

AUDIT COMMITTEE MEETING

Date	Tuesday 5 th July 2016	Time 4.00pm	UNRESTRICTED: FINAL
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Venue	The Executive Boardroom, New College Stamford
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Chair	Andrew Moore (Deputising for Rachel Ward)
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<p>Members present: Rob Cottrell, Andrew Moore and Allison Sunley In attendance: Sally Brook Shanahan (Clerk to the Corporation), Andrew Clare (Vice Principal, Finance & Resources), John Pressley, KPMG, External Auditors. and Rachel Wright, Mazars.</p>

<p>Apologies: Rachel Ward, Zoe Nash and Paul Wingfield.</p>
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<p>Disclosure of Members Interests: None beyond those already declared in the Register of Interests.</p>

Item	Actions
<p>1. Committee Membership Allison Sunley was welcomed to the meeting as a Committee Member elect.</p>	
<p>2. Papers Although there had been no problem as a consequence of the papers for the meeting being distributed to the Auditors via email it was suggested that as Members all receive theirs via the Board portal ways to share them more efficiently with external attendees should be investigated.</p>	Clerk
<p>3. Minutes of the Meeting held on 23rd March 2016 The minutes of the Meeting held on 23rd March 2016 were agreed as a true record and signed by the Chair.</p>	
<p>4. Actions Table and Matters arising from the Minutes of the Meeting held on 23rd March 2016 Updates were provided on Actions other than those where the due date is in the future.</p> <p>Meeting held on 23rd March 2016</p> <p>(i) <u>Action No. 1, Minute 4(i), Page 1/2 – Internal Audit Report – Subcontracting</u> – the revisions to the Financial Regulations, including the clarification of the procedures for the authorisation of subcontracts will be brought forward via the Finance & Resources Committee.</p> <p>(ii) <u>Action No. 3, Minute 7, Page 3 – Risk Management Report</u> – It was confirmed the new risk in relation to Borderville had been captured on the Risk Register and agreed that the Action can be closed.</p> <p>Meeting held on 8th December 2015</p> <p>(i) <u>Action No. 1, Minute 4, Page 1/2 – Regularity Self-Assessment</u> – It was confirmed that in future Regularity Self-Assessment will be scheduled at the Committee’s meeting</p>	

	<p>in September.</p> <p>(ii) <u>Action No. 11, Minute 11, Page 6 – Risk Management Report</u> – the Action about reviewing the presentation of the Risk Register remains under consideration and will be discussed by the recently formed Risk Management Group.</p>	
5.	<p>Internal Audit Reports:</p> <p>(i) <u>Subcontracting</u> – Rachel Wright introduced the Reports, the objective of the first which was to provide assurance that the College has effective controls in place around its subcontracted partnership management arrangements and that the key risks relevant to the area are effectively managed. Through the work undertaken it had been concluded the controls are operating in a sufficient way to mitigate effectively the typical risks in this area.</p> <p>Two low level recommendations had been made in order to enhance further the control environment. The first related to the requirement for contract authorisation in response to which it was confirmed all contracts with training providers will now signed be by the Principal. The second related to the annual Higher Education (“HE”) Quality Monitoring Review in respect of which it was confirmed the Head of Quality Assurance and Learning Improvement now has access to all documents relating to the assessment and monitoring of the provision of subcontractors, including the Annual Monitoring Reviews completed by the HE providers.</p> <p>(ii) <u>Business Efficiency</u> - The objective of the Report was to provide assurance that the College has effective controls in place to deliver value for money, maximise staff and property utilisation and achieve efficiency targets within different departments and that the key risks relevant to the audit area are being effectively managed. Through the work undertaken it had been concluded the College is operating in such a way to mitigate effectively the typical risks in these areas. A single low level recommendation had been made in relation to the reporting of staff utilisation to the Corporation which it was confirmed had been actioned.</p> <p>(iii) <u>FE Loans & Diversification</u> - The objective of this Report was to provide assurance that the College has effective controls in place around its FE Loans and income diversification and that the associated risks are being effectively managed. Overall the Report concluded the controls in place are adequate save for those in two areas where recommendations were made. The first, a housekeeping recommendation relating to the need to ensure changes of circumstance are effectively and promptly communicated to the Student Loans Company, had been agreed and actioned. The second was a significant recommendation relating to the recovery of course fees from students not in receipt of loans in response to which it was confirmed the method of payment will be agreed before the enrolment is processed.</p> <p>The Vice Principal, Finance & Resources noted Loans will be applicable to 19+ students from the next academic year and so a review of the process will be required when they are applicable to this group. In particular he highlighted the need to look at what happens when students say they will apply for a loan but then fail to do so.</p> <p>(iv) <u>Learner Journey</u> The Report provided assurance that the College has effective controls in place around its approach to the learner journey and the associated risks. Overall it was positive with just two housekeeping recommendations made. The first</p>	VPFR

	<p>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. The recommendations to set targets for the conversion of applicants into enrolments and to monitor and report on them in order to drive performance in the Marketing Team were agreed. Further, additional methods to capture the reasons why applicants do not enrol will also be explored so the information obtained can be used to inform decisions around the curriculum offer and marketing. The second recommendation around the monitoring and management of the learner journey, including the “Steps to Success” programme that aims to assess students during their first six weeks at College, was also agreed.</p> <p>(v) <u>Individualised Learner Record</u> - The objective of the Report was to provide assurance that the College has effective controls in place around student data and integrity processes and to provide assurance that the key risks relevant to this audit area are being effectively managed. Following testing of the information on the management systems the Report gave substantial assurance on the effectiveness of internal controls with no recommendations made.</p>	
6.	<p>End of Year Auditors’ Report Members reviewed the progress made and noted one Compliance Review remained to be completed. As the completed audits focussed on controls and were strongly finance related a discussion took place about the timing of the Compliance Review in which it was concluded it would be preferable for it to take place in September 2016, closer to the external audit and with the Compliance Report then being brought to the Committee at its meeting in December 2016.</p>	VPFR
7.	<p>Internal Audit Plan 2016/17 The Plan was received and Members were referred to the proposed Internal Audit Programme captured in the Timetable for 2016/17 on unique page 94 of the meeting pack. The Vice Principal, Finance & Resources reported he had discussed the Timetable with Mr Sandher at Mazars as a result of which the review of Capital Projects and the Strategic Business Planning Review had been moved back. The Timetable was agreed and acknowledged as reflecting current priorities.</p>	
8.	<p>Any items that the Internal Auditors wish to raise with the Committee without Management staff present No items were raised under this item. However, the item presented the opportunity for Members to raise concerns about apprenticeships mindful of the impending changes to the funding arrangements. The Vice Principal, Finance & Resources confirmed the SLT understand the issues in terms of the transfer of funding and the levy although there remain uncertainties about exactly how the new system will work in practice. Members pointed out there have been indications its implementation may be put on hold and emphasised the importance of the SLT sharing information with governors between meetings during this period of uncertainty in which devolution of the age grant was also identified as being likely to have a significant impact. Members discussed the potential impacts of Brexit and suggested they should be broken down into key elements including the impact of the withdrawal of EU funding. The Vice Principal, Finance & Resources confirmed Brexit has been added to the Risk Register as a key risk, the most significant element of which being the significant unknowns around the process.</p> <p>It was confirmed any key documents that emerge will be uploaded to the Board portal and that consideration will be given to the modelling of “what if” scenarios.</p>	VPFR

9.	<p>Appointment of Internal Auditors 2016/17 The discussion in relation to this item is contained in the separate Confidential minutes.</p>	
10.	<p>Draft Audit Strategy Memorandum 2015/16 Mr Pressley introduced the Report to the Committee that outlined the Audit Plan and Strategy and drew attention to materiality and the reporting of audit differences, risk, fees and the Further Education sector update comprising Appendix 7 that included issues around 16-19 funding, the Apprenticeship Levy, gift aid and distributable reserves. He also emphasised the enormous caveat around the European Union and referred to a note produced by HM Government sent out to large public bodies about the EU exit which confirmed that uncertainties.</p> <p>It was noted that the timings of the audit remain to be agreed and that they will be confirmed in the week commencing 11th July 2016.</p> <p>Members took the opportunity to raise further points around the Apprenticeship Levy, noting that a paper on the subject had been presented to the Finance & Resources Committee on 30th June 2016 including its impact on employers in the public and private sectors.</p>	
11.	<p>IFRS102 and Accounting Policy Changes from 2015/16 Members received the paper in which the changes and impact of the new International Financial Reporting Standard were explained with particular emphasis on its effect on the College's reporting and compliance with the changed accounting standards as defined in the 2015 SORP. A discussion followed about the impact on the statutory accounts including generally the nomenclature, presentation and timings and specifically in relation to the need for holiday pay accrual, the different treatment required in respect of capital grants and the one off accrual of fixed assets. Members discussed the option for government grants to be taken straight to revenue but that where this course is taken there will be a one year gain followed by a depreciation charge in successive years without a corresponding grant to offset it. As following this option could make a nonsense of College accounts the Committee recommend it continue with its current practice, noting that the only situation in which they could currently see this changing would be if the College had valuable land to sell as there is no depreciation on land values although it was noted it is not possible to choose the option just in relation to land. The potential impacts of the changes on bank covenants and financial leases in particular were considered with Members receiving assurances that the position is being carefully monitored.</p> <p>With benefit of a thorough discussion the Committee noted the changes anticipated as a result of the adoption of FRS102 and approved the adoption of the proposed Accounting Policy changes for use from 2015/16.</p>	
12.	<p>Risk Management Report In the course of their thorough scrutiny of the Risk Register it was noted Risk Reference 13 in relation to Borderville has reduced to Amber as a result of a decrease in the College's financial exposure following payments having been received from a joint venture partner.</p> <p>The addition of Risk 14 about the possible implications for the College from Brexit was noted with Members concurring with the Red rating assigned to it and emphasising the significant dependencies around it.</p>	

13.	<p>Annual Review of the Audit Committee's Terms of Reference Members considered the proposed changes to the Committee's Terms of Reference in order to permit the Principal to attend meetings as an Observer in the capacity as a member of staff, to supplement the list of the contents of the Committee's Annual Report at Appendix A and to update the Committee's Annual Business Plan for 2016/17 that comprised Appendix B. In response to recent issues in relation to membership numbers and quoracy of meetings that that had arisen unexpectedly a discussion took place about reducing the minimum number of members from four to three but it was concluded this was unnecessary in the light of recent recruitment. It was agreed that the Audit Committee Terms of Reference will be recommended to the Corporation for approval at its next meeting.</p>	Clerk
14.	<p>Any Other Business. <u>Committee Membership</u> – It was agreed a recommendation will be made to the Corporation that Allison Sunley becomes a Member of the Committee with immediate effect. The Committee thanked Andrew Moore who confirmed he will postpone his planned retirement and continue as a co-opted Member of the Committee.</p>	Clerk
15.	<p>Date and time of the next meeting It was agreed that the next meeting of the Committee will take place on Wednesday 7th December 2016 at 4.00pm.</p>	

The meeting ended at 5.20pm.

Signed

Date