summer term and presented to the July FGB – RSM noted this information
- Education Contracts – The College will ensure that SLA agreements are in place for all schools in 2016/17.

RSM were asked if the College should be worried by their findings. RSM advised that these items would add a better level of security to the College processes.

Section Eight: Significant Accounting Policies, Disclosures and Estimates:

- Defined Benefit Scheme: no issues identified
- Transition to FRS102 – holiday pay accrual (as discussed earlier in the meeting)

Disclosure Changes: Operating lease commitments should reflect the total liability of the remaining lease period as opposed to that incurred during the reported financial year.

RSM overview of the audit: Because of staff shortages and the work required in restating the 2014/15 accounts in line with FRS102, there was still on-going work at the time of the RSM site visit. RSM do not expect these issues to reoccur for the next audit.

Section Nine: Qualitative Aspects of Accounting practices and financial reporting: Staff costs account for 50% of the College's income, however, if Partnership income is excluded this percentage increases to 67-68% with the SFA recommending 65%. The SFA measure is however, distorted by the inclusion of 6th form colleges with their classroom based (non-practical) provision. The College is working towards this and the benefits of the 2015/16 restructure will be reflected in the 2016/17 accounts.

AR/11/16/6 The Letter of Representation will be presented to the December FGB Board for signing.

AR/11/16/7 The Governors confirmed that they had no need to meet with the Auditors without members of SLT.

Item 6 Financial Statements 2015/16

AR/11/16/8 The change in the surplus figure as reported to the last resources Committee (£224K as opposed to £81K) is the result of the accrued holiday pay adjustment.

AR/11/16/9 The meeting recommended the Financial Statement for 2015-16 to the December FGB.

AR/11/16/10 Governor Attendance was noted and the KPI of 75% confirmed.

AR/11/16/11 In a response to a Governor question, the Vice Principal confirmed that she had discussed the capitalisation of some key facility staff salaries. There will also be specific weekend overtime costs capitalised. To date Glenman have indicated that they will pay up to £30K overtime with regard to weekend working and additional cleaning. **Action:** The Vice Principal agreed to make a note of any capitalised salaries in the October and November Management accounts.

Item 7 Brooklands Enterprises Financial Statements

AR/11/16/12 The meeting recommended the Brooklands Enterprises Ltd Accounts for 201516 to the December FGB.

Item 8 Any Other Business

AR/11/16/13 The Vice Principal thanked the Head of Finance and her team for all their hard work.

AR/11/16/14 The Vice Principal thanked RSM for their support during the transition work to implement FRS102.

Item 9 Chair's Business

Item 9.1 Review of committee business for emerging risks

AR/11/16/15 There were no new emerging risks from the meeting

Item 9.2 Any other Business

AR/11/16/16 In response to a question, the Vice Principal advised the meeting that separate firms are used for Internal and external audit in order to recognise their different skills required and to have separate reviews of the College's systems and controls. The details of the Internal and External audit tender process will be presented at the February Audit meeting.

Item 10 Date of next meeting

AR/11/16/44 The next meeting of the Joint Audit and Resources Committee will be scheduled for November 2017.

Committee Decisions

1. The meeting recommended the Financial Statements 2015/16 to the December FGB.
2. The meeting recommended the Brooklands Enterprises Ltd Accounts for 2015/16 to the December FGB.

Action Points

1. The Vice Principal agreed to make a note of any capitalised salaries in the October and November Management accounts.

Chairman.....

Date