The quorum for the meeting was three Governors.

The meeting started at 6.00pm and was held in the Boardroom, Radmoor Centre.

There were introductions before the start of the agenda.

1. Apologies

1.1 Apologies were received from David Scott. Apologies were also received from Ian Jones, Clerk to the Corporation.

2. Declaration of Interests

2.1 The Chair reminded Members to declare their interests as and when necessary on the agenda.

3. Minutes of the Audit and Risk Committee Meeting held on 12 October 2015 and any matters arising

3.1 The minutes of the meeting of the Audit and Risk Committee held on 12 October 2015 were agreed as a true and correct record and were duly signed by the Chair.

3.2 As matters arising

- It was confirmed that the Whistleblowing Policy and Fraud and Irregularity Policy had been circulated to Members;
- Members were informed that improved access to all College policies for Governors is planned as part of the redesign of the College website and related e-access;
- Arrangements for reviewing Governance would be discussed with the new Clerk to the Corporation, with a report to the Board on 14 December 2015.

4. Internal Audit Service Annual Opinion 2014/15

4.1 The ‘Summary of Assurance 2014/15’ was presented by Richard Bacon (PWC). He highlighted the key messages as follows

- During 2014/15, PWC provided assurance on eight of the College’s most significant risks;
- During 2014/15, ‘the College has done well to strengthen its internal control environment’
4.2 In summary the internal audit assurance work in 2014/15 produced the following profile:

<table>
<thead>
<tr>
<th>Area under review</th>
<th>Risk rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk management</td>
<td>Advisory report only</td>
</tr>
<tr>
<td>Capital project – Hub and Visual Performance Arts Block</td>
<td>Advisory report only</td>
</tr>
<tr>
<td>UK Visa and Immigration compliance</td>
<td>High risk report (two significant issues identified)</td>
</tr>
<tr>
<td>Performance management and appraisals</td>
<td>Medium risk report (two key areas for improvement)</td>
</tr>
<tr>
<td>Partnerships and contracting</td>
<td>Medium risk report (three significant recommendations)</td>
</tr>
<tr>
<td>Financial controls workshop</td>
<td>Low risk report (minor areas for improvement)</td>
</tr>
</tbody>
</table>

4.3 Richard Bacon referred to assurance by PWC from external audit work. PWC intended to issue an ‘unqualified opinion’ on the College’s financial statements for the year to 31 July 2015. Furthermore, no issues were identified regarding financial memorandum compliance and use of funds (regularity audit).

4.4 In summary 38 audit days had been utilized in 2014/15 compared to 45 planned audit days.

4.5 Members asked for clarification regarding an internal audit service opinion for the year to 31 July 2015. Richard Bacon explained that the gain from the appointment of PWC was a integrated assurance process utilizing both ‘internal’ and ‘external’ assurance sources. There was no overall opinion given, but judgements are made regarding specific sources of assurance.

4.6 Richard Bacon informed that 11/17 recommendations from audit processes in 2014/15 have been implemented to date. Further follow-up would be undertaken during 2015/16. The Vice Principal (Planning and Performance) informed that a rolling recommendations composite report would be presented to future Audit and Risk Committee meetings.

RESOLVED [AC 17/15]

The Audit and Risk Committee resolved to recommend the Summary of Assurance 2014/15 to the Board for approval.

5. Audit and Risk Committee Annual Report 2014/15

5.1 The acting Clerk to the Corporation presented the draft Audit and Risk Committee Annual Report 2014/15. He encouraged Members to formulate their concluding statement. Members suggested the following form of words:-

Para 8.2 The Audit and Risk Committee wishes to record its opinion that (i) there is now a strong membership of the Committee, including the advantage of an External Co-opted Member (ii) there is a new and productive relationship forming with PWC as strategic assurance provider. The Audit and Risk Committee looks forward to a period of relative stability in order to explore fresh approaches to achieving the terms of reference for the Committee and to build a new relationship with the College senior management team.

Para 8.3 The Audit and Risk Committee is pleased with the improvement in controls, systems and risk management to date and anticipates further progress in the year to 31 July 2016 for the benefit of the learner and learning at Loughborough College.

RESOLVED [AC 18/15]

The Audit and Risk Committee resolved to recommend the completed Audit and Risk Committee Annual Report 2014/15 to the Board for approval.

6.1 The Vice Principal (Planning and Performance) presented the written report which advised Members on the role of the Audit and Risk Committee in relation to the documentation from PWC.

6.2 Matthew Pattison and David Martin presented the PWC Management Letter. They stated that the majority of their work in relation to the management accounts, assurance reviews and preparation of the financial statements had been completed. They expressed their thanks to Hari Khurmi and his staff for their assistance with the audit process.

6.3 Regarding significant audit and accounting matters:

<table>
<thead>
<tr>
<th>Description of issue</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud and management override of controls</td>
<td>No issues to report</td>
</tr>
<tr>
<td>Fraud in revenue recognition</td>
<td>No issues to report</td>
</tr>
<tr>
<td>Financial performance</td>
<td>No issues to report</td>
</tr>
</tbody>
</table>

6.4 Reference was made to two uncorrected mis-statements from the year to 31 July 2014:-
   - The incorrect treatment of learner support funds within the income and expenditure accounts overstating the accounts by £676,000;
   - An inherited asset and associated equipment to value of £88,912 on the balance sheet despite demolition; adjustments have removed £58,319 from the balance sheet.
   Both mis-statements have been corrected.

6.5 Members noted that agreement to the Letter of Representation (in Appendix 2) would be required by the Board on 14 December 2015.

6.6 Members reviewed the summary of internal control deficiencies, noting that the management response to the recommendations will be followed up in the rolling recommendations report to the Audit and Risk Committee in the future.

6.7 Members encouraged the Vice Principal (Planning and Performance) to work with PWC on ways to achieve better systems and controls, including use of a more automated approach where possible to avoid errors from repeated manual entry of data to the College’s databases.

6.8 With respect to the draft financial statements, Members asked for clarification regarding Note 26 – financial commitments. The Vice Principal (Planning and Performance) will review and forward a statement to Members.

RESOLVED [AC 19/15]

The Audit and Risk Committee resolved
(a) To recommend the Letter of Representation be accepted by the Board;
(b) To recommend the PWC management letter to the Board for approval;
(c) To recommend the draft financial statements for the year to 31 July 2015 to the Board for approval

7. Audit Recommendations Composite Report

7.1 This matter was addressed at Para 4.6 (minutes) on this occasion.

8. Internal Audit Plan : 2015/16
8.1 Richard Bacon (PWC) explained that since the Audit and Risk Committee meeting held on 12 October 2015, he had met with the interim Principal. This meeting had suggested a proposed revision to earlier plans for the internal audit assurance focus for the year to 31 July 2016. The proposed areas of work were presented in the document ‘Schedule of Independent Assurance Work for 2015/16’ by PWC. Key headings are:-
- Higher education strategy
- International strategy
- Procurement
- Safeguarding, estates security, Prevent
- Additional learner needs / support
- Student experience
- Management information systems/data management and reporting
- Management time

8.2 It was noted that the revised schedule incurred a revised, higher cost for 49 audit days. Members noted that no contingency had been included. PWC advised that flexibility will be applied if and when necessary.

RESOLVED [AC 20/15]

The Audit and Risk Committee resolved to recommend the Schedule of Independent Assurance Work for 2015/16 to the Board for approval, at the cost presented for 49 audit days.

9. Joint Audit Code of Practice : Annex C (Compliance)

9.1 The acting Clerk to the Corporation presented the written report which included a draft, completed Annex C for signature by the Chair of the Corporation and the Interim Principal. Whilst Annex C was not required to be presented to the Audit and Risk Committee, Members and PWC could gain assurance from the nature and range of management responses to the compliance statements.

9.2 The Vice Principal (Curriculum) confirmed that there were no instances of Whistleblowing at Loughborough College in the past three years.

10. Date and Time of Next Meeting

10.1 The next scheduled meeting of the Audit and Risk Committee will be held on Monday 7 March 2016 (6.00pm). An earlier meeting maybe arranged to address the emerging strategic plan for Loughborough College.

The meeting closed at 7.10pm.

Ron Hill
Clerk to the Corporation
Loughborough College