



New College Stamford

Audit Committee

Annual Report Academic Year 2014/15

To the Governing Body of the Corporation and the Principal
of
New College
Stamford

Audit Committee Annual Report 2014/15

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1. Introduction

1.1 Background

The Audit Committee is required to produce an Annual Report for the Corporation and the Principal at the time the annual financial statements are signed. This is in accordance with the Joint Audit Code of Practice (JACOP) – August 2015.

This report covers the Audit Committee's work for the period **1 August 2014 to 31 July 2015**. The purpose of this report is to explain to the Corporation and the Principal (as the College's Accounting Officer) how the Committee has fulfilled the responsibilities set out in its Terms of Reference during the year under review. This includes providing an opinion on -

- the adequacy and effectiveness of the College's systems of internal control
- the arrangements for
 - risk management
 - control and (corporate) governance processes
 - securing economy, efficiency and effectiveness (i.e. value for money).

1.2 Appointment of Auditors

The following auditors have served the Corporation in the year 2014/15

Internal Audit – Baker Tilly and their successors, Mazars

Financial Statements and Regularity Audit – Grant Thornton and their successors, KPMG.

2. Audit Committee Details

2.1 Membership of Audit Committee

Members of the Committee who served for all or part of the year -

Name	Category of Member	Notes	Attendance at Meetings*
Mr Ross Clephane	External Governor	Last meeting as Chair 09.06.14, remained a Committee Member until his retirement on 31.12.2014	100%
Mr Rob Cottrell	Staff Governor	First meeting 15.09.14	100%
Mr Andrew Moore	External Governor	First meeting as Chair 30.09.14.	100%
Ms Alison Grant	External Governor	Left the membership upon becoming Corporation Chair on 31.03.15	100%

Mrs Sally Brook Shanahan was Clerk to the Corporation for the full reporting year.

2.2 Terms of Reference of the Audit Committee

The Terms of Reference of the Audit Committee follow the minimum terms of reference for college audit committees set out in the Joint Audit Code of Practice. The Terms were reviewed at the September 2014 meeting of the Committee against those minimum terms and a number of amendments made. The Terms of Reference are available on the College website: www.stamford.ac.uk.

2.3 Meetings of Audit Committee

Meetings of the Committee were held on the following dates in the year -

- 15 September 2014
- 17 November 2014
- 26 June 2015

A quorum was maintained for all meetings in the year.

The minutes of meetings have been presented to the Corporation.

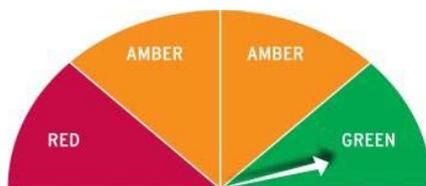
3. **Internal Audit Programme 2014-15**

3.1 The prime responsibility of Internal Audit is to provide the Corporation, the designated Accounting Officer and the management of New College Stamford with assurance on the adequacy and effectiveness of risk management, control and governance arrangements. Internal Audit can also provide independent and objective consultancy and advice to improve those arrangements. Internal audit is therefore a key part of New College Stamford's assurance cycle and if used properly can help to inform and update the risk profile of the organisation. Internal Audit is just one of the sources of assurance available to the governing body.

3.2 The Internal Audit Plan for 2014/15 was agreed at the Committee's meeting on 15th September 2014.

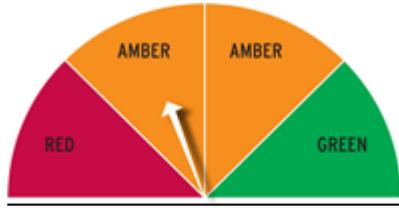
3.3 For each individual audit area reviewed during the 2014/15 academic year the Internal Audit Service provided management and the Audit Committee with an independent assurance on the adequacy and effectiveness of the internal control systems. The following assurance levels of assurance opinion applied:

Health & Safety and Safeguarding Report – 17 June 2015



Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective

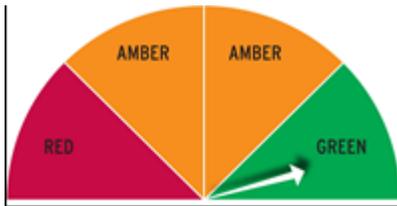
Quality Processes Report – 03 June 2015



Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective, action needs to be taken to ensure risks in this area are managed.

Our opinion is based upon the quality processes within the College and the lack of a Quality Strategy, has led us to our amber / red opinion.

Contract Management Report – 12 May 2015



Taking account of the issues identified, the Corporation can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

These assurance levels were used to risk rate audit findings and recommendations within each audit report.

- 3.4 Reviews carried out in the year and the number of recommendations made are summarised below.

Areas Reviewed	Assurance Level	Recommendations Made		
		High	Medium	Low
Follow-up of Previous Audit Recommendations from 2013/14 – 08 September 2014	Good 100% implemented			
Capital Projects (New Builds) - Revised Final Report – 10 September 2014	Green	0	0	1
Key Financial Systems – Revised Final Report – 10 September 2014	Green	0	0	1
Contract Management – 12 May 2015	Green	0	2	0

Quality Processes – 03 June 2015	Amber/Red	1	2	1
Health & Safety and Safeguarding Report – 17 June 2015	Green	0	2	2

Due to the small number of Internal Audits undertaken during 2014/15, Baker Tilly were unable to provide an overall College assurance opinion. The reduction in the number of Internal Audits during this period reflected the changes in the Joint Audit Code of Practice in respect of Internal Audit requirements.

3.5 Internal Audit Days

In total during the year the internal auditors spent 18 days on internal audit services. Comparative figures are 12 days for 2013/14.

4. **Financial Statements Audit**

4.1 The Financial Statements Auditor planned and performed their audit so as to obtain all the information and explanations which they considered necessary in order to provide them with sufficient evidence to give a reasonable assurance that the financial statements were free from material misstatement, whether caused by fraud or other irregularity or error. In forming their opinion they also evaluated the overall adequacy of the presentation of information in the financial statements.

4.2 The Financial Statements Auditor Key Findings for 2013-14

The Financial Statements Auditor's Key Findings for 2013-14 were discussed with management, and presented to the Audit Committee at its meeting on 17 November 2014. Grant Thornton did not identify any significant control weaknesses during the course of the audit.

4.3 The Committee is able to report that the Financial Statements Auditors have given an unqualified audit report and have concluded that in their opinion, the financial statements "give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state the Group's and of the College's affairs as at 31 July 2014 and of the Group's surplus of income over expenditure for the year then ended; and the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education". Grant Thornton also gave an unqualified opinion on Stamford Plus Limited's financial statements.

4.4 Grant Thornton also provided an opinion on other matters prescribed by the revised Joint Audit Code of Practice which is issued jointly by the Skills Funding Agency and the EFA. In their opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

4.5 The Committee was satisfied with the performance of the Financial Statements Auditors and, at their meeting on 17 November 2014, the Audit Committee agreed to tender for the Financial Statements Auditors for 2014-15.

5. **Regularity Audit**

- 5.1 The Skills Funding Agency and Education Funding Agency published a revised Joint Audit Code of Practice (JACOP) in August 2015. The JACOP sets out the requirements of the Secretary of State for Education acting through the SFA and EFA for the accountability and audit arrangements colleges should operate.

Section 3 of the JACOP sets out the Audit and Assurance Framework for the College Corporations: Requirements for the College Corporation. The framework is applicable to accounting periods ending on or after 31 July 2015. The purpose of the framework is to achieve a common standard on the provision of assurance on regularity so the Corporation can be clear about the assurance received and the funding bodies can rely on the assurance for their own purposes.

5.2 Regularity Audit Opinion to 31 July 2015 (included in financial statements)

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

6. Risk Management

- 6.1 In 2014/15 a report on Risk Management was considered by the Committee at each of its meetings. An annual report on Risk Management was presented to the July meeting. The College approach to risk management includes a Risk Committee to support continuous improvement in risk management within the College. As part of the monthly finance report to Corporation, a Risk Issues Log is presented where risks have been identified as having become issues for the College and action is required to address them.

6.2 Underlying Approach to Risk Management

The following key principles outline the College's approach to risk management and internal control:

- 1 The Board of Governors has responsibility for overseeing risk management within the college as a whole.
- 2 An open and receptive approach to solving risk problems is adopted by the senior management team and the Corporation.
- 3 The College makes prudent disclosure of the financial and non-financial implications of risks.
- 4 Senior and middle managers are responsible for encouraging good risk management practice within their designated managed area.
- 5 Key risk indicators are identified and closely monitored on a regular basis.

6.3 Overall summary of the adequacy of the process of discharging the Corporation duties on risk management

The College has progressed its risk management strategy well. Its aim is for continuous improvement in embedding risk management in the normal planning, management, and operations of the College. This includes regular reporting on the risk management plan to the Audit Committee and the Corporation.

7 Performance Indicators

- 7.1 The Committee has agreed performance indicators for the internal and financial statements auditors in accordance with the Joint Audit Code of Practice. These have

been applied to the 2014/15 year. The performance of the outgoing Internal Auditors was considered at the meeting on 7th October 2015. The performance of the incoming Financial Statements Auditors will be considered at the Audit Committee meeting on 26th March 2016.

8 Other Matters

8.1 Year End Out-turn

The College generated an operating surplus in the year of £229 (2013/14 reported surplus of £109,000)

9 Fees and Additional Services

9.1 The following fees were paid (or are committed) in respect of the 2014/15 year (including VAT) -

Baker Tilly (internal audit)	£ 13,000
KPMG (Teachers' Pensions advice)	£ 1,000
KPMG (contract for financial statements audit)	<u>£ 19,000</u>
Total	£ 33,000

10. Conclusion and Recommendations

- 10.1 The Committee is required to provide the Corporation with an opinion on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes and securing economy, efficiency and effectiveness (value for money).
- 10.2 Based on reviews undertaken by the internal auditor (Baker Tilly), the work of the financial statements and regularity auditors (KPMG, as detailed in the Management Letter) in 2014/15 and assurances received from the Interim Principal, Finance, Planning and Resources, the Committee is able to give the Corporation reasonable assurance on the adequacy and effectiveness of the College's systems and processes.
- 10.3 The financial statements are attached to the Committee's report with the recommendation that they are approved and signed.

The Chair of the Audit Committee, Mr Andrew Moore, would like to express thanks to members of the Audit Committee for their support and advice during the year.

Signed

Date

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Chair of the Audit Committee