



## AUDIT COMMITTEE MEETING

Date	Wednesday 7 <sup>th</sup> December 2016	Time 4.30pm	<b>UNRESTRICTED: FINAL</b>
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Venue	The Executive Boardroom, New College Stamford.
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Chair	Andrew Moore
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**Members present:** Rob Cottrell, Andrew Moore, Roma Taylor and Paul Wingfield.  
**In attendance:** Sally Brook Shanahan (Clerk to the Corporation), Andrew Clare (Vice Principal, Finance & Resources), Louise Perry, Observing the Committee with a view to becoming a Member, Mike Rowley and Simon Stanyer both from KPMG, External Auditors, and David Hoose and Rachel Wright, both from Mazars, Internal Auditors.

**Apologies:** Martin Ballard and Allison Sunley.

**Disclosure of Members Interests:** None beyond those already declared in the Register of Interests.

Item	Actions
<p>1. <b>Introductions and Committee Membership</b>            Louise Perry was welcomed to the meeting as an Observer with a view to becoming a Committee Member. At the request of the Chair all Members and Attendees introduced themselves.</p>	
<p>2. <b>Minutes of the Meeting held on 6<sup>th</sup> July 2016</b>            The minutes of the Meeting held on 6<sup>th</sup> July 2016 were agreed as a true record and signed by the Chair.</p>	
<p>3. <b>Actions Table and Matters arising from the Minutes of the Meeting held on 6<sup>th</sup> July 2016</b>            Updates were provided on Actions other than those where the due date is in the future.</p> <p><b>Meeting held on 6<sup>th</sup> July 2016</b></p> <p>(i) <u>Action No. 1, Minute 2, Page 1 – Papers</u> - The Vice Principal, Finance &amp; Resources explained that the e.governance portal provider's new pricing structures needed to be reviewed to ascertain if it will be affordable to provide access for a larger number of users. He noted the potential to move the SLT meetings on to the portal is also being investigated and so will he will check what can be done to add external users as well. Meanwhile the whole file will be sent to external attendees via email.</p> <p>(ii) <u>Action No. 2, Minute 5(iii), Page 2 – FE Loans and Diversification</u> – The Vice Principal, Finance &amp; Resources reported that the loans applications were currently being reviewed and confirmed students who have not applied will be invoiced.</p> <p>(iii) <u>Action No. 4, Minute 8, Page 3 – Any items that the Auditors wish to raise without Management present</u> – Although raised under this heading the response did not require there to be a separate minute. The Action related to "Brexit" and the risks</p>	VPF&R

from it. In response to a question from Louise Perry it was confirmed the College did not have any foreign students and had received only a small amount of EU funding in the past, with no European Social Fund projects on-going at the present time. Consequently Members agreed it was appropriate to wait and see how the process developed.

**Meeting held on 23<sup>rd</sup> March 2016**

(i) Action No. 1, Minute 4(i), Page 1/2 – Internal Audit Report – Subcontracting – the Vice Principal, Finance & Resources said no revisions had been made to the Financial Regulations, but he assured Members they were now being fully adhered to including the procedures for the authorisation of subcontracts. He confirmed the Regulations were scheduled for updating and this will be via initial scrutiny in the Finance & Resources Committee.

(ii) Action No. 2, Minute 4(ii), Page 2 – Internal Audit Follow-up Report – It was confirmed this Action was being taken forward in the follow up Report and so it was agreed the Action could be closed.

(ii) Action No. 3, Minute 7, Page 3 – Risk Management Report - It was confirmed the issue concerned with this Action had been resolved including the receipt of the payment in respect of the debt due to the College that had now been received from a party to the tripartite agreement. It was agreed the Action was closed.

**Meeting held on 8<sup>th</sup> December 2015**

(i) Action No. 11, Minute 11, Page 6 –Risk Management Report – It was confirmed the changes to the format of the Report had been made and so it was agreed the Action was closed.

**5. Internal Audit Reports:**

**i) Compliance Review – April 2016**

Rachael Wright introduced the report and drew attention to the detailed audit findings. These related to:

- Control account reconciliation - Following the review of both bank accounts, the suspense account, payroll, debtors and creditors and VAT accounts for December 2015 to February 2016, issues with reconciliation processes such as missing dates or signatures had been found. The management response to the Housekeeping recommendation was to confirm the Trial Balance had been appropriately signed and dated but that although backing reports were not, they accurately tied to the Trial Balance.

- BACS payments – A similar observation was made arising from the review of a sample of five BACS payment runs from January and February 2016 which it was confirmed had all been signed in line with the Financial Regulations but the date of the authorisation had not been recorded for four of the payments. In response to the Housekeeping recommendation made it was noted this situation may occur on occasions and the College accepts the risk but managers will be asked to date signatures.

- New starter pay – Following a review of a sample of five new starters one case was identified where the salary had been pro-rated incorrectly for the first month meaning the employee had only been paid for five days work instead of seven. The Vice Principal, Finance & Resources noted the calculation had been more prudent in



relation to starters than leavers but the error in the method of calculation had now been standardised in accordance with the recommendation. In reply to Louise Perry's question which asked whether the method was written into the Starters and Leavers Policy, the Vice Principal, Finance & Resources said it had not. It was agreed to conduct a review to see which policies the calculation methodology needed to be written into.

- Non-standard journals – The observation was made that following the preparation and posting of all non-standard journals by the Financial Controller the postings should be reviewed by the Director of Finance (aka the Vice Principal, Finance & Resources) but that there had been a delay in the review process. The Vice Principal, Finance & Resources acknowledged there had been a delay of up to three months in authorising them but as the Finance team was a small one and there had been changes in the team, the delays had occurred as a consequence of the need to ensure segregation of duties. David Hoose commented on this being an area where journals could be used to hide fraud. The Vice Principal, Finance & Resources concurred saying it emphasised the need for them to be checked and that he agreed timescales should be improved although the College accepted that at year-end a monthly review may not be feasible.

- Leavers' IT user access – A significant priority action had been identified owing to the absence of a formal process for HR to inform the IT department of an employee leaving the College. A sample of five recent leavers identified that in one case IT were only informed after the employee had left and in another case the user access had not been disabled despite the employee having left in the January prior to the April 2016 review. Members noted the recommendation acknowledged agreement with the College's plan to review its process for notifying the IT department of employees leaving the College before their leaving date so access can be removed promptly.

- Budget reporting – A Housekeeping priority recommendation had been made in relation to the issuing of budget reports to budget holders and the holding of monthly review meetings which had not been occurring regularly due to staff turnover within the Management Accountant role which was vacant at the time of the audit visit. The Vice Principal, Finance & Resources reported a post holder had now been in place for just over two months in this key role, and that a key aspect of the role was to meet staff. The intention is that the post holder will become a permanent member of staff as from January 2017 and there will be tracking in place to ensure meetings are being held with budget holders.

### **ii) Compliance Review - November 2016**

Members received the Report following the short targeted review looking at key controls that had taken place in November 2016. It was reported that all were moving in a positive direction with just one recommendation made in respect of the IT administration of leavers. Members noted the College was currently in discussion about the assessment grade in relation to the recommendation which it considered was compliant with a priority of "Housekeeping".

### **iii) Curriculum Planning Process**

Members received the Report following a review of the curriculum planning process, including policies and procedures. It recorded significant areas of strength about which no recommendations were raised and made one Housekeeping recommendation in relation to curriculum strategy that had been agreed by management and supported its intention to produce an overarching curriculum strategy.

	<p>Mike Rowley said it was a pleasing report and a key metric that would contribute to the College's financial health. With efficient staff utilisation and a curriculum strategy in place he felt the College would be in a good place. He emphasised that it was increasingly pertinent for all colleges to be able to demonstrate resources are used effectively and so the Report was particularly pleasing to see. The Vice Principal, Finance &amp; Resources concurred and emphasised the robust monitoring mechanisms now in place with the introduction of the Curriculum Area Reviews supported with HR measures including staff utilisation where the target in 97%.</p> <p>Mike Rowley raised a further point in relation to subcontracted provision in which he pointed out that a new requirement under consideration is that where it was for an amount greater than £100K independent assurance that it is being properly managed and that appropriate controls around it are in place will need to be sought. The requirement is currently scheduled to come into effect on 31<sup>st</sup> January 2017 and so time was running out. His request to the SFA for clarification had been unanswered and currently this was not a published requirement. If implemented, Members noted the additional costs of compliance.</p>	
	<p>David Hoose and Rachel Wright, the Internal Auditors, left the meeting at 5.15pm.</p>	
<p>7.</p>	<p><b>Regularity Self-Assessment</b> The Vice Principal, Finance &amp; Resources introduced the paper and explained that the Joint Audit Code of Practice and the Financial Memorandum required auditors to undertake a regularity review. He referred to the self-assessment appended to the paper which followed a standard template that had been the subject of prior review by the Senior Leadership Team and using which the auditors had conducted their review. Members reviewed the responses and agreed to recommend the self-assessment to the Corporation, as drafted, for signature by the Accounting Officer and Chair.</p>	
<p>8.</p>	<p><b>Audit Highlights Memorandum</b> Mike Rowley outlined the purpose of the Audit, its progress and the current status in relation to key issues. He reported the audit was substantially complete and that he anticipated being able to report that the financial statements gave a true and fair view of the state of the College's affairs as at 31<sup>st</sup> July 2016 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended and that they had been properly prepared in accordance with UK Generally Accepted Accounting Practice and the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.</p> <p>Members noted the matters that were currently outstanding that included receipt of the signed Regularity self-assessment that had just been agreed. Mike Rowley pointed out the receipt of the Skills Funding Agency assurance to confirm there are no outstanding funding body issues that need to be reflected in the accounts may be late but that until it was received his firm could not sign the accounts. He confirmed there had been no post balance sheet events and that the matters that remained outstanding were to be expected and so not unusual at this stage in the process.</p> <p>Attention then turned to the other issues summarised in the Audit Highlights Memorandum including the financial position in which it was noted that income had</p>	



	<p>dropped but expenditure had fallen by a greater amount. It also confirmed there were no adjusted/unadjusted audit differences and no new recommendations, with Members noting that those from the previous year had been followed up and recorded in Appendix 1. It was confirmed no frauds had been brought to the attention of the auditors and there were no breaches or forecast breaches of the banking covenants.</p> <p>Members noted this was the first year the College would be reporting under the new Accounting Standard, FRS102 which had a significant impact on the accounting treatment of certain balances and disclosures particularly relating to pensions, capital and revenue grants and short-term employment benefits, notably annual leave.</p> <p>The overall financial position was reported a forecast surplus of £220K for 2015/16 after restructuring and a cash balance of around £3,742K as at 31<sup>st</sup> July 2016 with the College forecasting it's financial health would remain "good" during 2016/17.</p> <p>The Committee received the Audit Highlights Memorandum and expressed thanks to Mike Rowley for the work he and his colleagues had undertaken.</p>	
9.	<p><b>Report and Financial Statements 2015/16</b> The Vice Principal, Finance &amp; Resources confirmed the Financial Statements had been the subject on an in-depth review by the Finance &amp; Resources Committee at its meeting the previous evening. This had drawn attention to a couple of minor presentational matters that he would be talking through with Simon Stanyer over the next few days. The Members unanimously approved the Financial Statements on that basis.</p>	VPF&R
10.	<p><b>Letter of Representation</b> It was confirmed that the Letter was in the standard form and that no additional representations were required. On that basis Members unanimously agreed it could be signed by the Chair of the Corporation.</p>	Chair of the Corporation
11.	<p><b>Stamford Plus Limited</b> The Company's financial statements were received and noted.</p>	
12.	<p><b>Any items that the Internal Auditors wish to raise with the Committee without Management staff present</b> No matters were raised.</p>	
13.	<p><b>Annual Report of the Audit Committee</b> The content of the Report was agreed and Members agreed that it could be signed by the Committee Chair.</p>	
14.	<p><b>Risk Management Report</b> Members reviewed the Risk Register and endorsed the addition of two new Risks, "Brexit" and the Apprenticeship Levy. Risk Reference Number 2 relating to Greater Lincolnshire Devolution had been removed from the Register when it became clear the devolution agenda was not being pursued.</p>	




	<p>Risk Reference Number 8 about the Impact of Area Review had been reduced to an Amber rating owing to the fact that Wave 4, in which the College is included, is now at the third Steering Group stage with the three South Lincolnshire Colleges having agreed “mutual and Beneficial co-operation”. This meant the potential for damage to the College was limited.</p> <p>In relation to Risk Reference Number 1 Louise Perry asked about the nature of the further funding cuts in 2017/18. In reply, the Vice Principal, Finance &amp; Resources explained the issues that have arisen owing to recruitment being under allocation were known and under active scrutiny by the Finance &amp; Resources Committee. He also noted the position in relation to Apprenticeships was currently uncertain.</p> <p>Turning to Risk Reference Number 4 about not achieving “Good” at Inspection it was noted the timing of the Inspection was out of the College’s control although it was now looking as though it would be in February or March 2017. Members were reassured that now the College had complete data for 2015/16 it would be able to show the impact of the positive measures that have been put in place.</p> <p>A discussion followed around Risk Reference Number 5 which concerned the failure to recruit staff in which it was acknowledged there are still issues around recruitment. In particular there were increasing challenges in some areas as well as economic factors and location that also made recruitment more challenging. Recruitment issues also extended beyond teaching staff into business support areas. This has resulted in a review of the reward package to see whether there are improvements to be made.</p> <p>The Vice Principal, Finance &amp; Resources, confirmed he would brief Louise Perry outside the meeting about Risk Reference Number 11 relating to Borderville and the relationship with Stamford Football Club including the history and what the College wished to achieve.</p> <p>It was confirmed that the ratings of the five new risks included at the foot of the Register namely, “Brexit”, Apprenticeship Levy, EHPC/SEND, Student Transport fees and Loss of Key Staff, will be agreed when the matter next comes to the Committee.</p>	<p>VPF&amp;R</p> <p>VPF&amp;R</p>
<p>15.</p>	<p><b>Funding Assurance Review</b></p> <p>The Vice Principal, Finance &amp; Resources reported that the College had been selected in a random sample of 60-65 Colleges to be the subject of a Funding Audit. This had taken place in late August/early September and encompassed a review of all of the grant funded claims. There had been no surprises and just a few minor recommendations made, all of which had been accepted.</p> <p>Drawing attention to Item 5 about Subcontracting in the official report on Unique page 180 of the meeting pack, the Vice Principal, Finance &amp; Resources explained the difference discovered in total contract values were very small and that such changes occurred due to the value of funding changing. He reassured Members that situation presented no risk to the College as the contractors had not yet been paid, but nevertheless the finding had to be reported.</p> <p>Following their scrutiny of the Report all Members concluded it raised no matters of significant concern.</p>	



16.	<b>Any Other Business.</b> (i) <u>Committee Membership</u> - Andrew Moore confirmed he will remain in post as a co-opted Member of the Committee and its Chair for the remainder of 2016/17.	
17.	<b>Date and time of the next meeting</b> It was agreed that the next meeting of the Committee will take place on <b>Wednesday 22<sup>nd</sup> March 2017</b> at 4.30pm.	

The meeting ended at 5.55pm.

Signed  .....

Date 22/03/17 .....

