

## Minutes of the Audit Committee held on the 25 November 2008

Present: Mr N Hainsworth (Chair)  
Mr P Brown  
Mrs C Atkinson  
Mr M Brannan

In attendance: L Swift (Head of Finance)  
J Stott (Clerk)  
Mr D Hoose (Tenon)  
Ms V Cadwalledar-Webb (Tenon)

Meeting commenced: 18:35 pm  
Meeting closed: 20:05 pm

### **23/08 Disclosure of Financial and/or personal interest**

There was no disclosure of financial or personal interest.

### **24/08 To agree agenda and order of business as circulated**

The agenda and order of business were agreed.

### **25/08 To appoint (a) the Chair of the Committee, and (b) the Vice Chair of the Committee**

- (a) Nigel Hainsworth was nominated and seconded and agreed to continue as Chair of the Committee.
- (b) Phill Brown was nominated and seconded and agreed to continue as Vice Chair of the Committee

### **26/08 To: a) approve the minutes of the meeting held on 15 April 2008**

The minutes were agreed as a correct record.

### **b) receive the notes of the meeting held on the 1 July 2008**

The notes were received

### **27/08 Matters arising**

- a) 15 April 2008 – There were no matters arising
- b) 1 July 2008 – There were no matters arising

### **28/08 To consider the Draft Financial Statements to inform their review of the Management Letter of the Financial Statements Auditor and consideration of the statement on Corporate Governance**

The Head of Finance introduced the item and informed Members that they were required to consider the Report of the Members of the Corporation.

David Hoose (Tenon) presented the main changes one of which being the heading, which is now entitled 'Operating and Financial Review – Nature, Objectives and Strategies'. He informed the meeting that a number of the changes made by the LSC were for the better, in particular, to do with some of the notes to the accounts.

He told Members that no change had been made to the accounts as a result of the audit and complimented the Head of Finance and her team for all their hard work.

One big change he alerted Members to is the FRS17 assumptions. A discussion took place on the impact of these assumptions on the year-end accounts and the possible implications for next years accounts.

*Following the discussion, Members agreed to recommend the report of the Members of the Corporation and the Statement of Corporate Governance to the F&GP Committee on the 2 December 2008 prior to submission to the Corporation at its meeting on the 16 December 2008.*

Members then briefly considered the full document for the year ended 31 July 2008. The Head of Finance answered a number of questions for clarification and members submitted a number of textual changes for consideration.

**29/08 To receive a report from the Financial External Auditors on the Draft Management Letter for the financial year 2007-08**

David Hoose presented the report.

In terms of Accounting Policies and Practices, it was noted that the Financial External Auditors were satisfied that the College was operating acceptable accounting policies and practices and that there were no accounting issues or adjustments that they wished to draw to the Governors' attention.

In terms of Accounting and financial control systems, it was noted that all aspects of the College's financial systems were considered to be well controlled and that there were no matters of weakness to be brought to Governors' attention.

In respect of the Regularity Audit, it was noted that the Financial External Auditors expect to issue an unqualified regularity opinion.

In answer to a question under Section 2.4 Treatment of Development Costs the Head of Finance explained why the costs towards the feasibility Study had been capitalised when the LSC guidance expects these costs not to be. This was down to the costs are relating to a joint Feasibility and Application in Principle process in which the majority of the costs are grant funded.

In answer to a question David Hoose told Members that he believed the Head of Finance has a good grounding to deal with a Capital Project and that she has regularly sought their advice and is proposing to use a consultant who is well versed in the LSC's capital processes and accounting methods.

The report was received.

**30/08 To receive a report from Tenon on additional audit work commissioned by the College on the student data 2007-08**

Vici Cadwalledar-Webb introduced the report and provided background information to student data audits. She explained that for College's in Plan led funding the requirement for an LSC audit has been removed. She explained that Shipley College commissioned Tenon to undertake a student data audit to provide assurance on the funding claim and on the operation of the systems and controls in place.

She took members through the report and referred to Section 2 on the Controls Assurance. She explained that the overall grade had improved to good/satisfactory from satisfactory in 2006/07. She commented that the College had some of the best designed systems in place but compliance with the systems was a problem in some areas. An example was that there were good systems for additional support but full compliance was not in place. This explained why the grade had gone from good in 2006/07 to satisfactory/weak.

She took members through the recommendations and explained that management were in the process adding their response.

The Committee considered the control issues arising from the testing and the observations from substantive testing and requested a copy of the final report as soon as it is available.

The report was received.

David Hoose and Vici Cadwalledar-Webb left the meeting

**31/08 To consider for recommendation to the Corporation the reappointment of Financial Statement Auditors**

The Head of Finance explained that Tenon had been appointed on a five-year term with set fees for each year and annual consideration. In response to a question, the Head of Finance told the meeting that on service, price and understanding of the sector they score very highly and that management were very satisfied with their performance overall.

*It was agreed to recommend to the Corporation that Tenon be reappointed as Financial Statement Auditors for a further year.*

**32/08 To Consider the College's Draft Self Assessment of their Financial Management and Control Arrangements using the Financial Management and Control Evaluation document**

The Head of Finance explained that the Financial Management and Control Evaluation document is one of the tools the LSC will use to assess the College under 'Framework for Excellence'.

She told the meeting that the document had been completed but that a final check would take place before it went to the LSC and the Corporation. She explained that there were no plans for any major changes to the document.

Members commented and questions were answered as they went through the various sections of the document. Members felt that the grades awarded by the College were fair and accurate and they complimented Management on the thoroughness and detail provided in the document.

The grades awarded under the various sections follow:

<b>Area</b>	<b>Section</b>	<b>Grade</b> (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A)
1. Accountability	1.1 Strategic Oversight	Outstanding
1. Accountability	1.2 Operational Oversight	Good
1. Accountability	1.3 Subcontracting Arrangements	Good
2. Financial Planning	2.1 Long-term Financial Planning	Outstanding
2. Financial Planning	2.2 Short-term Financial Planning	Outstanding
3. Internal Control	3.1 Risk Management	Outstanding
3. Internal Control	3.2 Internal Control System	Outstanding
4. Financial Monitoring	4.1 Financial Monitoring	Outstanding

Following the discussion members agreed to recommend to the Corporation the Financial Management and Control Evaluation document subject to minor changes and the overall grade of 'Outstanding' for forwarding to the LSC

### **33/08 To Consider the Internal Audit Plan 2008/09 for recommendation to the Corporation**

The Head of Finance introduced the item and explained that the College's Heads of Service Team consisting of the Heads of Finance, ILTS, Registry and Estates convened by the College Administrator had looked carefully at the areas to be visited and made some adjustments to the areas, number of days and year of visit. The meeting commented that it should not take 2 days to undertake an audit of members' register and conflict of interest.

Following a discussion members agreed to recommend to the Corporation the Internal Audit Plan for 2008/09.

### **34/08 To receive a progress report on the operational effectiveness of the Risk Management Plan**

The Head of Finance took the meeting through the report in detail. In respect of the in-year review of significant risks Members noted in particular:

\* 2(a) that based on the LSC's new financial health assessment the financial health of the College in 2007/08 was judged as "outstanding"

\* 5(a) the Head of Finance reported on the failure of a recently installed part of the IT infrastructure on the 29 July 2008, the impact on the work of the College which affected the Finance Office in particular, the resumption of normal services on the 4 August 2008 and the steps taken to mitigate against future reoccurrence.

The report was received.

**35/08 To consider the Audit Committee's Annual Report 2007-08 to the Corporation and the Principal**

The Clerk presented the draft Annual Report. He took members through the report and explained that the Committee's Terms of Reference were included at Appendix A.

*Following a discussion the Committee's opinion from information presented to the Committee is that:*

- *The systems control reviews undertaken by both Internal and External Auditors have shown that the College is operating with economy and efficiency and given reasonable assurance regarding the effective achievement of the College's objectives*
- *The arrangements for risk management, control and governance processes have been adequate and effective, and*
- *The Governing Body's responsibilities included in the financial statements have been satisfactorily discharged*

*And recommended the report to the Corporation and the Principal*

**36/08 To monitor the progress of the College in implementing recommendations made by Auditors**

The Head of Finance presented the update on progress of College Management in implementing recommendations made by Auditors. It was noted that all recommendations were either complete or in progress.

The report was received

**37/08 To consider the Performance Indicators for the Internal Audit Service**

A report on the performance indicators for TIAA (internal auditors) for the year ended 31<sup>st</sup> July 2008 indicated that all indicators had been met.

The report was received.

**38/08 To consider for recommendation to the Corporation the reappointment of the Internal Audit Service**

The Head of Finance asked Members to consider the re-appointment of TIAA as Internal Auditors for 2008-09. A brief discussion followed.

*The Committee agreed to recommend to the Corporation that TIAA be re-appointed as Internal Auditors for the academic year 2008-09.*

**39/08 To consider an update report on Partner Provider Provision/Sub Contracting arrangements**

The Head of Finance introduced the paper and explained that the report was an extended version of the Section in the Financial Management and Control Evaluation document on sub-contracting arrangements.

A member commented that he was disappointed that BACs had managed to recruit 49 eligible learners in an area that the College was a COVE and questioned why the College could not find these learners. He asked about BACS approach and how it differs from our own in trying to attract new learners. Members asked

Management if they could look into their concern and report back to the Corporation meeting.

**40/08 To consider the Audit Committee's annual review of the Independence of the Clerk**

The Clerk introduced the item together with his report.

The Committee noted the opinion expressed in the report that there was no conflict of interest between the role that the Clerk performs in relation to this Committee and the Corporation and his role as College Administrator and Senior Manager with responsibility for Human Resources. It was noted that the role of Deputy Clerk provided an opportunity for the Clerk to report as a senior manager to certain Corporation meetings.

The Committee received the report.

**41/08 Any other business**

(a) Dates of meetings to December 2009

- (i) Tuesday 12 April 2009 at 6.30pm
- (ii) Tuesday 30 June 2009 at 6.00pm
- (iii) Tuesday 24 November 2009 at 6.30pm

It was noted that one member could not attend the April meeting and another could not make the June meeting. It was agreed to review the situation nearer the time to see whether or not the dates should be rearranged.