

# NORTH HERTFORDSHIRE COLLEGE FURTHER EDUCATION CORPORATION

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee, held in Room B103, Hitchin, on Monday 20 June 2016.

## **PRESENT**

Jeremy Newman (Chair)  
Paul Holgate

Vernon McClure

## **IN ATTENDANCE**

Dan Battrick (KPMG)  
Matt Hamnett (Principal/CEO)  
Lucy Hann (Managing Director, Hart  
Learning and Development)

Yvonne Laird (Group Finance Director)  
Grant Spilsbury (RSM)  
Robert Dale (Company Secretary and  
Clerk to the Corporation)

## **ITEM 1a: APOLOGIES FOR ABSENCE**

- Apologies for absence had been received from Ruth Orpwood.

## **ITEM 1b: DECLARATIONS OF INTERESTS**

- Jeremy Newman reported that his daughter was employed by KPMG.

## **ITEM 1c: MINUTES OF THE PREVIOUS MEETING**

- Minutes of the meeting held on 21 February 2016 were signed as an accurate record of proceedings.

## **ITEM 1d: MATTERS ARISING/ACTIONS**

- All Actions were complete apart from work on the schedule of delegation, which would be discussed with the Board later in 2016.
- Inconsistencies in sub-contractor listing had been clarified and resulted from the fact that one organisation had not received any sub-contract payments (so was not included in this listing) but was still a potential sub-contractor, while another had just been added to the list but had not yet taken any sub-contracting on.

## **ITEM 2: INTERNAL AUDIT REPORT – ESTATES UTILISATION AND COST MANAGEMENT**

The Report had considered how North Hertfordshire College used its estate, managed estate costs and used data to inform decision-making. It found that although there was some assurance around the effective management of costs, the absence of a clear estates strategy and lack of management information meant that assurance could only be partial.

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Recommendations aimed to improve the evidence base on which decisions could be made; the preparation of an estates strategy should be an urgent priority.

Governors asked the following questions:

- *How soon could an estates strategy be provided?* The Estates team would be restructured in the next quarter. In addition, ongoing discussions with a potential private sector partner around more effective management of estates were unlikely to bear fruit until 2017. On that basis, the suggested timescale for management action to address the recommendations was not appropriate.
- *Could other measures be implemented to improve the position before then?* Curriculum planning for 2017/18 was starting earlier and would inform clearer resource plans. Better management information about use of teaching space should be collected during 2016/17 and would also improve understanding. There were no forthcoming key decisions around estates utilisation that relied on more granular data.
- *When would a review of the management response take place?* This would need to be timed to recognise that substantial management action would be aligned with the restructuring of the Estates team and the potential private sector deal, and so delayed. The recommendations would be used to inform the development of underpinning processes and plans.

**The Audit Committee noted** the partial assurance provided by this audit and accepted this on the understanding that plans were under way to address the absence of an estates strategy and the limited extent and quality of utilisation data, likely to be completed in early 2017.

### **ITEM 3: INTERNAL AUDIT REPORT – HART LEARNING AND DEVELOPMENT**

The report examined Hart Learning and Development (HL&D), recognising that it was a relatively new business. Overall, it had made the most progress of all similar businesses of which RSM was aware in preparing for, understanding and communicating the potential impact of the apprenticeship levy to employers.

The report concluded that control arrangements gave the Board reasonable assurance. Recommendations concerned formalising arrangements for tracking actions and the establishment of a risk register. Advisory recommendations related to bid assessment and selection and a standard bid evaluation template.

Governors said that the booklet about the levy circulated to employers had been pitched at the right level, and was clear and comprehensible. They asked:

- *When would management actions to address the recommendations be completed?* Work would go on over the summer and all actions should be completed by the next meeting in September.

**The Audit Committee noted** the report and welcomed its findings.

### **ITEM 9b: INTERNAL AUDIT PROGRESS REPORT**

A summary of progress against the internal audit plan had been circulated, with the three remaining audits scheduled in for completion before the end of July.

- *Governors asked for sight of the detailed scope of the Governance review.* Grant Spilsbury agreed to circulate this.

**The Audit Committee noted** the report and the information briefings given.

### **ITEM 4: UPDATED CORPORATE RISK REGISTER**

This report now included an indication of movement since the previous report. Two risks (about historic malpractice identified and dealt with in 2015) would be removed.

Governors asked:

- *How could the register be used to add value?* Matt Hamnett said that the register was currently used to focus SMT discussions and conversations with departments about actions to address risk. This could be developed further.
- *Was it possible to differentiate risks between those over which NHC had little control or influence and those which were operational?* Amending the Performance Board process later in 2016 would enable more systematisation, and identification of risks that could be directly managed and those where reactive contingency planning might be needed.
- *Could accountability for mitigations be identified on the register?* This would be explored with the next iteration.

The Audit Committee noted the updated Risk Register and suggested that Risk Owners be invited to attend future Audit Committee meetings (one risk area/owner per meeting) to discuss their actions and what support was needed from the Board.

### **ITEM 5: AUDIT UPDATE – YEAR END**

Plans were already in place to deliver an efficient year-end process, with key areas for review identified by the external auditors before 31 July 2016.

Governors asked:

- *Was the impact of FRS102 as modest as suggested in the KPMG paper?* The reporting of holiday balance accrual and pensions would have some effect; trading balances might need to show commercial interest rates being charged, and an alternative approach to the reporting of capital grants (ie recognising them on receipt) was possible.
- Members discussed the pros and cons of the alternative approach and asked Yvonne Laird to model the effect on NHC for discussion in September. They noted that the SFA had adjusted its 'financial health ratios to discount some of these changes.

The audit focus would be on revenue recognition and management overrides; the question of whether the College was a 'going concern' – because of increased scrutiny on sector activity arising from the Area Review process; the new SORP and FRS102; and fixed asset verification (already under way).

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The level of materiality had been reduced slightly to £330,000.

**The Audit Committee noted** Appendix 1 of the paper from KPMG, highlighting a range of issues to be shared with the Audit Committee.

**The Audit Committee noted** that Governors would be asked within the Audit process to disclose any related party transactions, which would then be reported in the Financial Statements.

**ITEM 6: CLOSED SESSION**

**The Audit Committee decided** that no closed session was needed at this meeting.

**ITEM 7: ANY OTHER BUSINESS**

- None.

**ITEM 8: DATE OF NEXT MEETING**

- Thursday 21 September 2016, starting at 18.00, at NHC Hitchin.

**ITEM 9: INFORMATION PAPERS**

- Two papers had been circulated for information – the first concerning the actions taken as a result of the internal audit report on sub-contracting arrangements; and the second concerning progress with the Internal Audit plans (discussed above).

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Signed as an accurate record of proceedings – Chair

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Date

**AUDIT COMMITTEE ACTION LOG**

Meeting	Ref	What	By whom	When	Complete
21/02/16	16.4	Review Schedule of Delegation	Robert Dale	04/09/16	
20/06/16	3	Circulate Scope of Governance Audit	Grant Spilsbury	30/06/16	