

## **APPROVED Minutes of the Audit Committee held on Tuesday, 27<sup>th</sup> November 2007**

Present: Mr N Hainsworth (Chair)  
Mr B Dugdale  
Mr P Brown  
Mrs C Atkinson

In attendance: L Swift (Head of Finance)  
J Stott (Clerk)  
S Shaw (Deputy Clerk)

Meeting commenced: 18:00 pm

Meeting closed: 19:00 pm

### **27/07 Disclosure of Financial and/or personal interest**

There was no disclosure of financial or personal interest.

### **28/07 To agree agenda and order of business as circulated**

The agenda and order of business were agreed.

### **29/07 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

### **30/07 To approve the minutes of the meeting held on 3 July 2007**

With the addition to the minutes that Phill Brown was nominated and agreed to be the Vice Chair of the Committee the minutes were agreed as a correct record.

### **31/07 Matters arising**

- a) 20/07 – The Head of Finance informed the meeting that there were no changes to the Internal Audit Annual Report for 2006/07 and as such the version Members received in July 2007 was now the final version.

### **32/07 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 up to page 23.

She informed the meeting that some of the sections were shaded. Light shading represented text that was to be looked at again and darker shading represented figures that needed to be checked after the final ILR, due to be completed by the end of the month. She reassured Members that the main message in the text would not be changed.

Members considered the draft "Members of the Corporation Report and financial statements" and a brief discussion followed with Members noting that it needed to be noted in the accounts that Nigel Hainsworth became a full Corporation Member in July 2007. In answer to a question the Clerk informed the meeting that best practice guidance suggests that the Chair of the Audit Committee should be a full member of the Corporation.

With the Chair of the Committee out of the country from Friday 30 November it was agreed for a final version to go to the Vice Chair (Phill Brown) for comment.

*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 4 December 2007 prior to submission to the Corporation at its meeting on the 18 December 2007.*

Members then briefly considered the Income and Expenditure Account for the year ended 31 July 2007, in particular:

- page 25 the need to remove some brackets from the Total recognised gain/(losses) column
- page 27 the new finance loans were to purchase some software and a piece of equipment in which an interest free loan on one and an interest free loan plus a period of low interest payments on the other have been agreed.
- Page 46 a rounding difference.
- Page 26 - note numbers and rounding difference to be resolved.

### **33/07 To receive a report from the Financial External Auditors on the Draft Management Letter for the financial year 2006-07**

The report was presented by the Head of Finance.

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 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 had issued an unqualified regularity opinion.

It was further noted that the Financial External Auditors concurred with the College's treatment of Train to Gain, Property Development and Feasibility costs and Redundancy Costs.

The Head of Finance reported that there had been one very small audit adjustment of a minor sum that did not require being reported formally.

The Chair of the Committee drew members' attention to the relatively high level of staff costs as a percentage of income. The Head of Finance explained that the comparative data had not compared Shipley with other small colleges but with General FE Colleges. It was noted, however, that teaching staff costs as a percentage of total staff costs were more or less on a level with other regional General FE Colleges and with the national average, although slightly below the sector average.

The report was received.

**34/07 To consider for recommendation to the Corporation the reappointment of Financial Statement Auditors**

The Clerk introduced this item. 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 agreed that management were satisfied with their services.

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

**35/07 To receive and confirm the Chair's recommendation of Tenon's Engagement Letter for additional audit work commissioned by the College on the Student Data for 2006-07**

The Head of Finance explained that the Chair had agreed the letter prior to the work being done and recommended the Engagement Letter to the Committee with an agreed fee of £3,200 exclusive of VAT. The Audit related to Student Data as follows: -

- Controls Review – July-August 2007
- DSATs Review – September-October 2007
- Substantive Testing – September-October 2007

The Engagement Letter was received.

**36/07 To receive a report from Tenon on additional audit work commissioned by the College on the student data 2006-07**

The Head of Finance presented the draft final management report of the Audit of the LSC funding claim for the year ended 31 July 2007 and explained that the management responses had been completed and returned to Tenon.

It was noted that the auditors had found in all material respects that the College's final claim for funding was consistent with the learner data and had been compiled in accordance with LSC guidance. It was further noted that, in the detail of the assessment, all areas had either maintained or improved its assessment grade and that the overall grade had risen from Satisfactory in 05-06 to Good/Satisfactory in 06-07.

The Committee considered the control issues arising from the testing and the observations from substantive testing and noted the management responses to these.

The report was received.

**37/07 To receive a progress report on the operational effectiveness of the Risk Management Plan**

The Head of Finance presented the report in detail. Members noted in particular, that:

- (a) At 1(a) and 1(b): The Committee noted in particular that the College had now achieved its 16-18 full time learner target number for the current academic year. It was noted that the learner number target for 19+ students had been slightly under-achieved. It was noted that there had been an overall reduction in the 19+ learner number for 07-08 but that pressure to increase certain areas of provision for vocational courses for this group of learners had increased.
- (b) At 2(j): the College had dipped into Band B and pressure on the budget remained very acute with savings of £412k planned for 07-08.
- (c) At 5(a): there had been two server failures but the impact of these had been minimised.

A member suggested that the average cost of learning support per student might be a useful benchmark comparator.

The report was received.

**38/07 To consider the Audit Committee's Annual Report 2006-07 to the Corporation and the Principal**

The Clerk presented the draft Annual Report. He explained that the Committee's Terms of Reference had not been enclosed but that they had not changed.

It was agreed that a note should be made in the report to the dates of joining and resignation from the Committee of Ronnie Mallinson. Together with several minor amendments, the Committee agreed to recommend to the Corporation and the Principal that, in 2006-07: -

*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.*

A copy of the 2006-07 Annual Report and Terms of Reference are attached to these minutes.

**39/07 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, with the exception of the appraisal of the Clerk which is still to be arranged, all recommendations were either complete or in progress.

**40/07 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 2007 indicated that all indicators had been met.

The report was received.

**41/07 To consider for recommendation to the Corporation the reappointment of the Internal Audit Service**

The Clerk asked Members to consider the re-appointment of TIAA as Internal Auditors for 2007-08. A brief discussion followed.

*The Committee agreed to recommend to the Corporation that TIAA be re-appointed as Internal Auditors for the academic year 2007-08.*

**42/07 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.

**43/07 Any other business**

(a) Dates of meetings to December 2008

(i) Tuesday 15<sup>th</sup> April 2008 at 6.30pm

(ii) Tuesday 1<sup>st</sup> July 2008 at 5.30pm

(iii) Tuesday 25<sup>th</sup> November 2008 at 6.30pm

There was no other business. The Chair of the meeting thanked College staff for the quality of the paperwork provided to the Committee.

The meeting closed at 19.00pm.