



New College Stamford

**Audit
Committee**

**Annual
Report
Academic
Year
2015/16**

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

Audit Committee Annual Report 2015/16

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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 2015 to 31 July 2016**. 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 2015/16

Internal Audit – Mazars

Financial Statements and Regularity Audit – 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 Martin Ballard	External Governor	Appointed 26.7.2016. First meeting will be on 07.12.16	N/A
Mr Rob Cottrell	Staff Governor	First meeting 15.09.14	100%
Mr Andrew Moore Committee Chair to 31.12.15	External Governor	Moved from full Corporation Member to Co-opted Member of the Audit Committee wef 01.01.2016	100%
Ms Zoe Nash	Student Governor	From 08.12.16 for the remainder of the Academic year 2015/16 only	33.3%
Ms Allison Sunley	External Governor	Appointed 26.07.2016. Attended meeting on 05.07.16 as a Member elect.	100%
Ms Rachel Ward Committee Chair wef 01.01.16	External Governor	Moved from full Corporation Member to Co-opted Member of the Audit Committee wef 16.03.16. Resigned 11.10.16.	50%
Mr Paul Wingfield	External Governor	First meeting 07.12.15	50%

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 three times during the reporting year – with recommendations made to and approved by the Corporation in November 2015, March 2016 and July 2016, the latter being the current version. 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 -

- 7 October 2015
- 8 December 2015
- 23 March 2016, and
- 5 July 2016

A quorum was maintained for all meetings in the year .

The minutes of meetings have been presented to Members of the Corporation via their uploading to the Board portal.

3. Internal Audit Programme 2015-16

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 2015 - 2018 was agreed at the Committee's meeting on 7th October 2015.

3.3 For each individual audit area reviewed during the 2015/16 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:

Subcontracting Report – 25 January 2016

SUBSTANTIAL ASSURANCE

Through the work undertaken the conclusions of the review are that controls relating to subcontract management at New College Stamford are operating in a sufficient way to effectively mitigate typical risks in this area with overall substantial assurance given.

Two low level recommendations were included within the report to further enhance the control environment in relation to contract authorisation and access to quality review documents for relevant staff.

Business Efficiency Report - 8 March 2016

SUBSTANTIAL ASSURANCE

Through the work undertaken the conclusions of the review are that controls relating to staff utilisation, room utilisation and departmental contribution at New College Stamford are operating in a sufficient way to effectively mitigate typical risks in these areas with overall Substantial assurance given.

One low level recommendation was included within the report in relation to the production and reporting of staff utilisation KPIs.

FE Loans and Income Diversification Report - 8 March 2016

ADEQUATE ASSURANCE

Through the work undertaken the conclusions of the review are that the controls in place to mitigate risks associated with FE loans are adequate, subject to the issues noted in the report including the agreed recommendation that the College should ensure that effective credit control measures are in place to enable the recovery of fees from students not in receipt of loans.

Learner Journey Report – 19 May 2016

SUBSTANTIAL ASSURANCE

Through the work undertaken the conclusions of the review are that controls relating to the learner journey at New College Stamford are operating in a sufficient way to effectively mitigate typical risks in this area. Two low level recommendations were made within the report. The first was in relation to the lack of collection, analysis and reporting of data regarding the reasons why individuals apply to the College but do not enrol and the second was around the College's monitoring and management of the learner journey.

Individualised Learner Record Report – 14 June 2016

SUBSTANTIAL ASSURANCE

Through the work undertaken the conclusions of the review are that controls relating to the Individualised Learner Record at New College Stamford are operating at a sufficient level to effectively mitigate typical risks in these areas. There were no recommendations made.

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

Areas Reviewed	Assurance Level	Recommendations Made		
		Fundamental	Significant	House-keeping
Subcontracting Report – 25 January 2016	Substantial	0	0	2

Business Efficiency Report - 8 March 2016	Substantial	0	0	1
FE Loans and Income Diversification Report - 8 March 2016	Adequate	0	1	1
Learner Journey Report – 19 May 2016	Substantial	0	0	2
Individualised Learner Record Report – 14 June 2016	Substantial	0	0	0

3.5 Internal Audit Days

In total during the year the internal auditors spent 21 days on internal audit services against the planned 24. Comparative figures are 18 days for 2014/15.

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 2015-16

The Financial Statements Auditor's Key Findings for 2015-16 were discussed with management, and presented to the Audit Committee at its meeting on 7 December 2016. KPMG 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 2016 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 Statement of Recommended Practice : Accounting for Further and Higher

Education 2015 (the 2015 FE HE SORP)". KPMG also gave an unqualified opinion on Stamford Plus Limited's financial statements.

4.4 KPMG 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:

- adequate accounting records have been kept by the College, and
- the financial statements are in agreement with the accounting records, and
- all the information and explanations required for the audit have been received.

4.5 The Committee was satisfied with the performance of the Financial Statements Auditors and, at their meeting on 23rd March 2016, the Audit Committee agreed to re-engage the Financial Statements Auditors for 2015-16.

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 2016 (included in financial statements)

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

6. Risk Management

6.1 In 2015/16 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 continued to progress 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 2015/16 year. The performance of the Internal Auditors was considered at the meeting on 5th July 2016 at which matters of concern were addressed. The performance of the incoming Financial Statements Auditors will be considered at the Audit Committee meeting on 29th March 2017.

8 Other Matters

8.1 Year End Out-turn

The College generated an operating surplus in the year of £456K excluding pension adjustment (2014/15 reported surplus of £229K excluding pension adjustment)

9 Fees and Additional Services

- 9.1 The following fees were paid (or are committed) in respect of the 2015/16 year (including VAT) -

Mazars (internal audit)	£ 13,000
KPMG (contract for financial statements audit)	<u>£ 19,000</u>
Total	£ 32,000

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 auditors (Mazars), the work of the financial statements and regularity auditors (KPMG, as detailed in the Management Letter) in 2015/16 and assurances received from the Vice Principal, Finance, 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 they are approved and signed.

The Acting 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

07/12/16

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Acting Chair of the Audit Committee

