

WOKING COLLEGE

**Minutes of the Audit Committee Meeting held on
Wednesday 8 November 2017 at 9:30 am**

**Mrs G. Mather * Chair
Mr M. Hearsum
Mr J. Miles*
Mr A. Stickland
Mr T. Stokes***

Present*

In attendance:

Mr N. Razaq	-	Assistant Principal
Ms K. Mercer	-	Finance Director
Ms L. Kneebone	-	KPMG
Mrs H. Meredith	-	Clerk to the Trustees

1.	APOLOGIES FOR ABSENCE AND QUORUM AND DECLARATION OF INTEREST BY MEMBERS AND SENIOR POSTHOLDERS	ACTION
1.1	Apologies were received from Mr Hearsum and Mr Stickland. The Assistant Principal sent apologies in anticipation of arriving late due to teaching commitments.	
1.2	Mr Miles was welcomed to his first meeting of the committee. The Clerk confirmed that the meeting was quorate. The Principal had also been invited to attend the meeting but sent apologies due to teaching commitments.	
1.3	There were no new declarations of interest at the meeting.	
2.	ELECTION OF CHAIR AND VICE-CHAIR FOR 2017-18.	
2.1	Mrs. Mather was elected as Chair of the committee and Mr Stokes was elected as Vice-chair of the committee.	
3.	MINUTES OF THE (PRE-ACADEMISATION) MEETING HELD ON 21 JUNE 2017	
3.1	<u>Accuracy</u> The Minutes were accepted as an accurate record and signed by the chairman.	
3.2	<u>Matters Arising</u> <u>Item 3.2.1:</u> Members noted that the review of the Reserves Policy still needs to be addressed following conversion to an Academy. It was agreed that this should be considered relatively soon by the F&P Committee so that the wording can be reviewed in the skeleton accounts (see item 6.3). <u>Item 5.2.1.7:</u> The Chair reported that a discussion was still to take place about the responsibility for carrying out of the Company Secretarial work for the Academy.	Finance Director Board/ Clerk
4.	REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE	
4.1	Members noted that as a Statutory Corporation the College was required to have an Audit Committee. As an Academy with income less than £10m, Woking College is not required to have an Audit Committee. However every academy must have in place a process for independent checking of financial controls, systems, transactions and risks. Members noted that the EFSA has introduced a system which allows some flexibility as	

		ACTION
	<ul style="list-style-type: none"> – Auditing the pensions accounting for the LGPS scheme (delay in receiving the statement from the actuary due to the change in year end); – Final review of the financial statements, including checking the updating of the final LGPS pension position; – Receipt of the management representation letter (wording with KPMG); – Post balance sheet events review (done by auditors on the day accounts signed); – Approval of the financial statements by the Audit Committee and College Board; – Receipt of final bank letter directly from the bank ; – Receipt of new engagement letter (wording with KPMG) 	
5.1.5	<p>Subject to the following outstanding matters, the auditors have confirmed that the College should be given an unqualified Financial Statements Audit opinion and an unqualified Regularity Audit Opinion, confirming that the funds had been used by the college for the purposes intended for the 13 month period ended 31 August 2017.</p>	
5.1.6	<p>Under the requirements of ISA 260 'Communications of audit matters with those charged with governance', the auditors are required to report any significant adjusted audit differences arising from their work as well as any unadjusted audit differences. The Report confirmed that no adjusted or unadjusted audit differences were found during the course of the audit.</p>	
5.1.7	<p><u>Significant Risks</u></p> <p>Members noted the recognition of revenue in the light of the academy conversion and the College's 16/17 financial period spanning two funding allocations. A judgment arose in this area as a new 12 month funding allocation was received upon conversion to an academy on 1st September 2017. Therefore the college needed to decide how to treat funding received in the month of August 2017 which was paid under the previous FE funding arrangements. The Auditors agreed that to recognise the entire August funding (12.56% of the FE 17/18 allocation) would be misleading given the accelerated payment profile for that month and that there are limited costs associated with this period. Furthermore, the 17/18 Academy funding allocation has mirrored the quantum of the 17/18 FE College allocation (albeit with an additional 1/12th added for August 2018) and hence demonstrating the inherent link between the two. The College's treatment to recognise only 1/13th of the funding covering the 13 months to 31 August 2017 in the 16/17 financial statements (equivalent to the 17/18 funding allocation as an FE college plus an additional 1/12th to reflect the August 2018 amount).was agreed by the auditors.</p>	
5.1.8	<p>Members noted that the College generated a surplus for the thirteen month period of £512k (7.4% of total income), prior to the £272k actuarial gain in respect of pension schemes. This compares to a surplus of £15k in the prior year. The improved result was driven mainly by the release of the £330k holiday pay accrual, and the increase in ESFA funding exceeding the growth in costs. The College's new financial period end and holiday year end are now coterminous. Accordingly, as expected, the holiday pay accrual has been released in the 16/17 financial statements as there are no significant accrued staff benefits as 31 August 2017. This has been treated as a £330k reduction in staff costs, and has been separately analysed for transparency in note 6 to the draft accounts. Members agreed that this should be shown separately for transparency. Members noted that there were no audit adjustments at all.</p>	
5.1.9	<p><u>Pensions</u></p> <p>Members noted that should any adjustment be proposed these should not be material and so would not result in an adjustment to the accounts.</p>	
5.1.10	<p><u>VAT</u></p> <p>The Finance Director confirmed that HMRC have confirmed in writing their approval of the VAT treatment.</p>	

	<u>Going Concern</u>	ACTION
5.1.11	The auditors had considered the impact of the cessation of trading within the previous FE college entity and the impact this has on the going concern treatment and disclosure in the 2016/17 accounts. They concluded that (in line with other colleges undergoing similar changes in the sector), given the teaching activities of the college will continue unchanged in the new entity and the college's assets will continue to be used in the same way, the going concern basis of preparation in the accounts remains appropriate. There is clear disclosure in the accounts to explain this rationale, whilst making clear that the legal entity itself will not continue to trade.	
5.1.12	To support the above treatment, the auditors reviewed the latest financial forecasts; including considering the key variables, such as grant income and salaries, to identify the level of uncertainty in these forecast numbers. The college's cash flow forecasts indicate that cash reserves do not fall below £1,156k (March 2018) for the forecast period to August 2018. No significant concerns arose from their assessment of this area and there is no impact as there has been sufficient disclosure in the accounts.	
5.2	<u>Closed session with the Auditors</u>	
	<i>The Assistant Principal, Finance Director and Clerk left the meeting for this item from 9:55 to 10:03am.</i>	
5.2.1	The members of the Audit Committee then met in a closed session with Ms Kneebone to allow them to raise any matters of concern directly with the Chair of the Committee. No matters of concern were raised.	
5.3	It was agreed to recommend the Financial Statements to the Trust Board for approval subject to finalising the outstanding points detailed above and updating these to the date of signing, including details of the recently appointed Trustees and the Governance SAR.	
5.4	<u>Letter of Representation</u>	
5.4.1	Ms Kneebone apologised that the updated wording for the Representation Letter and a new Engagement Letter (following the College's conversion to an Academy) were not yet ready from the KPMG technical team. These would however be largely based on the letters used previously for the College prior to academisation and it was agreed that following the meeting last year's versions would be circulated to members of the committee for the contents to be agreed.	
5.4.2	Members discussed this and agreed to recommend this to the Academy Trust Board for approval to be signed by the Principal and Chair of the Academy Trust Board subject to the final version being in substantially the same form as in previous years. <i>The Assistant Principal joined the meeting at 10:05am Ms Kneebone left the meeting at 10:05 am</i>	Finance Director / Audit Committee members
6.	CHANGES TO AUDIT ARISING FROM ACADEMISATION	
6.1	The Finance Director presented a paper requested by the Committee outlining the key changes to audit arising from academisation.	
6.2	Members noted that the presentation of academy financial statements will be slightly different to college financial statements. The template for college accounts is Casterbridge College and the template for academies is called Coketown Academy. In the past the College followed Casterbridge and it is proposed that it will follow Coketown in the future. This is an efficient way of ensuring the accounting requirements are met and KPMG are very happy with this approach. Members noted that the main change is that different disclosure is required.	

<p>8.</p> <p>8.1</p> <p>8.2</p>	<p>ANNUAL REPORT OF THE AUDIT COMMITTEE 2016-17</p> <p>The Committee received and reviewed the draft Annual Report of the work of the Audit Committee of the College pre-academisation. The Annual Report is at Appendix 1.</p> <p>After discussion, members agreed to recommend this for approval by the Academy Trust Board.</p>	<p>ACTION</p>
<p>9.</p> <p>9.1</p>	<p>POLICIES FOR APPROVAL</p> <p>This item was deferred to the next meeting. Members noted that all College Policies are in the process of being reviewed following the College's conversion to an Academy. It was agreed that the review by this committee might be best achieved by asking individual to members to review a particular policy in detail. Mr Miles offered to review the Data Protection, Freedom of Information, Anti-Bribery and Hospitality policies.</p>	<p>Principal/ Finance Director/ Clerk</p>
<p>10.</p> <p>10.1</p> <p>10.2</p> <p>10.3</p>	<p>ANNUAL REVIEW OF EXTERNAL AUDIT SERVICE</p> <p><u>Performance Indicators for External Auditors</u> The Committee undertook the annual assessment of the performance of the external audit service against agreed performance indicators. With input from the Finance Director, a set of performance indicator scores was agreed.</p> <p>Members asked about the re-appointment process for the External Audit Service. Members noted that last November the Audit Committee's recommendation to the Corporation was approved to re-appoint KPMG to provide the financial audit and regularity audit service for the College for the period from 1 August 2016 for a second three year appointment.</p> <p>Post academisation the formal appointment of the External Auditors is made by the Members of the Academy Trust and a recommendation should therefore be made to the Members for their meeting in November 2018. It was agreed that the Clerk should report to the Members that this time last year the Audit Committee agreed to extend the auditors' appointment and that the College will carry this forward with the new entity unless the Members have any concerns with this approach .</p>	<p>Clerk to Trustees</p>
<p>11.</p> <p>11.1</p>	<p>DATE AND TIME OF THE NEXT MEETING</p> <p>The next meeting of the committee had previously been fixed for Wednesday 20 June 2018 at 9:30 am. Members discussed whether to move these to evening meetings. After discussion it was agreed to continue to hold these as daytime meetings with the option for members to join the meetings by conference call.</p> <p>The meeting closed at 11:05am</p> <p>H Meredith, Clerk to the Committee</p> <p>Signed:Date:</p>	

WOKING COLLEGE

AUDIT COMMITTEE ANNUAL REPORT TO THE CORPORATION

Period 10th November 2016 to 8th November 2017

<p>1. Introduction</p>	<p>The Audit Committee Terms of Reference require that the Committee provides an annual report to the Corporation on its activities for the year and a statement of opinion by the committee in the execution of its role. This report covers the work carried out by the Audit Committee in the period 10th November 2016 to 8th November 2017.</p>
<p>2. Membership</p>	<p><u>Corporation Audit Committee Membership to 31st August 2017</u> Chair – Mrs G. Mather Vice Chair – Mr T. Stokes Members –Revd Dr R. Marks, Mrs L. Zahn Co-opted Member - Mr A. Stickland</p> <p><u>Academy Trust Board Audit Committee Membership from 1st September 2017</u> Chair – Mrs G. Mather Vice Chair – Mr T. Stokes Members – Mr Hearsom Co-opted Member - Mr A. Stickland</p> <p><u>Academy Trust Board Audit Committee Membership from 1 November 2017</u> Mr J. Miles</p>
<p>3. Meetings and attendance</p>	<p>The Committee met twice in the academic year to 31 July 2017 (November 2016 and June 2017) and also November 2017 and all meetings were quorate.</p> <p>The External Auditors, KPMG, were invited to be in attendance.</p> <p>The meetings were attended by Ms K. Mercer, Finance Director and Mrs H Meredith, Clerk to the Corporation. The November meeting was attended by Mr Finn, Assistant Principal and the June meeting by Mr Razaq, Assistant Principal. Mr Freeman, Principal, attended part of the June 2017 meeting on the invitation of the Committee to provide assurance in relation to the Annual Review of Fundamental Accounting Controls .</p>
<p>4. Terms of Reference</p>	<ol style="list-style-type: none"> 1. The main role of the Audit Committee is to report to the Corporation on the integrity and regulatory compliance of the financial statements of the college; the effectiveness of the college's systems of internal control, risk management and compliance systems and the independence and performance of the external auditors. The Audit Committee independently monitors, reviews and reports to the Corporation on the processes and supports the implementation of effective internal control systems. 2. The Terms of Reference of the Audit Committee are reviewed annually. The Audit Committee may co-opt advisers to attend meetings. Likewise the Committee may invite other Corporation members and members of the Senior Management Team to attend meetings. These persons may speak and otherwise take part in the meetings in an advisory capacity.

	<p>3. The College discontinued the appointment of an internal audit service in the academic year 2012-13. That decision is reviewed annually and was reviewed by the Committee in June 2017 in the context of the proposed conversion to an Academy Trust.. The Committee noted that as an academy the Trustees are obliged to review the risks to internal financial control at the trust and agree a programme of work to address, and provide assurance on, those risks. The Committee recommended that for 2017/18 KPMG, as external auditors, should be asked to perform a small amount of additional work to address and provide assurance on those risks. The Corporation and Academy Trust Board in July 2017 ratified these recommendations.</p> <p>4. The Terms of Reference of the Committee were reviewed in November 2016. Copies of the Terms of Reference in place during 2016-17 are attached. Following the conversion to an Academy Trust on 1st September 2017 those Terms of Reference will be revised to reflect the conversion and revised Terms of Reference will be considered by the Committee at its November 2017 Meeting for recommendation for approval by the Trust Board.</p>
<p>5.Work Programme</p>	<p>Matters considered by the Committee during the period were as follows:</p> <ul style="list-style-type: none"> ○ External Audit Plan and Strategy for the Financial Statements and Regularity Audit for the year ending 31.07.17. Members took advice from the auditors on the impact of the planned conversion to an Academy noting that as a result the assets and liabilities of the College would move into the academy at the year end and the existing college legal entity will not carry on at the year end. It was agreed that the accounts should be prepared using the 'going concern' assumption, as post conversion the teaching operations and use of the College's asset base will continue as before; ○ Other work relating to conversion to an Academy including moving to a 31 August year-end and seeking consent for this from ESFA and agreement of a programme of additional assurance work for 2017-18 following conversion to an Academy to comply with the requirement to have independent checking of the Academy's financial controls; ○ Audited 2016-17 Annual Report and Financial Statements, Management letter and Regularity Audit Report; ○ Impact of reporting under the new accounting standard, FRS 102; ○ Review of the need for additional board assurance outside of external audit – no additional reports were commissioned during the year 2016-17; ○ Views of the External Auditors on the College's financial processes undertaken in a closed session between the committee members and the external auditors; ○ Review of Risk Management and Board Assurance Framework; ○ Risk Management and Board Assurance Reports (at each meeting); ○ Regularity Audit Self- Assessment checklist for the year ended 31.07.17; ○ Financial Management and Governance Self-Assessment(FMGS) checklist for Woking College as an Academy; ○ Self-assessment of committee's performance against Terms of Reference 2016-17. <p>Additional Reports reviewed by the Committee included:</p> <ul style="list-style-type: none"> ○ The KPMG FE Financial Statements 2015-16 Benchmarking Report and consideration of data for Woking College in relation to that of other colleges; ○ An updated Board Assurance Toolkit for FE Colleges produced by RSM.

<p>6.Achievements</p>	<p>Audit As in previous years, the Committee invited the auditors to committee meetings so as to help to develop a constructive relationship with them and the Chair speaks to the external auditors outside of meetings when appropriate.</p> <p>Risk Management and development of Board Assurance Framework The Committee has continued to monitor business assurance processes.</p> <p>The Committee discussed directly with the Auditors, whether they considered that any additional audit assurance work was necessary following the completion of the External Audit. After discussion the Committee concluded that there were no areas where immediate assurance reviews would be valuable.</p> <p>The Committee also discussed with the Auditors their risk assessment of significant audit risks.</p> <p>The Committee also reviewed a Report, which the Committee requested from the Principal, confirming that the fundamental accounting controls had been consistently applied.</p> <p>The reviewed Risk Management Report and Board Assurance Framework was recommended for approval by the Committee at its June 2017 meeting and approved by the Corporation at the end of June 2017.</p> <p>At the November meeting the committee was provided with an annual risk management report for the year ending July and also a report on progress to date.</p>
<p>7.Opinion</p>	<p><i>The Audit Committee received all necessary assurances during the year to meet the needs of the Corporation, now the Trust Board, as referred to above.</i></p> <p><i>There are no matters that the committee wishes to bring specifically to the attention of the Trust Board and the committee is satisfied with the financial reporting of Woking College and the performance of the external auditors.</i></p> <p><i>The Audit Committee's opinion is that the college's framework of governance, risk management and control, and its internal processes for securing economy, efficiency and effectiveness are adequate and effective and function well at Woking College, supported by the work of external audit and subject to continuous review and improvement by the Executive.</i></p> <p><i>The Audit Committee considers that the Corporation's responsibilities and subsequently those of the Trust Board have been satisfactorily discharged and recommends this report to the Corporation.</i></p> <p>Signed..... Date..... Chair Audit Committee</p>

APPENDIX 2

WOKING COLLEGE

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

BACKGROUND

- 1.1 The Audit Committee is a Committee of the Governing Body of the Academy Trust. The role of the Audit Committee is to provide an independent view to the Academy Trust Board on the College's audit arrangements and systems of internal control and to provide an opinion as to whether the college is operating in an economic, efficient and effective manner.
- 1.2 The Audit Committee has no executive powers or operational responsibilities / duties.
- 1.3 In advising the Trust Board the Audit Committee is to make full use of the professional advice available from the financial statements, regularity and other audit and assurance providers.

AIM

- 2.1 This document sets out the terms of reference under which the members of the Audit Committee will carry out their duties.

DUTIES

- 3.1 To assess and provide the Academy Trust Board with an opinion on the adequacy and effectiveness of the college's audit arrangements, framework of governance, risk management and internal control, and value for money systems and frameworks.
- 3.2 To oversee the process for the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers, and make appropriate recommendations through the Trust Board to the Members of the Trust to consider at any general meeting where the accounts are laid before the Members.
- 3.3 To review and monitor the financial statements, regularity and other audit and assurance providers' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- 3.4 To review the annual planning document of the financial statements and regularity auditors and approve the planned audit approach.
- 3.5 To consider any additional services delivered by the financial statements and regularity auditors or other assurance provider and ensure appropriate independence is maintained.
- 3.6 To meet with the external auditor without management present, at least annually.
- 3.7 To review the performance of the financial statements and regularity auditors on an annual basis.
- 3.8 To recommend the annual Financial Statements to the Academy Trust Board for approval.

- 3.9 To consider and advise the Academy Trust Board on an appropriate programme of work to be delivered by independent assurance providers to be derived from the Audit Committee's regard of the key risks faced by the Academy Trust, the assurance framework in place and its duty to report to the Trust Board.
- 3.10 To consider and advise the Academy Trust Board on an annual review of the board assurance framework which is in place to provide assurance of effective internal control and its design and effectiveness and to review the adequacy and robustness of risk registers.
- 3.11 To advise the Academy Trust Board on matters of internal control and other issues included in the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the college, and management's responses to these.
- 3.12 To consider and advise the Academy Trust Board on relevant reports for example from the NAO and the ESFA and other funding bodies, and where appropriate management's response to these.
- 3.13 To monitor regularly the implementation of approved audit recommendations arising from whatever source and ensure that any delays to implementation dates are reasonable.
- 3.14 To oversee the Academy Trust's fraud response plan and ensure that all allegations of fraud or irregularity are managed and investigated appropriately.
- 3.15 To review any recommendations made by the Secretary of State for Education for improving the financial management of Academies.
- 3.16 To review or investigate any other matters referred to the Committee by the Trust Board.
- 3.17 To draw any significant recommendations and matters of concern to the attention of the Trust Board.
- 3.18 To produce an Annual Review of its work and these Terms of Reference for the Academy Trust Board summarising the committee's activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report and to report the outcome and make recommendations to the Trust Board.

AUTHORITY

- 4.1 The Audit Committee has authority to commission an investigation of any activity within its Terms of Reference and in order to do so has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

COMPOSITION

- 5.1 The Audit Committee will consist of up to five members. This can include up to two external co-opted members. The Chair of the Trust Board, the Clerk, Principal, and other staff may not be members of the Audit Committee.
- 5.2 The Audit Committee may co-opt advisers to attend meetings but must ensure that it maintains its independence when considering the appointment of members. Other members of the Academy Trust Board may attend Audit Committee meetings. These persons may speak and otherwise take part in the meeting on a

consultative basis. The Principal and staff may be asked to withdraw when representatives from the external auditors are in attendance.

- 5.3 The Accounting Officer, Finance Director and other members of the Academy Trust staff may be invited to attend meetings, but will have no voting rights.
- 5.4 The Clerk to the Trustees is to act as Clerk to the Committee.
- 5.5 The quorum for a meeting is 3 members with a majority who are members of the Academy Trust Board.
- 5.6 The Committee shall at the first meeting of each academic year elect one member to act as Chair of the Committee and one to act as Vice-Chair of the Committee. No person may act as Chair unless they are also a member of the Trust Board.

FREQUENCY OF MEETINGS

- 6.1 The Audit Committee is to meet twice a year or at any other time as directed by the Academy Trust Board or by the Committee Chair.
- 6.2 Copies of all agenda and supporting papers are to be sent to the external auditors, who will be invited to attend meetings at the request of the Chair.

REPORTING

- 7.1 The Chair of the Audit Committee is to report to the Academy Trust Board.

Reviewed November 2017
Next review November 2018