

NORTH HERTFORDSHIRE COLLEGE

Minutes of the Audit Committee held on Monday 16th November 2015 at 6.30pm at the Hitchin campus, room B202

Members	Mr David Williams	Chair
	Ms Ruth Orpwood	
	Mr Paul Holgate	
In attendance	Matt Hamnett	Principal
	Françoise Jarvis	Interim Clerk
	Hiten Savla	Finance Director
	Paul Randall	FDS
	Grant Spilsbury	RSM
	Kelly Dunn	KPMG
	Dan Battrick	KPMG
	Anna Lancefield	Grant Thornton
	Vernon McClure	Corporation member – observing
	Robert Dale	Clerk to the Corporation designate

The Chair opened the meeting by noting the late despatch of a number of important papers such as the Financial Statements. Apologies were offered from the finance team and KPMG for this.

- | | ACTION
by whom | DATE
by
when |
|--|---------------------------|-----------------------------|
| 1.1. Acceptance of Apologies
There were no apologies. The meeting was confirmed to be quorate. | | |
| 1.2. Declarations of Interest
None were declared. | | |
| 1.3. Minutes of the Previous Meeting
The Minutes of the meetings of 8 July were approved and signed by the Chair as a true record of the meeting. | | |
| 1.4. Matters Arising from the Minutes
It was noted that the partner from KPMG had been replaced as per the action log but that the mooted extra committee meeting in September had not occurred, as it was not deemed necessary following the revisions agreed to the Audit Committee.

A full action log was requested to ensure that the Committee would be able to monitor any actions or requests made during the course of their meetings.
Minute 8.7.5 - An update on Plaza and Protech was provided.
Minute 8.7.5 – A new MIS partner was being appointed and the 42 day cut-off had been well-managed this year. | Interim clerk | With minutes |
| 2 Committee Business | | |
| 2.1 <u>Audit Committee Annual Report</u>
The difficulties of producing the report for 2014/15 with a new Audit Committee being in place was noted. The assurances that the Committee need to provide to the Corporation were discussed and how it would be possible for the Committee to give such assurances considering the data manipulation issue that was uncovered during 14/15 at the College. It was decided to reference the letters sent to the SFA that informed them about the data fraud. | | |

<p>The revised Audit Committee Report would be circulated in due course, and therefore the report as it stood was not approved by the Committee.</p> <p><i>Anna Lancefield arrived 6.50pm.</i></p>	Interim clerk	immediate
<p>2.2 <u>Audit Committee Terms of Reference</u></p> <p>The Committee noted the importance of the Committee’s work especially their responsibility to provide an opinion on the adequacy and effectiveness of the College’s audit arrangements, framework for governance, risk management and control and effective and efficient use of resources and safeguarding of its assets. This tied in with RSM’s audit reports and what assurances from the reports the Committee would be seeking. The Committee therefore sought an action plan against the terms of reference and the Committee meetings to ensure they received the reports and information they would need to be able to provide the appropriate assurances at the end of the year.</p> <p>The Committee agreed to remove the requirement for timed agendas from the Terms of Reference and then approved the revised Terms of Reference.</p> <p>The Chair of the Audit Committee will be given an opportunity at each Corporation meeting to report to the full Board on any matter within the Committee’s remit.</p>	Interim clerk	immediate
<p>3 Internal Audit</p>	Clerk designate	Each Corporation
<p>3.1 <u>Letter of Engagement</u></p> <p>Grant Spilsbury presented the RSM letter of engagement to the Committee noting the name change from Baker Tilly to RSM which was done for international branding purposes. The terms of engagement are industry standard. The Committee accepted the Letter of Engagement.</p> <p><i>Item 3.3 was taken ahead of item 3.2.</i></p>		
<p>3.2 <u>Annual Report from internal Auditors 2014/15</u></p> <p>Grant Thornton were the auditors for 2014-15 and so Anna Lancefield presented the annual report.</p> <p>She explained that this report is one source of assurance which the Committee can base their annual opinion upon. She reviewed each report that had been presented to the Committee during the 14-15 year and highlighted the high and medium recommendations that had been made. It was noted that auditors usually plan a follow-up report to assure the Committee that recommendations are being acted upon, but it was agreed that the Committee would receive an internal tracking log also. The interim Clerk will provide an implementation log covering all the 14-15 recommendations, and the Committee can then consider whether any of the recommendations have been superseded and agree to any proposal to have such recommendations removed from the tracking log.</p> <p>The Annual Report from Grant Thornton was accepted by the Committee.</p>	Interim clerk	immediate

3.3 Internal Audit Strategy 2015-16

The Strategy was presented by Grant Spilsbury of RSM who had drafted it after discussion with the Principal and Director of Corporate Services about where assurance was needed. Each audit will be fully scoped prior to commencement. The range of reports is designed to give a full assurance opinion.

The strategy refers to sector wide issues that may impact on the College such as Area Reviews and the Comprehensive Spending Review.

The Committee was concerned that data returns were not in the audit plan considering this had been a key problem area last year. There followed a discussion about data integrity and the possibility of financial penalties via claw back if the SFA audited the data returns. The scope of a data-integrity audit that would have uncovered the manipulation that occurred in the College's history would have been very wide, and not usual. However, considering the Committee is aware of such a historic problem, it felt it necessary to include data integrity in the audit plan. The Principal and the auditors (RSM) will review the plan to replace a planned audit, or to add data integrity as an additional audit.

A progress report on the Audit Plan will be brought to each Committee meeting and may be revised as the year progresses.

The Audit Strategy **was agreed to** by the Committee subject to the above considerations.

4 **External Auditors**

4.1 **Financial Statements, Regularity Report and Management Letter.**

It was noted that the Financial Statements are not ready for full scrutiny by the Committee yet so KPMG limited their discussion to the Regularity audit and the management report.

KPMG considered various sections of their report page-by-page noting that the audit was ongoing and that any discrepancies in the financial figures would be noted by them and rectified to ensure all figures were reconciled. The areas being worked on include the Saudi operations, consideration of 'going concern' and pension scheme deficits and assumptions.

The Committee raised the large figure for exceptional items, which included restructure costs and write-offs and it was agreed that this is a high number of exceptional items and not usual.

Historically, the Corporation received just the Income and Expenditure sheet, but now that the balance sheet is considered this acts a check on the I&E.

The Principal and the Committee felt more assurance could be gained from a full scheme of delegation levels, which will be put in place after Corporation approval.

At this stage the Management letter and financial statements were **received, but not recommended**, by the Audit Committee.

Principal/
RSM

Immediate

RSM

Each
meeting

Clerk
designate

New
Year
2016

5 Risk Management

The current Risk Register was presented to the Committee by the Principal. The highest rated risks were considered for in depth discussion. The College is currently self-assessing at Grade 3, but there is a possibility of Grade 2 depending on when in the year Ofsted inspect. A Grade 3 inspection would bring with it a re-inspection within 18 months and could be a factor as the College enters the Area Review process.

The Saudi operation was also considered, noting a new CEO was in place and performing well.

The Risk Register itself was reviewed and it was felt that there may be risks missing from the register so further consideration was needed especially to include mitigation of risks. Members of the Committee and the auditors offered to supply sample risk registers and risk appetite charts to the Principal for his consideration.

The Report was **received**.

Committee/
Principal

By next meeting

Committee/
RSM

immediate

6. Any other Business

It was noted that the Committee had been unable to agree the financial statements as information had not been prepared to a sufficient degree before coming to the Committee. This was not the expected practice in future.

The Financial Statements, KPMG Management Letter and Audit Committee Annual Report will be revised by 4th December for the Committee to consider. Allowing 5 days of review, they will be referred to the Corporation on 10th December for final signing before the close of the College on 17th December.

Date of next meeting

The Committee noted the date of 24 February 2016.

The management team and attendees other than the auditors and Corporation member Vernon McClure, left the meeting to enable an independent discussion between the Committee and the auditors.

Discussion focussed on the likelihood of an SFA review and potential to conduct a mock funding review in advance. RSM and Grant Thornton agreed to consider costed options to bring to the Committee.

RSM/
Grant
Thornton

immediate

The meeting closed at 8.30pm

Signed

Date

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CHAIR