

**Minutes of the Audit and Risk Committee held on Thursday 5th December 2019 6:00 pm  
 Boardroom, Science Park Campus, Cambridge**

**MINUTES**

**Present** Andy Jennings [Chair]  
 Raj Kumar  
 Judith Coplowe  
 Barry Fyfield

**In attendance** Derek Sharp, Deputy Principal  
 Mark Robertson, Principal  
 David Hoose, Mazars Ltd  
 David Long, Haines Watt

**Clerk** Emily Baldwin

<b>Section 1: General</b>		
<b>1.1</b>	Apologies for absence	There were no apologies for absence.
<b>1.2</b>	Declaration of Interests	There were no declarations of interest.
<b>1.3</b>	Matters that are confidential	<p><i>Staff members left the meeting</i></p> <p>The internal and external auditors confirmed that there were no confidential matters that they needed to raise with Governors. They confirmed that both internal and external audits had gone smoothly. They had had full cooperation from management.</p> <p><i>Staff members joined the meeting.</i></p>
<b>1.4</b>	Minutes of the meeting held on 13 <sup>th</sup> June 2019 and matters arising	<p>The minutes were agreed to be a true record of the meeting and signed by the Chair.</p> <p>It was noted there were no outstanding actions that were not covered elsewhere on the agenda.</p>
<b>Section 2: Committee business</b>		

2.1	Risk Register 2019/20	<p>D Sharp introduced the latest version of the Risk Register.</p> <p>36 risks had been identified by the College, including 8 high concern risks.</p> <p>Achievement rates for English and Maths had been upgraded to a red risk.</p> <p>Governors asked about the merger between PRC and Stamford. It was noted that the target date for merger was now 1<sup>st</sup> August 2020</p> <p>The Committee <u>approved</u> the Risk Register.</p>
<b>Section 3: Annual Reports 2018/19</b>		
3.1	2018/19 Financial Statements Audit	<p>D Sharp introduced the Financial Statements 2018/19.</p> <p>It was noted that the Statements had already been to F&amp;R Committee for discussion. There were still some minor changes that would be made prior to Corporation subject to the auditor's findings.</p> <p>The financial budget aim for 2018/19 was to deliver an underlying operating surplus of £425k (£525k after including £100k restructuring costs). The final result subject to any final audit adjustment and before FRS102 pension adjustment was a loss of £(88)k and surplus of £70k after excluding £158k restructuring costs.</p> <p>In terms of statutory accounts, the major change to the balance sheet was the valuation of the LGPS pension scheme liability which deteriorated in value by £10m. The statutory loss shown as the Comprehensive Income for the year was £(10.456)m. The pension scheme liabilities were £(25.5)m. This was likely to have an impact on future contribution rates which could increase to 26-28%. CRC pays 24% inclusive of deficit payment but the additional element would add c£0.25m to the College's contributions.</p> <p>The external auditor confirmed that it had been a clean audit process, with no significant findings that needed to be brought to the Committee's attention. One new area for disclosure was the relationship of Principal pay expressed as a multiple of median staff pay.</p> <p>Governors asked about the assumptions the College made in forecasting, particularly around apprenticeships and demographic trends. D Sharp confirmed that revised forecasts were made in-year and accounts were monitored on a monthly basis.</p> <p>D Sharp confirmed that the College's financial health remained good. Committee members asked if having a negative reserve position on the balance sheet affected the College's financial health. D Sharp confirmed it did not. The auditor confirmed it did not affect the College's going concern status.</p> <p>Committee members noted that iMET was funded through loans from the two colleges.</p> <p>[Confidential item minuted separately]</p>

		<p>Committee members noted that there may be new requirements for the audit procedure from the Office for Students for the following year.</p> <p>The Committee <b>recommended</b> the CRC Financial Accounts 2018/19 to Corporation for approval, subject to minor adjustments, and signing of the Regularity Audit Self-Assessment Questionnaire by the Chair of Corporation and the Principal.</p>
3.2	Teachers' Pension Audit YE 31 March 2019	The Committee <b>received and noted</b> the Teachers' Pensions Contributions for the year ended 31 <sup>st</sup> March 2019, and noted the College's external auditors' no qualification opinion.
3.3	Annual Report of the Audit and Risk Committee	<p>The Clerk introduced the Audit and Risk Annual Report 2018/19 for CRC which would be presented to Corporation at their meeting on 17th December 2019. It was also a requirement that a copy of the report be submitted to the funding body with the annual accounts.</p> <p>The report took into account guidance set out in the Code of Good Governance for English Colleges.</p> <p>CRC's Report was supported by the Internal Auditor's Annual Report, which had provided assurance that CRC had adequate and effective risk management, governance and control processes in place.</p> <p>Governors noted the other sources of positive assurance in the report.</p> <p>The Clerk agreed to make an amendment to reference that the external auditors had made 4, rather than 3 internal control recommendations.</p> <p>The Committee <b>approved</b> the Annual Audit Committee Report to Corporation, subject to the addition of a paragraph on the outcome of the Financial Controls audit.</p>
<b>Section 4: Internal audit reports</b>		
4.1	<p>Internal audits</p> <ul style="list-style-type: none"> <li>• Resource utilisation</li> <li>• Governance and Risk Management</li> </ul>	<p>D Sharp introduced the findings of the internal audit on Governance and Risk Assurance.</p> <p>Significant assurance had been provided with one low priority recommendation which had been agreed and implemented.</p> <p>D Sharp also introduced the findings of the internal audit on Resource Utilisation. Significant assurance had been provided with two low priority recommendations which had been agreed. Governors discussed the recommendation around the tracking of assessor utilisation. The Principal confirmed that assessor utilisation was only assessed once the apprentice was in funding. The Committee noted the approach and suggested the College re-assessed their management response for the next meeting as part of the progress report.</p> <p>The Committee <b>received</b> the report.</p>

4.2	Financial controls audit	<p>D Sharp introduced the findings of the Financial Controls audit</p> <p>Adequate assurance had been provided, with three significant and one housekeeping recommendations being reported. The recommendations had been subsequently implemented or were in the process of being implemented. It was noted that there were no issues by the time of the financial year-end audit.</p> <p>With regard the recommendation regarding reconciliations, it was noted that reconciliations for all key accounts were carried out. The team had not been able to evidence reconciliations on a few lower risk accounts due to an extraordinary level of staff sickness. However, the College continued to carry out a high degree of monitoring of accounts through quarterly budget meetings and the use of essential spend.</p> <p>Committee members noted that the issue on payroll had been accepted although it had not been raised previously by the external auditors. D Hoose explained that it was a different audit team who would inevitably raise new issues as their focus would be different.</p> <p>The Principal asked about the nature of some of the commentary which seemed overly detailed in some areas. The Committee were comfortable with the detail, noting that it did not lead to any specific recommendations. They also noted the number of areas where controls were operating effectively.</p> <p>The Committee noted the recommendations of the Financial controls report and the mitigating circumstances in the year. They also noted the actions that had been taken since the audit took place and that the external auditor had not reported any issues at the financial year-end.</p> <p>The Committee commended the work of the Finance team who had performed extremely well over the year, despite constrained resourcing in the team.</p> <p>The Committee <b>received</b> the report.</p>
4.3	Progress report on outstanding audit recommendations	<p>D Sharp introduced the report on outstanding audit recommendations.</p> <p>D Sharp requested an extension to the actions on apprenticeship employment and CRM due a technical delay. The Committee agreed to the extension on two actions.</p> <p>The Committee noted the action on income categorisation for international business. The College had not been able to find an automated solution, but was using a manual solution effectively. The Committee agreed to the removal of the recommendation.</p> <p>The Committee <b>received</b> the report.</p>
4.4	Internal audit plan and strategy 2019/20	<p>E Baldwin introduced the internal audit plan for 2019/20.</p> <p>It was noted that all of the planned internal audits for 2018/19 had been completed, with the exception of Student records which was moved to 2019/20 with the agreement of the Committee.</p>

		<p>The Committee asked that the audit on Attendance include punctuality. This had been an issue at the Huntingdon campus in prior years.</p> <p>Committee members noted that the scope of the iMET audit was in discussion with PRC.</p> <p>It was noted that the Key Financial Audits would be undertaken by the Internal Auditor and would need to be scheduled for the summer term.</p> <p>The Committee noted that the number of days set aside for internal audit was higher than previous years, but this was in part due to the fact that the Student Records audit was carried over from the previous year. It also included the sub-contracting audit that was previously undertaken by a different audit firm.</p> <p>The Committee <b>agreed</b> the internal audit plan 2019/20.</p>
<b>Section 5: Committee business</b>		
<b>5.1</b>	<b>Any other business</b>	There was no other business.
<b>5.2</b>	<b>Self-Assessment of Governors' Performance</b>	<p>In order to evaluate the meeting and identify any changes necessary to maintain the effectiveness of the Committee, the Chair asked how the meeting could be improved.</p> <p>Governors agreed it had been a useful meeting.</p>

There was no other business and the meeting ended at 7:40pm.

Emily Baldwin  
Clerk to the Corporation

Signed

Chair