



DN COLLEGES GROUP

**CORPORATION
AUDIT & RISK COMMITTEE and
FINANCE AND RESOURCES COMMITTEE**

Minutes of the Meeting held on 4 December 2017

1. Present

I. Falconer (In the Chair), P. Adams, R. Brook, P. Grinell, M. Keyworth, A. Khan, M. Lynds, H. Osborne, P. Pascoe, P. Senior, L. Sharp, A. Tuscher, A. Tyrrell, M. White,

In Attendance

D. Burke, J. Charles, P. Doherty, R. Lewis, D. Reeve, M. Standish

2. Apologies A. Briggs, G. Clarke, J. Doherty, D. Hilditch, G. Hinchliffe, S. Lloyd, A. Monighan, M. O'Reilly, R. Stubbs, M. Swales

3. Chairmanship

In the absence of the Chair, A. Briggs, it was agreed that the Vice Chair, I. Falconer would Chair the meeting.

4. Declaration of Interests

Members were reminded to declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.

5. Annual Reports of Doncaster Audit and North Lindsey Audit & Risk Committees to the Corporation Board.

Members received the draft Annual Reports from the Audit and Audit & Risk Committees. Both were previously discussed at the Audit & Risk Committee meeting held on 20 November 2017.

The Chair highlighted a number of amendments to the draft version of the Doncaster report, i.e. new bullet points and an additional note regarding the appropriate agencies being informed.

PD highlighted 3 small changes to the previous draft North Lindsey report, i.e. that the terms of reference had not been reviewed in 2017 and therefore the report referred to the 2016 document and two small amendments referred to the completion of the 2016/17 audit and the presentation of the RSM report. There was also clarification regarding an instance of credit card fraud which had been discovered by the bank.



Subject to the changes discussed, the Annual Reports from the Audit Committee of Doncaster College and the Audit and Risk Committee of North Lindsey College were approved and would be presented to the next Corporation Board meeting.

5 Financial Statements and Regularity Assurance Reports 2016/17

IF reminded Members of the roles of the Audit & Risk and the Finance & Resources Committees:

- Finance & Resources to comment on figures and the statement of going concern
- Audit & Risk appoint external auditor and ensures proper audit had been done, i.e. that the auditor had completed the approved plan and that the auditor is independent
- Audit & Risk considers any control issues arising
- Both Committees confirm the draft Report of Governing Body, consistent with their knowledge
- Audit & Risk confirms the 2 draft statements within the report i.e. Committees' own annual reports and Statement on Regularity, Propriety and Compliance
- Both Committees confirm that the Chair of the Corporation Board and the Accounting Officer can give the various representations sought by the auditor.
- Advice from the Audit & Risk and Finance & Resources Committee members will inform the Corporation Board's conclusion to adopt the Audit Committees' Reports, the Financial Statements Reports and to determine whether the College remains a going concern.

Doncaster College

PD said that during the preparation of the Financial Statements, the proposed disposal of the High Melton site had taken account of the valuation done prior to going out to the market place. The professional valuation was fully reflected in the Financial Statements at £4.54m. The book value within the Doncaster Accounts had been double that amount so the draft financial statements reported a significant write down on the value of fixed assets, i.e. reflective of the value of the High Melton site. Also, as a precursor to marketing the High Melton site, bids had been sought. Four had been received but all were under the professional valuation received, and a further write-down to approximately £3.0m was being considered in order to present a true and fair view subject to awaiting full and final bids.

Members received the Report and Finance Statements for DC Teach Limited for the year ended 31 July 2017. DR explained to Members the objectives of the wholly-owned company DC Teach Limited, which had been formed as a recruitment company for part time academic staff and full time recruitment. The company was operated by Protocol with lower fees than a third party recruiter would charge and VAT benefits, resulting in significant savings, better control of recruitment and a bank of academic staff or temporary or part time vacancies.

RL pointed out that the balance sheet and statement of going concern underlined the intention of management for the DC Teach to continue.

RL presented the Annual Report and Financial Statements and Final Audit Findings Report for the year ended 31 July 2017 for Doncaster College. RSM was committed to consider the control framework of the College, i.e. the Governance, Risk Management Controls, Safeguarding of Assets and Solvency of the College. The key statements within the Report link with these themes. Doncaster College had dissolved on merger with DN Colleges Group, formerly North Lindsey College, on 1 November 2017 and therefore was not a going concern. The report referenced the three subsidiary companies, i.e. Waterdale Training Enterprises Limited (WTE was dissolved at Companies House on 31 October 2017); Arthur Street (Doncaster) Developments Limited and DC Teach Limited. The College's shareholding in Arthur Street (Doncaster) Developments Limited was sold to the minority shareholder DMBC on 1 August 2017. The accounts from the subsidiary companies were consolidated into the Doncaster College Financial Statements.

The College consolidated financial statements were prepared in line with the Accounting Standards. The group had incurred an operating deficit after taxation and non-controlling interests of £1,347,000. The group has accumulated reserves of £6,143,000 and cash balances of £2,741,000. Tangible fixed asset additions during the year amounted to £235,000.

It was stated within the Report that the members who held office at the date of approval of the report confirmed that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member had taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

With regards to the College's regularity, propriety and compliance with funding body terms and conditions of funding, RL reported that there were no material irregular or improper use of funds by the College or material non-compliance with the ESFA terms and conditions of funding under the financial memorandum. There were no instances of material irregularity, impropriety or funding non compliance.

There was some discussion about the conclusion within the Audit Committee's Annual Report regarding the caveat included in the section about the procurement contract and controls in place during that period. RL said that the issue was reviewed and through scrutiny of the process and other frameworks it was the opinion of the auditors that an adequate and effective framework is in place. Members agreed that the openness and



honesty derived from the statement being included in the Audit Committee's annual report underlined the effectiveness of the controls in place. There was some discussion regarding the changes made to the accounts since circulation, with reference to the High Melton valuation. This will have an impact on the deficit.

The Final Audit Findings Report was received. RL pointed out that this report will change to make reference to the matters outstanding and the issue of going concern. It was noted that the opinion was unqualified on the Regularity and Financial Statements. No issues had come to the Auditors attention during the regularity review. Some points were brought to members' attention, i.e. the write off of the loan made to Waterdale Training Limited. The Company was dissolved and the loan written off but as the Company had over its life given 'gift aid' back to the College and employed people through the College there were no regularity issues.

The Statement of Corporate Governance and Internal Control was recommended to the Corporation Board for approval.

Amendments discussed during the meeting will be made prior to the final accounts being signed off.

IF said that Members welcomed the assurance provided by the Auditor's work on regularity, Teachers Pensions Certificate, DC Teach Report and Statements, Doncaster College Report and Statements and that no impropriety issues or significant deficiencies in internal control had been highlighted in the Findings Report.

Subject to a potential further High Melton valuation adjustment, Members confirmed that they were satisfied that the draft Reports and Financial Statements of the former Doncaster College and its subsidiary DC Teach Limited had been properly prepared in accordance with all relevant guidance and legislation include statements contained within the reports on corporate governance and internal control, going concern, regularity propriety and compliance. The Reports and Financial Statements were recommended to the board for adoption and signature by the Chair and Accounting officer, subject to a further adjustment to the High Melton value reported within the Financial Statements to be agreed with RSM.

The draft letters of Engagement were recommended to the Board for adoption and signature by the Chair and Accounting officer

It was concluded that the Auditor had remained independent and in position to issue opinion, has completed the audit in accordance with the agreed audit plan and that the proposed opinions were appropriate.



The Self Assessment Questionnaire from Doncaster College, which underpinned the statements within the Regularity Audit report had been circulated for information. The Self Assessment Questionnaire for North Lindsey College had also been circulated for completeness; it was noted that the North Lindsey College Audit and Risk Committee had previously received this document at their meeting in October 2017.

Members authorised PD, as the Chief Operating Officer, to agree the audit fees without further recourse to the Audit and Risk Committee.

The letters of representation will be amended according to the changes already discussed and will be reissued to PD and DR on that basis.

M. White left the meeting at this point

DN Colleges Group (formerly North Lindsey College)

MS presented the Financial Statements for the year ended 31 July 2017 for Kingsway Consulting Ltd and for Optime Support Limited. With reference to Kingsway Consulting Ltd, it was noted that the principal activity of the company for the year ended 31 July 2017 was the rental of property and that during the previous year the principal activities were the provision of consultancy, training and venue hire together with the operation of a day care nursery. The results of the two years were therefore not comparable. The audit opinion was that the financial statements gave a true and fair view of the company's affairs as at 31 July 2017 and of its profit for the year, that the statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice and in accordance with requirements of the Companies Act 2006. There were no material misstatements identified and no matters to report by exception. The Statement of Comprehensive Income showed the results for the year, i.e. a net profit of £14,484. Gift aid to the College was £12,360.

The financial statements for Optime Support Limited followed the same layout. The profit for the year was £65k compared to £92k for the previous year of which £66,172 will be gift aided to the College.

In answer to a question Members were informed that a review of subsidiary companies (Optime Support Limited and DC Teach Limited) would be proposed for the spring term to consider their fitness for purpose and what, if any aspects could be shared throughout the DN Colleges Group.

The audit findings briefly mention that it may be of concern regarding the trading income from commercial activities of the DN College Group being in excess of £100,000 which would incur corporation tax. PD said that this is being closely monitored.

The DN Colleges Group (formerly North Lindsey College) consolidated financial statements were prepared in line with the new Accounting Standards. The group generated an operating surplus in the year of



£1.09m, compared to £1.2m in 2015/16. The group has accumulated reserves of £19.2m and cash balances of £6.02m.

With regards to the College's regularity, propriety and compliance with funding body terms and conditions of funding, MS reported that there were no material irregular or improper use of funds by the College or material non-compliance with the SFA terms and conditions of funding under the financial memorandum. There were no instances of material irregularity, impropriety or funding non compliance.

The Statement of Corporate Governance and Internal Control was recommended to the Corporation Board for approval.

Members received the document Final Audit Findings Report which outlined the scope of the financial statements and the regularity assurance engages, the auditors proposed approaches and highlighted the key risks which will focus the audit work. The audit plan was based on discussions with the College to date, and will be updated on completion of detailed planning prior to commencement of the audit and regularity assurance to take account of any material events which occurred or additional risks or areas of material irregularity identify between the initial discussions and completion of the planning process.

The opinion on the financial statements was that they gave a true and fair view of the state of the college's affairs as at 31 July 2017 and of its profit/loss for the year then ended, that they have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the requirements of the Companies Act 2006. There were no matters to report regarding Management Control and no issues raised regarding Regularity. Accounting policies are appropriate to the College and consistent with the FE Sector.

Letters of support for Kingsway Consulting Ltd and Optime Support Limited were included in the documentation.

The Letters of Representation were included in the Appendices.

The Financial Statements and Regularity Audit 2016/17, letters of support and associated letters of representation will be recommended to the Corporation board for approval and sign off by the Chair and Accounting Officer.

The Chair commented and welcomed the significant amount of positive assurance provided by the audits of both former colleges and subsidiary companies. It was concluded that the auditor has remained independent, has completed the audit in accordance with the agreed audit plan and that the opinions were appropriate.

The Chair thanked PD and DR, finance teams and the auditors for their work in preparing the financial statements.

6 ESFA Letter to Chief Executives and Principals of Colleges in the FE Sector

Members received a copy of a letter dated 17 November 2017 sent to all colleges by P. Lauener, the Chief Executive and Accounting officer of the Education and Skills Funding Agency. The letter emphasised the importance of setting standards for good financial management and governance throughout a college and referenced findings from ESFA work with colleges. In performing the role as a Governor, members were asked to consider whether the board has the skills, experience and knowledge to provide both support and challenge to the senior team.

A response will be prepared and shared with Corporation Board members in due course.

Members of the Finance and Resources Committee, i.e. P. Adams, R. Brook, A. Khan, P. Pascoe, P. Senior, L. Sharp, A. Tuscher, L. Sharp, A. Tyrrell and M. White left the meeting at this point.

7 Audit Service Confidential Discussions

P. Doherty and D. Reeve left the meeting at this point.

MS said that the production of information for DN Colleges Group (formerly North Lindsey College) was of the high standard which was expected of PD and staff.

RL said that there had been some challenges with the production of the Doncaster information; DR and staff had worked very hard and although the management team had had to deal with some difficult situations, the information was produced and all issues made transparent. The issue of the High Melton valuation will delay the signing off of the accounts for a short while until the figures within the documentation were amended.

8 Date of Next Audit and Risk Committee Meeting

Wednesday 28 February 2018, 5.30 pm at The Hub, Doncaster.