

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

**Minutes of the Meeting held on 28 November 2018, 17.00
Corporation Meeting Room, Grantham College**

Present:

Mr N Manoussakis	Finance Committee Chairman / General Member (F) From agenda item
Mr M Argyle	Audit Committee Chairman / Lay Member (A)
Mr G Brewis	General Member (A)
Mr P Deane	Principal & Chief Executive (F)
Mr M Kalbassi	General Member (F)
Mrs A Mosek	General Member (F)
Mr S Welton	General Member (A)

In Attendance:

Mrs A Harrison	Director of Finance
Mr A Ali	Internal Audit, RSM
Mr S Atkins	External Audit, PKF Cooper Parry
Mrs J Taylor-Holmes	Clerk

Agenda: Some of the agenda items were taken out of order, the order within the minutes represents the order in which items were discussed in the meeting.

1	AFC/18/101 - Apologies for absence Apologies were received from; Mr G Hayton-Hill – General Member Mr I Hyland – General Member Ms N Skins – General Member Mr B Slater – General Member	
2	AFC/18/102 – 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/18/103 – 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	
	AFC/18/104 – Minutes of the previous meetings on 20 June 2018	

5	The minutes of the previous Audit Committee meeting held on 20 June 2018 were amended at paragraph 48 with the addition of the word 'risk'.	
6	Subject to the amendment, the minutes of the previous Audit Committee meeting held on 20 June 2018 were approved as a true and accurate record.	
7	The minutes of the previous Finance Committee meeting held on 20 June 2018 were approved as a true and correct record.	
8	There was no urgent business notified.	
AFC/18/105 - Matters Arising		
9	Audit Committee – in relation to the action arising from agenda item AC/18/119 and the content of the Quality Assurance Framework Internal Audit review, feedback from the Internal Auditors had confirmed that this review can look at;	
10	<ul style="list-style-type: none"> • Teaching and Learning Observation programme and prioritisation, including re-observations for those assessed as below the required level; • Quality assurance processes, including Self-Assessment, and compliance with these; and • External and internal verification procedures and implementation of these. 	
11	Finance Committee – in relation to the action arising from agenda item FC/18/115, it was agreed that a summary of the Curriculum Plan would be presented to the Board in July. This would be added to the Board work schedule.	
12	All further matters arising from the previous meetings were either complete or on the agenda for consideration.	
AFC/18/106 Audit Follow Up Register		
13	Mrs A Harrison, Director of Finance presented the Audit Follow Up Register.	
14	Mrs Harrison explained that all follow up actions were complete.	
15	Actions from the Internal Audit reports presented to the meeting would be added to the Register following the meeting.	
16	The Committee received the Register of Audit follow up points.	

	AFC/18/107 Risk Management Update	
17	Mrs Harrison presented the Risk Management Update.	
18	Mrs Harrison explained that following the meeting of the Risk Management Group, there had been some amendments to the risk register which were presented in the Report and highlighted on the register.	
19	Committee members discussed the amendments to risk 3.5 and the confidence of achieving target student retention, pass and achievement. Committee members asked the Risk Management Group to consider whether this should be rated as Contingency. The risk register showed 3.5 as Housekeeping and this was questioned. Mr P Deane, Principal and Chief Executive commented that the financial impact of non-achievement is around £50,000 and the full action plan in relation to achievement is within the Quality Improvement Plan.	Action: Risk Management Group TBC
20	In relation to 4.10, Mrs Harrison explained that there was training planned for all budget managers in relation to anti-bribery. This was referenced within the ESFA Regularity Questionnaire. Mrs Harrison explained that any significant purchasing should go through the budget holder and Mrs Harrison was responsible for reviewing everything on purchase orders.	
21	Mrs Harrison explained that 5.3 & 5.4 had been merge as it was felt that the risk was collectively higher across the College instead of looking at individual curriculum areas.	
22	Risk 5.8 had been increased following feedback received from the staff survey.	
23	The Committee received the Risk Management Report.	
	AFC/18/109 Internal Audit Reports & Annual Internal Audit Report 2017/18	
24	Mr A Ali, RSM provided a summary of the outcome of the four internal audit reports completed since the last Audit Committee meeting.	
25	Mr Ali explained that the General Data Protection Regulation (GDPR) review had been a procedure review of the College compliance with the new GDPR introduced in May 2018. Management had accepted feedback, there were plans in place and actions had already been implemented as the implementation date had passed. Follow-up would take place in the usual way.	

26	Mr Deane explained that this review was useful to the College owing to the greater obligations that had been borne out of the new legislation. The risk of data breach was always present and it was important to ensure that monitoring continues and staff are reminded of their obligations.	
27	Mr Ali explained that there was no formal assurance level or opinion in respect of this review.	
28	In relation to the Learner Numbers review, Mr Ali explained that substantial assurance had been provided. Committee members were referred to the scope on page 6 of the report and sample testing which had taken place.	
29	The Apprenticeships Framework review had been assessed as providing substantial assurance. One high and two medium priority recommendations had been identified and were documented on page 3 of the report. Management had provided feedback on all three recommendations with an agreed implementation date of 31 July 2018. All action had been taken to address the recommendations. It was noted that since the internal audit had been completed, the guidance had changed regarding 20% on the job training.	
30	The Accommodation Under 18s report was the first audit undertaken in as part of the 2018/19 plan. The audit had been planned in response to the Ofsted inspection report and to provide assurance that action had been taken to address concerns raised. The report had provided substantial assurance. One low priority recommendation had been made. Committee members noted the scope of the review.	
31	Mr Ali provided the Annual Internal Audit Report for 2017/18.	
32	Mr Ali explained that the Annual Report brought together all the Reports that had been presented and discussed at previous Audit Committee.	
33	The Report included the Head of Internal Audit opinion. Mr Ali explained that opinion stated within the Report was that the College has an adequate and effective framework for risk management, governance and internal control.	
34	The opinion was positive and Mr Ali referred Committee members to section 1.3 of the report which detailed how the opinion was formulated and section 2.2 which documented implementation of previous actions. It as noted that all recommendations had been implemented and there was good progress demonstrated throughout follow	

	up.	
35	Committee members noted the content of Appendix B and the highlights of the report and follow up.	
36	Committee members received the Internal Audit reports and the Annual Internal Audit Report for 2017/18.	
	AFC/18/110 Annual Reports	
37	<i>Mr N Manoussakis, Finance Committee Chairman and External Members joined the meeting at this point.</i>	
	a. Audit Committee Annual Report 2017/18	
38	Committee members reviewed the Audit Committee Annual Report 2017/18 and approved the report for recommendation to the Board.	
	b. Risk Management Annual Report	
39	Mrs Harrison presented the Risk Management Annual report and appendices.	
40	Mrs Harrison explained that the Risk Management Policy had been updated in February 2018.	
41	Committee members reviewed the Risk Management Annual Audit Report and approved the report for recommendation to the Board.	
	AFC/18/112 Committee Effectiveness Review – Audit Committee	
42	Mrs Taylor-Holmes explained that this process of annual review would support the annual review of the Board and any actions identified would be discussed at the February Strategic Development session.	
43	Committee members reviewed the Audit Committee Terms of Reference. It was noted that TBC was now the Director of Finance and the Terms of Reference would be updated to reflect this.	Action: Mrs Taylor-Holmes December 2018
44	Committee members reviewed the membership of the Committee and the quorum (two members) and agreed that this was appropriate.	
45	No further amendments to the Terms of Reference were suggested.	
46	Committee members discussed the level of information	

	provided and the process for approving the Internal Audit annual plan and felt that both was appropriate.	
47	Discussions / suggested improvements included; <ul style="list-style-type: none"> • Standing agenda item – ESFA reports including any notices to improve and embedded links to any information provided. • Review of External and Internal Auditors KPIs would be added to the Committee workplan. • Committee members should be signposted to appropriate training and support – AoC, Charity Commission on Financial Governance. 'Key 15 questions' for Governors to be sent to Committee members as a refresher. 	
48	Committee members felt that the Committee should be graded 2 – good.	
49	Committee members noted the Committee work schedule.	
50	Committee members discussed how audit is directed and it was agreed that the risk appetite would be reviewed to ensure that this continues to be appropriate and flexible to suit the needs of the College.	
51	Consideration would be given to how Internal Audit time could be best utilised and how this relates more directly to the quality of learning and teaching.	
	AFC/18/108 External Audit	
52	Mr S Atkins, PKF Cooper Parry, presented the External Audit Report and draft Audited Financial Statements.	
53	Firstly, Mr Atkins presented the Audit Completion documents for year ended 31 July 2018. Mr Atkins thanked the Director of Finance and the finance team as very few errors had been identified.	
54	The Report detailed the key audit risks and the results of the audit procedures against the risk. Mr Atkins provided information on each of the audit risks. A number of specific comments were made as follows;	
55	The financial statements were prepared on a going concern basis and there were no concerns regarding any financial covenants during the year.	
56	The Regularity audit opinion was unqualified; there were no incidents of concern noted and no issues had been identified regarding income recognition, the ESFA figures matched College figures.	

57	In relation to Related Party transactions, the processes had been reviewed and there were systems in place to report and capture any relevant interests.	
58	The retirement benefits had been reviewed with the latest valuation from the actuary. There had been a raft of adjustments. It was noted that this was a reporting matter and there would be no cash impact or impact on the College Financial rating.	
59	From a compliance perspective, the College was compliant with the ESFA requirements. No concerns had been identified in testing of management override through journal testing.	
60	The Audit report was unqualified with a clean regularity report.	
61	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.	
62	The Committee reviewed the Letter of Representation. It was noted that there were no specific recommendations or matters to which attention should be drawn, there were no unadjusted errors that hadn't been accounted for.	
63	The Committee reviewed the draft Report and Financial Statements for year ended 31 July 2018.	
64	Mr Atkins explained that there was an obligation to report on Trade Union activity as a % of FTE. Up to date information was being finalised however; a nil disclosure was anticipated.	
65	Mr Atkins asked for any feedback to be provided to Mrs Harrison.	
66	Mr Atkins referred Committee members to page 24 and that no audit adjustments had been identified.	
67	The actual year end deficit position was £34,000 when removing the adjustments relating to pension contributions.	
68	Committee members asked whether the actuary assessments can be challenged. Mr Atkins explained that this had been done successfully in previous years. The Financial Statement auditors are able to benchmark the	

	College against other similar local Government pension schemes to satisfy themselves that the assessments are reasonable. The factors considered by the actuary in making the assessment are out of control of the College.	
69	Mr Atkins referred Committee members to page 43 and 44 and the assumptions listed. All were excluded from the EBITDA figures and the ESFA grading.	
70	It was noted that there was likely to be an impact from increased pension employer contributions.	
71	Mr Atkins commented on the positive cashflow position.	
72	The Committee noted the Letter of Comment	
73	Committee members recommended the following to the Board for approval; <ul style="list-style-type: none"> • Audit Completion document – Year ended 31 July 2018 • Letter of Representation • Draft Audited Financial Statements 	
	AFC/18/111 Finance Report	
74	Mrs Harrison presented the Financial Report. The Report contained a number of appendices covering, Income and Expenditure Account for period ending 31 October 2018, Balance Sheet as at 31 October 2018, Cashflow forecast to November 2020, Debtors Report and Capital Expenditure and Details of Asset Additions 2018-19.	
75	Mrs Harrison explained that a small operating surplus of £8000 at 31 October 2018 with the College maintaining a good financial health rating as graded by ESFA. There was a significant favourable balance as a result of the receipt of BBO funding and the delay in spend, Mrs Harrison explained that invoices were now being received and paid. It was noted that the lack of spend of the non-pay contingency was also creating a positive impact.	
76	Mrs Harrison commented that some budgets would be rephrased. There had been an overcharge to Lincolnshire County Council which would be addressed in November.	
77	Mr Deane provided an update on learner numbers confirming that current numbers were 25 down on the plan for 2018/19. This would result in an impact of around a £120,000 reduction in funding which would be applied in 2019/20. The biggest impact reflecting demographics and there was a gradual increase in the number of 16-18 year olds in coming years. Work was ongoing to encourage further recruitment in courses starting in January 2019.	

78	Recruitment of 16-18 apprentices was above plan and adult apprentices were also above plan however; there remained some uncertainty about figures. Lower than planned HE recruitment in HE was resulting in £145,000 lower than planned income in this area. Level 3 recruitment was lower than in previous years. Overall the position was £142,000 below budget with a £22,000 negative variance.	
79	Committee members noted the payroll and £54,718 in redundancy costs.	
80	Mr Deane explained that the BBO contract had been recommended for continuation of which, if successful may result in an income of approximately £750,000. Some costs would be attributable to sub-contracting.	
81	Key expenditure variances were noted and that there was a curriculum contingency of £130,000. The current cash ratio was 1.7 and cash equating to 67 days was held.	
82	In relation to debtors, Mrs Harrison explained that payment of £31,000 removed due to commercial sensitivity had been received in November.	
83	Committee members considered the draft financial dashboard, it was noted that this would be useful when considering curriculum contribution and staff and estate utilisation. It was agreed that this would be presented to the next Board meeting.	
84	Committee members discussed the possibility of accessing a loan facility to improve the cash position. The current loan was due to be paid off in 2023.	
85	Committee members also discussed staff morale and the proposed lack of pay increase due to the financial position. Committee members supported the award of a further paid day off for staff over the Christmas period as a gesture of goodwill.	
86	Committee Members received the October Financial Report.	
AFC/18/112 Committee Effectiveness Review – Finance Committee		
87	Mrs Taylor-Holmes explained that this process of annual review would support the annual review of the Board and any actions identified would be discussed at the February Strategic Development session.	
88	Committee members reviewed the Finance Committee	

	Terms of Reference. It was agreed that the remit of the Finance Committee would be expanded to include HR / estates and would consider the wider resource need of the College. It was agreed that Mrs Taylor-Holmes would consider the remit and draft revised Terms of Reference for review by Committee members prior to submission to the Board.	Action: Mrs Taylor-Holmes March 2018
89	Committee members reviewed the membership of the Committee and the quorum and agreed that this was appropriate.	
90	No further amendments to the Terms of Reference were suggested.	
91	Committee members felt that the Committee should be graded 2 – good.	
92	Committee members noted the Committee work schedule.	
	AFC/18/113 Matters for specific note to the Corporation	
93	<ul style="list-style-type: none"> • Outcome of the Financial Statements Audit and the recommendation for approval • Outcome of Internal Audits and follow up • Recommendation of the Annual Reports; Internal Audit Annual report, the Risk Management Annual Report and the Audit Committee Annual Report. • The Committee had reviewed the Finance report at end of October 2018. • Both Committee had undertaken a review of Committee effectiveness and had, amongst other things recommended amendments to the Terms of Reference. 	
	AFC/18/114 Impact on Students of Items Discussed / Agreed	
94	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 outcome of internal audits, particularly student accommodation and GDPR provided assurance that the College was operating within the relevant framework to support students.	
	AFC/18/115 Urgent Business / Any other Business	
95	There being no further business the meeting closed.	

Date of next Meeting:

The Finance Committee would meet on Wednesday 27 February 2019, 17.00 in the Conference Room.

The Audit Committee would meet on Wednesday 27 February 2019, 18.30 in the Conference Room

Signed as a true and accurate record

Chairman

Date

Agenda Item	Description	By whom	By when
AFC/18/107 Risk Management Update	Committee members discussed the amendments to risk 3.5 and the confidence of achieving target student retention, pass and achievement. Committee members asked the Risk Management Group to consider whether this should be rated as Contingency rather than Low.	Risk Management Group	TBC
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AFC/18/112 Committee Effectiveness Review – Finance Committee	It was agreed that the remit of the Finance Committee would be expanded to include HR / estates and would consider the wider resource need of the College. It was agreed that Mrs Taylor-Holmes would consider the remit and draft revised Terms of Reference for review by Committee members prior to submission to the Board.	Mrs Taylor-Holmes	December 2018