

AUDIT COMMITTEE MEETING

Date	Wednesday 8 th December 2015	Time 4.00pm	UNRESTRICTED: FINAL
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Venue	The Executive Boardroom, New College Stamford
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Chair	Andrew Moore
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<p>Members present: Rob Cottrell, Andrew Moore, Zoe Nash, Rachel Ward and Paul Wingfield In attendance: Sally Brook Shanahan (Clerk to the Corporation), and Andrew Clare (Interim Vice-Principal, Finance & Resources) and Alasdair Colston, KPMG, External Auditors.</p>

<p>Apologies: Frazer Hughes, Mazars, Internal Auditors.</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. Welcome Alasdair Colston and Zoe Nash were welcomed to their first meeting of the Audit Committee.</p>	
<p>2. Minutes of the Meeting held on 7th October 2015 The minutes of the Meeting held on 7th October 2015 were agreed as a true record and signed by the Chair.</p>	
<p>3. Actions Table and Matters arising from the Minutes</p> <p>Meeting held on 7th October 2015</p> <p>(i) <u>Action No. 5, Minute 6, Page 3 – Update on previous Audit Recommendations</u> – The key matter is the new requirement to make declarations about partner payments and sub-contractor delegations which, it was confirmed, already appear on the College website.</p> <p>(ii) <u>Action No. 8, Minute 12, Page 5 – Any Other Business</u> – The first and second of the three items requested will be sent to Rachel Ward separately before the Corporation meeting on 16th December 2015 and are also uploaded on Board IQ. The third item, the Summary of Audit Recommendations is in the pack.</p> <p>Meeting held on 26th June 2015</p> <p>(iii) <u>Action No.5, Minute 11, Page 5 – AOB – Attendance at the Committee’s key meeting in November 2015 (subsequently re-arranged to 8th December 2015)</u> – Mike Rowley has indicated he will attend the Corporation Meeting on 16th December 2015 and will attend a future Committee meeting to give an overview of the sector.</p>	IVPF&R
<p>4. Regularity Self-Assessment Members received the completed self-assessment report that forms part of the External Audit Regularity Opinion. The self-assessment has been optional until the current year</p>	

	<p>but was also completed last year on a voluntary basis. Following discussion it was agreed that owing to the fact that the self-assessment is providing an opinion across the full year it would be preferable if in future it is scheduled for review at the Committee's September meeting.</p>	Clerk
5.	<p>Audit Highlights Memorandum and Management Letter for the year ended 31st July 2015</p> <p>Alasdair Colston introduced the Audit Highlights Memorandum and gave Members an overview of the year end audit process to date. He explained the purpose of the audit is to report to the College whether in his firm's opinion the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2015 and of the College's income and expenditure, recognised gains and losses and cash flows for that year and to confirm their preparation is in accordance with UK Generally Accepted Accounting Practice ("UKGAAP") and the Statement of Recommended Practice: Accounting for Further and Higher Education ("SORP"). He acknowledged the co-operation and assistance received from the Interim Vice-Principal, Finance & Resources, the Finance Manager and other staff involved during the audit.</p> <p>Attention was drawn to the Executive Summary in which it was confirmed that the audit is substantially complete with just three matters outstanding: receipt of the management representation letters for the College and its subsidiary, completion of the post balance sheet events review including the final SFA/EFA reconciliation and approval of the financial statements by the Audit Committee and the Corporation.</p> <p>There was one Audit adjustment reported in relation to the depreciation calculation that increased it by £40k which has not affected the Accounts in a material way. The Memorandum also identified three performance improvement observations that are receiving attention: the improvement of Journal controls to ensure appropriate segregation of duties, compliance with the College's Financial Regulations in relation to the appointment of consultants and the review of the Fixed Asset Register. It was reported that the regularity audit programme to confirm compliance with SFA requirements and the testing of controls and substantive items of expenditure to ensure all have been used for the purposes given had been completed with one specific issue being raised. This related to the appointment of two consultants to interim positions by the previous Principal that was not conducted in accordance with the College's Financial Regulations.</p> <p>The audit of the College's subsidiary company, Stamford Plus Limited had also been substantially completed. As the company is presently a net liability it was confirmed that a letter of comfort from the College to confirm that it will support the liabilities is required. With no further issues raised it was confirmed that it is intended that an unqualified report will be issued on Stamford Plus Limited.</p> <p>Members' attention was drawn to the section in the Memorandum about significant risks and other areas of audit focus where the two risks identified in connection with recognition of income and management override of controls are mandatory ones in any audit process. No issues had been identified with either during the audit. It was recognised that there may have been some inability to segregate duties due to the small size of the Finance team, but this was an observation and not an issue. In the discussion that followed it was clarified that the observation related solely to adjustments at month and year end and not in relation to approval of invoices. The</p>	

Interim Vice-Principal, Finance & Resources confirmed that in response to this factual situation the College has appointed a Management Accountant to the team which will ensure the segregation of duties including in respect of journal entries. Members indicated they were comfortable with the point raised and content with how it has been fixed.

The fact that no “going concern” risk had been identified was acknowledged as an achievement in light of the current state of the sector. The recent outcome of the Government’s Comprehensive Spending Review and Autumn Statement were also somewhat better than had been anticipated that was also good news for the College.

Members reviewed the commentary about the areas of significant accounting judgment in relation to provisions and pensions. Following discussion Members indicated they were content with the assumptions made following confirmation that those relating to pensions had been scrutinised an actuary at KPMG. Members also indicated they had no concerns about the corporate governance statement included in the section about other information from the audit.

Attention focussed on the three Recommendations from the Audit. The first and only Red rated recommendation related to the appointment of contractors that was not in line with the Financial Regulations. The Corporation was already aware of the issue that has been the subject of a thorough investigation and has amended the Financial Regulations to ensure this does not happen again. The second Amber rated recommendation concerned improvements in journal controls where staff vacancies caused difficulties in the year but which are now mitigated by the appointment of a Management Accountant. The third and final recommendation was rated Green and concerned the depreciation categorisation of some newly installed windows as equipment rather than buildings. As this had occurred a number of years ago the options to correct the issue are being investigated with a due date of June 2016 by which time appropriate action will have been discussed with the auditors and implemented.

It was confirmed that eight of the nine recommendations of the outgoing external auditors have all been followed up. The ninth related to the segregation of duties in posting journal entries had not been implemented and has been re-raised as a Recommendation from the Audit.

Members noted that as it was over the trivial limit one matter had been included in the Summary of Audit Differences that resulted in £40,000 of negative depreciation being added back into the calculation.

The Summary of financial performance showed an increase in income that was commended and small increases in expenditure and pensions costs. The assets shown on the balance sheet had increased due to the capital expenditure during the year. The financial forecast showed that the College is budgeting for a surplus of £33,000 in 2015/16.

Members scrutinised the FRS retirement benefits – results overview and concluded that the assumptions made in it were strong and that they were content with the numbers.

	<p>A sector update followed including the new FRS 102 that will require certain prescribed information to be restated in the College's Financial Statements for 2015/16. Members' attention was also drawn to the recent developments in tax regulations.</p> <p>A discussion followed about the Committee's requirements before it can recommend to the Corporation that the Chair signs a Letter of Comfort in respect of Stamford Plus Limited. This concluded with agreement reached that the Financial Statements for Stamford Plus Limited will be distributed the day after the meeting to reassure the Committee and wider Corporation about the liability in respect of which it is proposed the Letter of Comfort is issued. On the basis that this shows the net liability position to be in the order of £20,000 it was agreed that the Committee recommends to the Corporation that the Letter of Comfort can be signed.</p> <p>The Committee Chair drew attention to the Presentational Issues identified during the audit and asked for these to be circulated to the membership.</p> <p>In response to a question about opportunities on transition to revalue buildings it was noted that this could result in depreciation being higher. A request was made for advice on the route to follow and the implications and choices for the Committee so it could take a decision. Mr.Colston agreed to prepare a briefing paper on the options, taking care not to affect his independence. Members were asked to bear in mind the need to take a long term view on the balance sheet when making their decision. The Committee agreed to revisit the options for depreciation via an agenda item at its next meeting and to make a recommendation to the Finance & Resources Committee, if necessary.</p> <p>The Committee expressed its thanks to Mr. Colston for the work he and his colleagues had undertaken.</p>	<p>IVP,F&R</p> <p>IVP,F&R</p> <p>Mr Colston</p>
6.	<p>Report & Financial Statements for the year ended 31st July 2015 It was agreed that the Report & Financial Statements for the year ended 31st July 2015 can be recommended to the Corporation for approval.</p>	<p>Audit Committee Chair</p>
7.	<p>Letter of Representation For the benefit of the new Committee Member it was explained that the Letter of Representation is the vehicle by which the Board signs off to say that everything that should be brought to the attention of the auditors has been reported to them. In response to a question it was clarified that the Letter covers areas of judgment. Questioned about the statement in the Letter that the Corporation is satisfied that it has made sufficient dilapidation provisions for leasehold properties where the lease is due to expire, it was confirmed that the amount included in the accounts is the best estimate and is not an understatement. As a result of discussion it was agreed that the actual amount of the dilapidation provision will be included in the final version and that in future years the changes to the draft Letter are to be highlighted. Subject to this information being included, it was agreed that the Letter will be recommended to the Corporation for signature by the Chair.</p>	<p>IVP,F&R</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.</p>	

9.	<p>Annual Report of the Audit Committee The draft Annual Report of the Committee was received. Members approved its contents and agreed that it can be signed by the Committee Chair.</p>	Committee Chair
10.	<p>Update on previous Audit Recommendations Members received the Report that included all recommendations. Those shown with a Green rating had been assessed as such after responses had been received from the appropriate manager and about which the Interim Vice Principal Finance & Resources had been informed. Attention focussed on those recommendations where the implementation date was rated amber or red with the following updates reported:</p> <p><u>UPR (Unique Page Reference) 102 – Fixed Assets verification</u> – The verification exercise will commence in February 2016 following the appointment of a new IT Manager who starts work in January 2016. It is expected to take 48 hours to complete and a further week to capture the reports on the network. An administration assistant is also to be recruited to assist the new post holder.</p> <p><u>UPR 103 – Relationship with Stamford Plus Limited</u> – The future use of the Company remains under review and could be reduced to an Amber rating as the Red rating was given only as a result of the initial due date having passed. It was confirmed that a formal Service Level Agreement is in place between the Company and the College, so the risk identified has been addressed, but the SLA will be reviewed.</p> <p><u>UPR 106 – Promotional Materials and the VLE pages detailing contact details for the Safeguarding Team</u> – The Committee acknowledged the fact there have been significant recent staffing changes. It was confirmed that the action is now allocated to the recently appointed Vice Principal, Curriculum & Quality and will be completed as a matter of priority.</p> <p><u>UPR 106 – Prior qualifications and Evidence of Learner achievement</u> – It was confirmed that both actions will be completed by 11th December 2015 meaning their rating will become Green.</p> <p><u>UPR 106 – Information recorded in progress reviews to reflect the apprenticeship framework</u> – This recommendation arose around the apprenticeship review conducted by ICCA and should have been completed. This meant the rating should increase to Red with a revised deadline of completion by the end of the third week in January 2016.</p> <p><u>UPR 109 – Learners out of funding</u> – There were two recommendations but it was noted that if the second is addressed then this will also address the first. The agreed revised date for completion is now 31st January 2016 by which time the 14 NCS learners who are out of funding are to complete.</p> <p><u>UPR 110 – Learner withdrawals</u> – Following receipt of confirmation that the original recommendation has been completed, that there are no funding adjustments to make for last year and that the return has gone in, it was agreed the status can be reduced to Green.</p> <p><u>UPR 111 – Quality Processes</u> – The work to meet these recommendations is ongoing and is being carried out by the recently appointed Vice Principal, Curriculum & Quality who, it was noted, will be producing the first draft of the Curriculum Strategy on 6th January 2016.</p> <p><u>UPR 111/2 – Policy Approvals</u> – The Clerk to the Corporation explained that a Scheme of Delegation which specifies the levels at which Policies require approval has been drafted and will be presented to the Corporation for approval at its meeting on 16th December 2015.</p> <p><u>UPR 112/3 – Curriculum and Business Planning</u> – It was confirmed that the Curriculum and Business Planning work has begun and agreed that the Implementation Date for all</p>	<p>IVPF&R</p> <p>IVPF&R</p>

	four of the recommendations is January 2016. It was also agreed that and update on progress with Recommendations 3 and 4 about Curriculum Planning will be presented to the Curriculum Quality & Standards Committee.	VPC&Q
11.	<p>Risk Management Report</p> <p>The Risk Register was received and it was confirmed that the Likelihood and Impact ratings are scored at 1, 2 or 3 with a score of 1 being Low. Members asked for the “Control/Action” column to be separated in future to assist their scrutiny.</p> <p>It was observed that most risks identified are common to all colleges.</p>	IVPF&R
12.	<p>Audit Committee Terms of Reference - Content of the Schedule at Appendix B</p> <p>Following discussion about the efficacy of the Committee’s Annual Business Plan that comprised Schedule B to the Committee’s Terms of Reference, it was agreed that the Review of the draft Annual Report of the Audit Committee should in future be brought forward to the October meeting from December.</p>	Clerk
13.	<p>Internal Audit Plan 2015-18</p> <p>The Internal Audit Plan was received and attention focussed on the dates in the Timetable at UPR 133. The first three Internal Audit Reports will be presented to the Committee at its meeting on 23rd March 2016, not 2015 as stated. The dates of the meetings when the remaining eight Internal Audit Reports will be received by the Committee were noted. In response to a question about the need for a report on Subcontracting Partnership Delivery it was confirmed that an external review of partnership delivery is mandatory with a certificate of completion being produced and signed for forwarding to the Skills Funding Agency</p>	
14.	<p>Any Other Business.</p> <p>(i) Thanks – Members thanked Andrew Moore, the outgoing Chair for leading the Committee and, in turn, Andrew Moore expressed his best wishes to Rachel Ward who succeeds as Chair of the Committee on 1st January 2016.</p>	
15.	<p>Date and time of the next meeting</p> <p>It was agreed that the next meeting of the Committee will take place on Wednesday 23rd March 2016 at 4.00pm. (The start time was subsequently changed to 5.30pm).</p>	

The meeting ended at 5.14pm.

Signed

Date