

WOKING COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 21 JUNE 2017

Mrs G. Mather * Chairman
Revd. Dr D. R. Marks
Mr A. Stickland
Mr T. Stokes*
Mrs L. Zahn*
Present*

In attendance:

Mr. N. Razaq	-	Assistant Principal
Ms K. Mercer	-	Finance Director
Mr B. Stapleton	-	KPMG
Mrs H. Meredith	-	Clerk to the Corporation

		ACTION
1.	APOLOGIES FOR ABSENCE AND QUORUM AND APPOINTMENT OF MEETING REVIEWER	
1.1	Apologies were received from Revd Dr Marks.	
1.2	Members agreed to act jointly as the meeting reviewer.	
2.	DECLARATION OF INTEREST BY MEMBERS AND SENIOR POSTHOLDERS	
2.1	There were no new declarations of interest at the meeting	
3.	MINUTES OF THE MEETING HELD ON 9 NOVEMBER 2016	
3.1	<u>Accuracy.</u> The Minutes were accepted as an accurate record and were signed by the Chairman subject to one amendment to Item 6.2 made in manuscript (to remove an unnecessary word 'members').	
3.2	<u>Matters Arising</u>	
3.2.1	The Chair reported that there had been a question at the December Corporation meeting about the College's Reserves Policy. It was agreed that this should be reviewed again following conversion to an Academy.	Finance Director
3.2.2	Members also asked for a paper on changes arising from academisation at the next meeting.	Finance Director
4.	EXTERNAL AUDIT – FINANCIAL STATEMENTS	
4.1.1	Mr. Stapleton from KPMG presented the Audit Plan and Strategy for the Financial Statements and Regularity Audit for the year ending 31.07.17.	
4.1.2	Members noted that the timeline for the audit work was similar to last year, with fieldwork during October and reporting to the Audit Committee in November.	
4.1.3	Members discussed the auditors' assessment of significant audit risks and their impact. Members discussed in particular: <ul style="list-style-type: none"> • Revenue recognition • Fraud risk • Going concern assessment • Pension Scheme year end • Regularity – a new self-assessment questionnaire is due this year which will expand the questions asked 	

<p>4.1.4</p> <p>4.1.5</p> <p>4.1.6</p> <p>4.17</p> <p>41.8</p> <p>4.1.9</p>	<p>Members noted the impact of the planned conversion to an Academy and that as a result the assets and liabilities of the College will move into the academy at the year end and the existing college legal entity will not carry on at the year end. The plan is to prepare the accounts using the 'going concern' assumption, as post conversion the teaching operations and use of the College's asset base will continue as before. However, there needs to be a mention within the audit report to explain the position and provide disclosure of the closure of the existing legal entity, and transfer of the assets to a new company limited by guarantee. KPMG is currently considering the best approach to this.</p> <p>The Finance Director reported on her discussions with the ESFA about the College moving to a 31 August year-end and confirmed that the ESFA have approved the College making this change. Mr. Stapleton suggested that it may also be useful to ask the Pension Scheme to provide the annual valuation to 31 August. Members noted that there will be no impact on the date of the Audit from changing the year end.</p> <p>Members noted that recently published changes to auditing standards (i.e. ISA's) are expected to require a revised structure to the 2017 statutory audit opinion. KPMG is currently reviewing this matter and the new wording will be provided once finalised. Members noted that next year the accounts will need to change again to convert into the Charities SORP disclosures as an Academy.</p> <p>Members noted and agreed the proposed materiality level of £75,000, noting that this is at a similar level to last year as this is based on the College's income. The Auditors will report all individual adjusted and unadjusted differences (including disclosure misstatements) greater than £3,000 to the Audit Committee and will also have regard to other errors below this amount if there is evidence of systematic error or if material by nature.</p> <p>Mr. Stapleton outlined the appendices to the Audit Plan including: Appdx 1 - Mandated communications with those charged with governance Appdx 2 - Responsibilities in relation to fraud Appdx 3 - Fees Appdx 4 - Confirmation of independence</p> <p>Mr. Stapleton invited questions on the plan or any other part of the audit and members commended this as a very clear report.</p>	<p>ACTION</p> <p>Finance Director</p>
<p>4.2</p> <p>4.3</p>	<p>Mr. Stapleton presented the KPMG FE Financial Statements 2015-16 Benchmarking Report based on data from 70 colleges including Woking College. Members noted that the statistics are historic as it is last year's data.</p> <p>Members noted a toughening position with external borrowings creeping up generally for the FE Sector. Woking College was in about the same position as on the report last year with salaries in the South East higher than average.</p> <p style="text-align: center;"><i>Mr Stapleton left the meeting at 10:00am</i></p>	
	<p><u>Review of Fundamental Accounting Controls</u></p> <p style="text-align: center;"><i>The Principal was invited to join the meeting at 10:04 for this item</i></p> <p>This was a matter arising from the last minutes. The former Principal signed the Annual Report on the Review of Fundamental Accounting Controls presented to the November 2016 meeting. Mr. Freeman confirmed that he would be content to sign the same report and confirmed that he is taking all of those same steps in relation to accounting controls as carried out by the former Principal. The only action on the</p>	

	<p>report which Mr. Freeman had not yet overseen was the annual review of the College inventory which had not yet taken place since his appointment as Principal. The Chair thanked the Principal for this confirmation.</p> <p style="text-align: center;"><i>The Principal left the meeting at 10:08am.</i></p>	ACTION
5.	RISK MANAGEMENT and BOARD ASSURANCE	
5.1.1.	The Assistant Principal presented the updated Risk Register. The significant risks are the same with Risk 1 being “The College fails to attract and retain students and therefore secure adequate funding in order to allow for the effective operation of its mission and continue as a going concern.”	
5.1.2	Last year there was a new risk R8 to reflect the new Principal and Chair of governors, which has now been deleted as they have been in post since November 2016/September 2016. The only other changes are renumbering as a result of the above and updates on contingencies and controls.	
5.1.3	Members asked about risks in relation to threats from terrorism and extremism. The Assistant Principal explained that these are covered under R 10 and R 13. Members asked about the weighting of likelihood and impact and suggested reviewing, in the light of recent events, whether to give a higher weighting to impact pointing out that some organisations have recently doubled the impact of such events. The Finance Director and Assistant Principal agreed to review the measuring of impact and look at best practice in relation to this across the sector. In response to a question the Finance Director confirmed that the Disaster Recovery Plan is up to date.	Finance Director and Assistant Principal
5.1.4	The Chair asked for assurance that the Risk Register captures all of the things which are taking place in College.	Assistant Principal
5.1.5	The Chair also asked for the Assurance Column to be updated to record more detail about the action being taken by the College to mitigate the risks. The Assistant Principal confirmed that Risk Management is a standing item on the College Executive Agenda and are reviewed as part of the day to day management of the College.	Assistant Principal
5.1.6	It was agreed to recommend the Risk Management Report and Board Assurance document to the Corporation for approval noting that there will be a more substantive update prior to the next Audit meeting in November to reflect the matters discussed above.	
5.2.1	<u>Review of Academy Requirement to have independent checking of financial controls</u>	
5.2.1.1	The Finance Director reminded members that currently the College relies on internal controls, reviewed by the Principal and supported by commissioning specific pieces of Board Assurance work. 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. Mr. Stapleton explained that the scope of this work is not defined in the Academy model documents and so it is not a formal Internal Audit process.	
5.2.1.2	The Finance Director proposed 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. Mr. Stapleton suggested that in the second and subsequent years the mid-year review could be carried out by a governor or volunteer but after discussion the committee agreed that they would prefer for this to be carried out by KPMG at least initially.	

6.3	Members also received and noted a letter from the EFA to College Chief Accounting Officers which reiterated the importance of strong financial management and governance. Having considered current processes against all of the above, members concluded that current processes were sufficient and no changes were proposed.	ACTION
7.	REGULARITY AUDIT	
7.1.1	The Finance Director presented a draft College Regularity Self-Assessment for the year ended 31.07.17 completed by the Finance Director and Clerk.	
7.1.2	An updated form is anticipated but had not been published by the date of the meeting. The Finance Director agreed to change the response about lettings income to state that there is no 'material' non-core activity and to complete the Property strategy box with evidence.	Finance Director
7.1.3	Members recommended that the Principal and Chair of Governors should sign the form on the basis of this draft.	
7.2	FINANCIAL MANAGEMENT AND GOVERNANCE SELF-ASSESSMENT(FMGS) FOR WOKING COLLEGE AS AN ACADEMY	
7.2.1	The Finance Director presented a draft Self-Assessment (FMGS) which new Academies have to complete within 4 months of opening i.e. by end December 2017.	
7.2.2	Members noted that the FMGS is intended to help new academy trusts ensure compliance with the requirements of the Academies Financial Handbook which apply upon or shortly after opening. The requirements in the FMGS checklist apply from the date on which the funding agreement was signed.	
7.2.3	Members recommended that the Finance Director submit this once all the points awaiting completion (such as agreeing the budget) have been completed.	
8.	PREPARATION OF AUDIT COMMITTEE ANNUAL REPORT FOR 2016-17	
8.1	The Committee agreed an offer by the Clerk to draft the Annual Report for the November meeting of this committee using the same format as previously with the report to cover the year from November 2016 to November 2017.	Clerk
9.	AGENDA ITEMS FOR NEXT MEETING Academisation changes Audit and financial statements Review re-appointment of auditors Policy reviews deferred to next meeting: Health and Safety Policy, Data Protection Policy, Freedom of Information Policy, Bribery and Hospitality Policy, Independence of Clerk. Members agreed to read these carefully before the meeting and review these at the meeting by exception	
10.	DATES OF AUDIT COMMITTEE MEETINGS 2017-2018	
10.1	Members noted that the meeting dates are yet to be fixed following the conversion to an Academy but that these will be broadly in line with the same cycle and time of meetings as for this year.	
11.	MEETING REVIEW. Members commended the excellent meeting papers.	

	The Chair thanked Mrs. Zahn for her work for the committee on her end of term of office as a governor.	
	<p>The meeting closed at 10:40 a.m.</p> <p>H Meredith, Clerk to the Committee</p> <p>Signed: Date:</p>	

MATTERS ARISING ACTION LOG

	DETAILS	BY WHOM	BY WHEN	STATUS
1.	College's Reserves Policy to be reviewed again following conversion to an Academy.	KME	Nov meeting	
2.	Members also asked that at the next meeting for a paper on changes relevant to Audit arising from academisation.	KME	Nov meeting	
3.	Review of Risk Register: <ul style="list-style-type: none"> • the measuring of impact; • that the Register captures everything taking place in College; • Assurance Column to be updated to record more detail about the action being taken by the College to mitigate risks. 	NRA / KME	Nov meeting	