

**FURTHER EDUCATION CORPORATION**

**AUDIT COMMITTEE**

**Minutes of the Meeting held on Wednesday, 8 July 2015  
at 6.30pm in the Town Hall, Letchworth Garden City**

<b>Present:</b>	Vernon McClure	Interim Chair
	Chris Jackson	
	Paul Holgate	
	Geoff Cleverdon	NHSST Director
	Alan Euinton	NHSST Director
<b>In Attendance:</b>	Matt Hamnett	Principal and CEO
	Andy Martyn	Director
	Francoise Jarvis	Interim Clerk to the Corporation
	Anna Lancefield	Grant Thornton, Internal Audit
	Ben Stapleton	KPMG, External Audit
	Daniel Battrick	KPMG, External audit

**Summary of Decisions and Action Points**

<b>Item</b>	<b>Decision/Action Point</b>	<b>Who</b>	<b>When</b>
<b>8.7.4</b>	Replacement partner from KPMG	M. Hamnett	immediate
<b>8.7.9</b>	Arrange Committee meeting in September	Clerk/ PA to Principal	immediate

**8.7.1 Apologies for Absence and Declarations of Interest**

The Chair welcomed the members and everyone introduced themselves for the benefit of newcomers.

Apologies for absence had been received from Omer Tauqir (Grant Thornton). The meeting was confirmed to be quorate.

Ben Stapleton declared a general interest in that a number of local colleges were also clients of KPMG. He also declared that he had recently joined West Herts College as a volunteer member of its Board.

**8.7.2 Minutes of the Audit Committee Meeting held on 19 November 2014**

The minutes of the meeting held on 19 November 2014 were agreed as an accurate record of the proceedings and signed by the Chair as such.

**8.7.3 Matters Arising from the Minutes of the Audit Committee held on 19 November 2014**

Minute 14.11.6 – loan compliance and bank covenants. The Principal informed the Committee that Hiten Savla was in place and aware of the new SORP

requirements, but that he would check that he was following up on bank covenants too.

Minute 14.11.14 – New Committee Terms of Reference would be required as the Committee had agreed to separate from the NHSST Audit committee.

Minute 14.11.14 – Fraud update. The trial had collapsed and this would mean no recovery was available.

#### 8.7.4 **CEO Feedback on Auditor engagement and performance review over the previous year.**

*The Auditors left the meeting for this item.*

Following the corporation meeting in March 2015, the Principal had contacted the auditors for their explanation of how the data manipulation issue could have occurred. Their response letters were presented to the Committee. It was noted that Grant Thornton had not been reappointed as internal auditors following the recent tender process and the Corporation had accepted the recommendation to appoint Baker Tilly from 1 September 2015, although the Principal was still keen to work with Grant Thornton on a Trailblazer project.

The Principal and the Committee were uncomfortable with having the partner from KPMG sitting on another local college's board. The Principal will request another partner is assigned to the College and the date of KPMG's contract expiration will be reviewed for a retender of the external audit services as soon as possible.

**Action – Principal to request replacement partner from KPMG. Re-tender for Financial Statements auditors as soon as possible.**

#### 8.7.5 **Internal Audit Reports**

Anna Lancefield delivered the internal audit reports.

##### *Governance of Subsidiary Companies*

A high rated recommendation concerning business plans for Protech and Plaza was given in this report and two medium recommendations relating to a policy framework to decide whether the companies were needed and necessity to put risk registers in place.

It was noted that a filing error had occurred with Companies House but that this would not be repeated.

##### *IT*

It was noted that this was a useful report in that it gave key findings to enable the management team to refocus on the requirements from IT, to ensure it was fit for purpose.

##### *Data Returns*

This report was not testing the underlying data but the process for putting data returns together. The discussion centred on maths and English data and destination data which is important for compliance and marketing but harder to monitor. The historical consequences of a lack of integrity in the data meant

there was a culture that did not regard the 42 day cut-off point as of relevance. External consultants are being used to review the MIS systems.

#### *VAT Review*

Grant Thornton used a VAT specialist for this review which included Protech and Plaza. There were a number of recommendations which had been agreed by the College and that are being implemented.

#### **8.7.6 Internal Audit Progress Report 2013/14**

A number of reviews have been superseded in the revised plan. Two new reports are in the plan to consider Hitchin and Saudi operations.

The Committee accepted the revised Plan.

#### **8.7.7 Financial Statements Audit Planning Letter**

KPMG presented this item. The same audit framework is in use this year as last year, but there are changes to the regularity audit. It was reported that the College has a one –off opportunity to revalue its fixed assets and to choose how it recognises capital grants (either at the start of the project or over its lifetime). This means comparatives to 2015 will need to be adapted.

The timeline and meetings preceding the audit were presented. The Committee discussed the relevance of whether Saudi was a subsidiary or an associate for accounting purposes. The details of what will be included in the audit were considered, such as risk assessment, going concern and approach to fraud.

The KPMG Benchmarking Report was considered. It covers 72 FE Colleges that are KPMG clients across 18 KPIs.

#### **8.7.8 Corporate Risk Register**

The new approach to risk was brought to the Committee. The main concern is the expected Ofsted inspection which is currently predicated at grade 3, but if delayed may enable embedding of the changes that should see a grade 2 result. The plan is in place and it would be disappointing if Ofsted were able to tell the College of any weaknesses it hadn't found out for itself.

Saudi is a continuing risk, but it should decline over time.

The Risk Register will be Andy Martyn's responsibility, to ensure it is up to date and brought to each Audit Committee meeting. HR is also within Mr Martyn's remit and he is monitoring staff turnover outside of the current redundancy round.

#### **8.7.9 Agenda items for the next meeting**

The Committee noted the items and the addition of the Balance Sheet and the Internal Audit Plan 2015/6 which will need to be shaped by the Committee itself with the new auditors. Once the chair of the Committee is in place, s/he will be required to meet with the auditors and therefore an extra Committee meeting date in September is required.

**Action – extra Committee date in September 2015.**

8.7.10 **Any Other Business**

*The senior management teams left the meeting to enable the Committee to meet with the auditors alone.*

Anna Lancefield felt that the new Principal was a positive step with a good team already in place.

Ben Stapleton noted that openness through the audit process would be important.

The Follow-up report scheduled for 2015 had been removed from the audit plan, but the Committee felt it was important that this happened soon into the next year (by the end of the autumn term/ start of the Spring term).

**Date of next meeting:** 16 November 2015 (to be confirmed) plus a meeting in September (TBC)

*The meeting closed at 7.40pm.*