

**GRANTHAM COLLEGE
JOINT AUDIT AND FINANCE COMMITTEE MEETING**

**Minutes of the Meeting held on 20 November 2017, 09.00
Corporation Meeting Room, Grantham College**

Present:

Mr N Manoussakis	Finance Committee Chairman / General Member (F)
Mr M Argyle	Audit Committee Chairman / Lay Member (A)
Mr G Hayton-Hill	General Member (F)
Mr S Welton	General Member (A)
Mr D McHugh	General Member (A)
Mrs L Houtby	Chief Executive (F)

In Attendance:

Mr P Deane	Principal
Ms A Harrison	Finance Manager
Mr C Williams	Head of Internal Audit, RSM
Ms S Durrant	External Audit, PKF Cooper Parry
Mrs J Taylor-Holmes	Clerk

Agenda: There were no changes to the agenda.

1	AFC/17/101 - Apologies for absence Apologies were received from; Mos Kalbassi, Corporation Chairman and General Member (F) Wade Rowlett, General Member (F)	
2	AFC/17/102 – Confirmation of eligibility, quorum and declarations of interest No notice had been received of any member becoming ineligible to hold office. The meeting was quorate and there were no declarations of interest in agenda items.	
3	AFC/17/103 – Election of Chairman Mr N Manoussakis was appointed as Chairman of the Finance Committee for 2017/18.	
4	Mr M Argyle was appointed as Chairman of the Audit Committee for 2017/18	
5	AFC/17/104 – Minutes of the previous meeting on 4 July 2017 The minutes of the previous Audit Committee meeting held on 4 July 2017 were approved as a true and accurate record.	

<p>6</p> <p>7</p> <p>8</p>	<p>The minutes of the previous Finance Committee meeting held on 4 July 2017 were amended at section 29/16 a. with the replacement of the word 'redundant' with 'postponed'.</p> <p>Subject to the amendment, the minutes of the previous Finance Committee meeting held on 4 July 2017 were approved as a true and correct record.</p> <p>There was no urgent business notified.</p>	
<p>9</p>	<p>AFC/17/105 - Matters Arising</p> <p>All matters arising from the previous meeting were either complete or on the agenda for consideration.</p>	
<p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p>	<p>AFC/17/106 Audit Follow Up Register</p> <p>Mr P Deane, Principal presented the Audit Follow Up Register.</p> <p>Mr Deane explained that most actions were complete. There was one action for which a response was required from Mrs J Taylor-Holmes around induction of Members of the Corporation, this was in hand.</p> <p>In relation to the HR actions, these had been re-prioritised and the timing of completion delayed, this was to ensure that the HR / Workforce strategy was in place. Work on succession planning had also been moved. It was noted that the introduction of GDPR (General Data Protection Regulation) and ensuring the College is prepared for implementation was also proving time consuming for the HR Team.</p> <p>It was noted that the staff survey was usually completed annually, however, due to the absence of key HR staff in the last academic year due to maternity leave and staff restructuring, it had been decided to postpone the staff survey for completion after the Ofsted inspection and this would be sent to staff for completion in December 2017.</p> <p>The Committee received the Register of Audit follow up points.</p>	
<p>15</p> <p>16</p>	<p>AFC/17/107 Risk Management Update</p> <p>Mr Deane presented the Risk Management Update.</p> <p>Mr Deane commented that the next Risk Management Group meeting was to be held the following day; 21 November. An updated Report would be presented to the next Committee meeting.</p>	

17	The Committee received the Risk Management Report.	
AFC/17/108 External Audit		
18	Ms S Durrant, PKF Cooper Parry, presented the External Audit Report and draft Audited Financial Statements.	
19	Firstly, Ms Durrant presented the Audit Completion documents for year ended 31 July 2017. Ms Durrant thanked the Finance Manager and the finance team as very few errors had been identified.	
20	The Report detailed the key audit risks and the results of the audit procedures against the risk. Ms Durrant provided information on each of the audit risks. A number of specific comments were made as follows;	
21	The financial statements were prepared on a going concern basis and the College had not breached any financial covenants during the year.	
22	Processes were good and what should be disclosed is disclosed in terms of related parties.	
23	There were no issues identified as a result of the costs incurred in relation to the postponement of Building 20.	
24	The Audit report was unqualified with a clean regularity report.	
25	Mr N Manoussakis asked how far forward the cashflow is reviewed, Ms Durrant explained that cashflow 12 months from the date of signature was considered. Meaning that approximately 18 months' worth of future cashflow had been considered.	
26	The Committee received the Letter of Comment. The recommendations at Appendix 1 were reviewed. It was noted that the Finance Manager was currently reviewing the cash sheet system with a view to a more robust system being implemented. In relation to the second recommendation, it was noted that the College Solicitors, Andrew & Co were assisting with the location of the title deeds for the main College site.	
27	Mr Deane explained that an update on the recommendations and action taken would be reported to the next Audit Committee meeting.	Action: Mr P Deane February 2018
28	The Committee reviewed the Letter of Representation. It was noted that there were no specific recommendations or	

<p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p> <p>34</p> <p>35</p> <p>36</p>	<p>matters to which attention should be drawn, there were no unadjusted errors that hadn't been accounted for.</p> <p>The Committee reviewed the draft Report and Financial Statements for year ended 31 July 2017.</p> <p>Ms Durrant explained that there was very little change in the content of the Report section, however, the Audit report section had increased in length and the opinion was now at the start of the Report.</p> <p>It was noted that although the income levels had reduced, if the exceptional items were removed, the deficit was similar to the previous year accounts.</p> <p>Ms Durrant referred to note 6 of the Accounts and the broadening of the key Management personnel definition.</p> <p>Following comment by Mr M Argyle it was agreed that the reference to Principal and Accounting Officer be amended to ensure sufficient clarity that this refers to two individuals.</p> <p>The Committee noted the Letter of Comment</p> <p>Subject to the amendment at paragraph 33 above, the Committee approved the draft Report and Financial Statements for year ended 31 July 2017 for recommendation to the Corporation meeting on 18 December 2017</p> <p>The Committee recommended the signature of the Letter of Recommendation by the Chairman and Chief Executive to the Corporation meeting on 18 December 2017</p>	
<p>37</p> <p>38</p> <p>39</p> <p>40</p>	<p>AFC/17/109 Annual Internal Audit Report 2016/17</p> <p>Mr C Williams provided the Annual Internal Audit Report for 2016/17.</p> <p>Mr Williams explained that the Annual Report brought together all the Reports that had been presented and discussed at previous Audit Committee.</p> <p>The Report included the Head of Internal Audit opinion. Mr Williams explained that opinion stated within the Report was that the College had an adequate and effective framework for risk management, governance and internal control.</p> <p>Mr Williams explained that there were a number of recommendations within the Report which identified further improvements to the framework for risk management, governance and internal control to ensure that the</p>	

<p>41</p> <p>42</p> <p>43</p> <p>44</p>	<p>framework remained adequate and effective. Mr Williams explained that most of the recommendations had already been implemented.</p> <p>Section 2 of the Report detailed management action taken in relation to the recommendations. Committee members noted this and the follow up work also undertaken in relation to previous audit work.</p> <p>Mr Williams explained that of the five Internal Audit work items completed in 2016/17, four had received substantial assurance with one receiving reasonable assurance.</p> <p>Mr Williams further explained that there were no high priority recommendations and that management responses were acceptable.</p> <p>Committee members received the Annual Internal Audit Report for 2016/17 and the Staff Utilisation Audit Report.</p>	
<p>45</p> <p>46</p> <p>47</p> <p>48</p> <p>49</p> <p>50</p>	<p>AFC/17/110 Annual Reports</p> <p>a. Audit Committee</p> <p>Mr Deane presented the Audit Committee Annual Report prepared on behalf of the Audit Committee Chairman.</p> <p>b. Risk Management</p> <p>Mr Deane presented the Risk Management Annual Report prepared on behalf of the Audit Committee Chairman.</p> <p>Mr Deane explained that there had been no changes to the Risk Management Group Terms of Reference or Risk Management Policy. The Risk Management Register presented with the Report was reviewed and discussed.</p> <p>The Committee discussed the following items in more detail, the funding arrangements in connection with BBO and the impact of this, the pension scheme changes and how this may impact along with National Minimum wage changes. The potential cost impact of Equal Pay claims and DBS check compliance. It was noted that there was confidence that DBS checks were in place for all staff.</p> <p>Mr Deane confirmed that the Internal Audit follow up actions were reviewed at Risk Management Group meetings.</p> <p>Mrs L Houtby, Chief Executive explained that the College had experienced a complete loss of power on Friday 10 November 2017 from approximately 6.30am to midnight. Estates staff and staff on site at the time of the shortage had responded</p>	

<p>51</p>	<p>extremely well. Mrs Houtby explained that the shortage was due to an aged link between the substation and transformer and the likely cost of repair was likely to be in the region of £5000. Although the incident was outside of College control, lessons learned would be considered and whether there were any amendments to be made to the business continuity plan. Work was ongoing to check whether there was opportunity to recover the costs from insurers. Mrs Houtby explained that thankfully the shortage did not impact on College accommodation only the College site. Mrs Houtby also explained that the site was closed as it was not safe to keep the site open, the fire alarm system relies on the electricity supply.</p> <p>Committee members approved the Audit Committee Annual Report and the Risk Management Report for submission to the Corporation Meeting on 16 December 2017</p>	
<p>52</p> <p>53</p> <p>54</p> <p>55</p> <p>56</p> <p>57</p> <p>58</p> <p>59</p>	<p>AFC/17/111 Annual Internal Audit Plan 2017/18</p> <p>Mr Williams presented the Annual Internal Audit Plan 2017/18. Mr Williams explained that the Plan was closely linked to the Risk Management Register.</p> <p>Mr Williams referred Committee members to s2.2 of the Report explaining that this detailed some of the existing and emerging risks affecting the sector and the challenges presented by those risks.</p> <p>Committee members reviewed the outline programme at Appendix A of the Report, the risk based assurance audits were in the areas of the Apprenticeship levy and GDPR. Further work would determine the scope of the audits.</p> <p>Mr Williams explained that the proposed Audit Committee dates would be inserted into the Plan.</p> <p>Committee members agreed that there was an adequate balance within the Plan between standard requirements and topical, risk based issues which faced the College.</p> <p>Mr Deane commented on the significant changes in apprenticeships; this was not limited to the levy but also the increase in contribution for employers.</p> <p>Committee members noted the Internal Audit Strategy 2017/2020 and the planned areas of work throughout the period.</p> <p>Committee members received and approved the Annual Internal Audit Plan for 2017/18</p>	

	AFC/17/112 Finance Report	
60	Mr Deane presented the Financial Report. The Report contained a number of appendices covering, Income and Expenditure Account for period ending 31 October 2017, Balance Sheet at 31 October 2017, Cashflow forecast to July 2019, Debtors Report and Capital Expenditure and Details of Asset Additions 2017-18.	
61	Mr Deane explained that a small operating surplus at year end was forecast with the College maintaining a good financial health rating as graded by ESFA. At the end of October 2017, an unfavourable variance of £60,535 was reported.	
62	Mr Deane explained that the 16-18 student enrolment numbers were positive and although income would not be increased in year, there would be further income of up to £100,000 in the 2018/19 forecast to reflect student numbers.	
63	The Committee reviewed the breakdown of income. It was noted that the 19+ Advanced Learner Loan income was below forecast. Mrs Houtby explained that this was comparable to the national position.	
64	Mr Deane referred to the challenges in determining income in relation to apprenticeships. There was an allocation for current, levy and non-levy income in relation to apprenticeships.	
65	Mr Deane also referred to the timing of income in relation to the BBO project but confirmed that the allocation should be achieved.	
66	In relation to High Needs students; this continued to be an area of growth with two further students being transferred into the provision. Further growth in 2018/19 was anticipated.	
67	The unfavourable variance in relation to payroll was linked to restructure costs, this fell into 2017/18 due to the consultation requirements and the consequence of notice periods.	
68	There were no major concerns with regard to debtors. Bad debt write off of £290.59 was proposed relating mainly to unreturned library material.	
69	In relation to cashflow, reference was made to the apprenticeship levy and how it may be a challenge to reconcile this with Skills Funding Agency income.	

70	Mr Manoussakis asked for further information about pensions. Mr Deane explained that although College staff contributions had decreased in year, there remained links to Local Authority pension debt.	
71	There had been a change to IFS 102 and items were being treated differently in the accounts, it would be treated as a non-cash charge.	
72	Committee Members received the October Financial Report.	
73	AFC/17/113 Impact on Students of Items Discussed / Agreed The College could not continue to be a going concern without sound financial management, this is core to the function of a successful College. The planned Internal Audit around the implementation of GDPR would impact on students to ensure that student data is managed effectively.	
74	AFC/17/114 Urgent Business / Any other Business There being no further business the meeting closed.	

Date of next Meeting:

The Finance Committee would meet on Wednesday 28 February 2018, 17.00 in the Conference Room.

The Audit Committee would meet on Wednesday 28 February 2018, 18.30 in the Conference Room

Signed as a true and accurate record

Chairman

Date

Agenda Item	Description	By whom	By when
AFC/17/108 External Audit	Mr Deane explained that an update on the recommendations contained within the Letter of Comment and action taken would be reported to the next Audit Committee meeting.	Mr Deane	February 2018