

GRANTHAM COLLEGE

Minutes of a joint meeting of the Audit and Finance Committees held on 30 November 2016 at 0900hrs.

Present	Mike Argyle (Audit)	Graham Hayton-Hill (Finance)	Linda Houtby (Chief Exec)(Finance)
	Nick Manoussakis (Finance)		
In Attendance	Amjad Ali (Baker Tilly)	Ralph Devereux (Clerk)	Lucy Hatton (PKF Cooper Parry)
Apologies	Des McHugh (Audit)	Mos Kalbassi (Finance)	Wade Rowlett (Finance)
	Steve Welton (Audit)		

01/16 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS AND APOLOGIES

The apologies were accepted. No notice had been received of any member becoming ineligible to hold office. Short notice crises had limited attendance of AC Members however since the Committee Chair was present it was agreed that the combined meeting was quorate; no interests had been declared.

02/16 ELECTION OF CHAIRMAN

It was agreed that Nick Manoussakis would take the Chair for this joint meeting.

Nick Manoussakis would Chair the meeting.

03/16 MINUTES OF THE LAST MEETINGS AND NOTIFICATION OF URGENT BUSINESS

a. The Audit Committee (AC) minutes and the Finance Committee (FC) minutes of the meetings held on 16 June 2016 would be taken to the respective committees at their next meeting. (**Action 1**). In response to a query on FC 29/15b it was confirmed that the SFA had concluded that GC was not directly liable for the identified shortcomings and the subsequent clawback had been considerably less than expected. The IAS informed that the SFA had written to a number of colleges on a similar issue

b. There were no requests for urgent business.

04/16 MATTERS ARISING

There were no matters arising from either Committee meeting.

05/16 FOLLOW UP REGISTER – AUDIT RECOMMENDATIONS

Audit Register. A RAG rated consolidated summary of previously considered points raised in the Audit Committee was considered; all had been completed save for a minor post report action, which would be completed in early January. The Committee took comfort from the good progress being made.

The information was received.

06/16 RM ISSUES

The Minutes of the last RM Group meeting and the Risk Register and Action Plan had been considered at the last AC meeting, there had been no significant changes.

The information was noted and received.

07/16 EXTERNAL AUDIT

The appointed External Auditors (Clement Keys) had been absorbed by PKF Cooper Parry on 23 November 2016 and had consequently resigned; responsibility for external audit processes had transferred to PKF Cooper Parry wef the same date (Action endorsed by the AC Chairman); the letter of engagement was attached and recommended to the Corporation for

endorsement. **(Action 2)** Documents were then explained by the external audit representative and considered:

- a. Audit Committee Input. The Audit Committee's responsibility was to consider the external auditors' report (Audit Completion Document, the Management Letter and the Letter of Representation) and to comment and recommend to the Corporation accordingly. The auditors' draft report, to a standardised format had been changed this year to incorporate the requirements of FRS 102; members had been briefed on the changes earlier in the year and were reminded of them. The documents which covered both the annual financial and the regularity audits, were discussed; there had been no material qualifications and only minor adjustments had been required to the accounts before presentation to the Auditors. There was however an issue over the comment re "suppliers' statements", which appeared to be at variance with the IAS assurance to the Committee earlier in the year; the external auditor would check the details and report to the AC Chairman. The supporting documentation was also fully discussed and mitigation of all risks was explained; all were recommended to the Corporation for approval. **(Action 3)** The Committee took comfort from the positive tone of the Report. Thanks were also recorded to the External Auditors for their professional approach throughout the audit process.
- b. Finance Committee Input. The draft accounts were considered and thanks were recorded to all concerned for the better than forecast position, particularly in the light of the difficult times through the year. Some typographic and spelling errors were noted and would be corrected before presentation to the Corporation. With this provision the Committee was content with the Annual Financial Statements which were then provisionally recommended to the Corporation. **(Action 4)**

The AFS and the Letter of Representation were conditionally recommended to the Corporation.

08/16 INTERNAL AUDIT REPORTS

The final 2 IAS reports of the 2015/16 Plan were considered

- a. Human Resources (HR). (Report 05.15/16). The Executive Summary including the objective and the associated risk for the audit testing was scrutinised and explained. The scope of the review was studied to contextualise the conclusion that "**substantial assurance**" could be taken that controls to manage the risk were suitably designed and consistently applied and effective. Two "Medium" category recommendations (Inability to retain staff) and 4 "Low" recommendations had been made, which were accepted with responsibility allocated and implementation dates identified; appropriate management input supplemented the comments in the Report which was received.
- b. Risk Management (RM). (Report 06.15/16). The Executive Summary including the objective and the associated risk for the audit testing was scrutinised and explained. The scope of the review was studied to contextualise the conclusion that "**substantial assurance**" could be taken that controls to manage the risk were suitably designed and consistently applied and effective. One "Medium" category recommendation (methodology of risk identification), which had been accepted with responsibility allocated and implemented; appropriate management input supplemented the comments in the Report which was received.
- c. The Annual Report for 2015/16 was a standalone document which would inform the SFA on internal audit issues and thus was a digest of previous information presented to the committee. The Report was considered and discussed; the report had also informed the annual committee report to the corporation, which would be considered later in the meeting. The overall opinion that "Adequate and effective framework for RM, Governance and Internal Control" was noted and welcomed; the report was recommended to the Corporation. **(Action 5)** Thanks were recorded to the IAS for their professional standards throughout the year and to the Principal for his work in the oversight and implementations of the recommendations. The Committee took comfort from the maintenance of the high standards achieved last year and the assurance that the report compared favourably with peer organisations of a similar size.
 - a. **The information was received.**
 - b. **The IAS Annual Report was recommended to the Corporation.**

09/16 ANNUAL COMMITTEE REPORTS

- a. AC Annual Report to the Corporation. The committee annual report to the Corporation, which would inform the Corporation consideration of the AFS, was considered and discussed; the internal audit opinion had been fully considered at 08/16c above. After consideration there were no amendments necessary and the report would be passed to the Corporation for consideration.
- b. RM Annual Report. The comprehensive RM annual report comprising 4 elements, including the updated register for 2016/17 was considered. A regular schedule of meetings for the Risk Management Group continued and the group was working well. The RM structure was sound, risks were continuously managed and the system was embedded throughout. A digest of changes and substantial risks was included in the register together with an annual trend analysis to indicate performance. As agreed the complete Register should continue to be included in the Annual report but the severe risks only were required for consideration at other Committee meetings. The Report would be passed to the Corporation for consideration, attached to the committee annual report as an annex and that format was agreed for future reports. **(Action 6)**

- a. **The Committee Annual Reports were recommended to the Corporation.**
- b. **The RM Report would form an annex to the RM annual report in future.**

10/16 ANNUAL INTERNAL STRATEGY AND AUDIT PLAN 2016/17

The internal audit strategy for 2016/7-2018/9, informed by but not limited to, the College strategic objectives and previous work had been jointly considered at length by the IAS and the DP; the areas to be tested during the 2-year life of the plan were tabulated, at Annex B, and after discussion and reference to Appendix A (Detailed Plan for 2016/17 – 29 days) were felt to be appropriate. The plan was linked to identified key risks. Appendix C was a graphical display of factors affecting the plan, which, together with the associated fee was recommended to the Corporation for consideration and approval. **(Action 7)** It was agreed that the Plan covered key risks, priority areas and would provide sufficient assurance to facilitate the risk profile.

- a. **The information was received.**
- b. **The IAS Annual Plan 2016/17 and strategy was recommended to the Corporation.**

11/16 FINANCE REPORT

The management accounts accurate to 30 September were then considered and discussed. The present budgetary situation was a favourable variance of c£192k against budget and Income was also favourable by c£123k. Payroll expenditure was well controlled with a favourable variance of c£58k; non-payroll costs were favourable by c£11k. The balance sheet was positive with 105 cash days, a strong cash balance and the CR stood at 1.4. All other FI remained satisfactory and there were no significant aged debtors. It had been agreed that an estimated provision would be made in future accounts to allow for pension liability. **(Action 8)** The enrolment position was explained and would significantly affect next year's income; furthermore, 2 curriculum areas (A Levels and Hospitality) were forecast to make considerable losses in the coming year; c£196 and c£28k respectively. In the light of next year's forecast it was essential that only areas that made a positive contribution should continue to be offered and it may be that a special meeting of the Committee or Corporation should be called to consider the matter. **(Action 9)**

The information was received.

12/16 IMPACT ON STUDENTS

The effect on students of implementation of changes to procedures and decisions had been fully considered in determination of each item and it was agreed that there would be considerable and direct benefit to students accruing from the effects of the strong financial situation; lagged funding could affect income in the coming year.

13/16 URGENT BUSINESS

There had been no urgent business requested.

14/16 DATE OF NEXT MEETINGS

The next meetings would be:

- a. at 0900 on 28 February 2017 for the Audit Committee; and
- b. at 1800 on 28 February 2017 for the Finance Committee.

Action Table		
Action 1	03/16. AC & Finance minutes to the next meetings.	Clerk
Action 2	07/16. Appointment of PKF Cooper Parry endorsed by the Corporation.	Clerk
Action 3/4	07/16a. All AFS documentation recommended to the Corporation	Clerk
Action 5	08/16c. IAS Annual Report recommended to the Corporation.	Clerk
Action 6	09/16b. RM Annual Report to be annexed to the Committee Annual Report.	Principal
Action 7	10/16. IAS Strategy and Plan 2016/17 recommended to the Corporation.	Clerk
Action 8	11/16. Estimated pension liabilities to be in management accounts.	Principal
Action 9	11/16. Special meeting to be considered.	All