

CORPORATION BOARD

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held at 6.00pm on Thursday 17th June 2010 at the Abingdon campus.

Present: Stephen Dexter (Chair)
Neil Monaghan

In attendance: Teresa Kelly (Principal)
Miranda Coles
Jonathan Russell
Lorna Raynes (Tenon LLP)
Rakesh Shaunak (McIntyre Hudson)
David Bramble (Clerk)

1. APOLOGIES FOR ABSENCE

An apology for absence was received and accepted from David Quayle

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 4th March 2010 approved.

4. MATTERS ARISING

4.1 LSC approval to remove creditor

Miranda Coles was hoping to meet the Henley College Finance Director the day after the meeting and would seek to agree a solution. If this was unsuccessful the two college Principals would try to resolve the matter.

4.2 Procurement Strategy policy

A draft policy document would be considered by the Finance & Employment Committee on 24 June.

5. INTERNAL AUDIT REPORTS

Lorna Raynes highlighted the main points of the internal audit report.

5.1 Risk Management

The findings indicated that the control environment was effective and efficient and provided a 'good' level of assurance that the systems objectives were being achieved. There were no recommendations.

5.2 Learner Number Systems

The objective of the system was to ensure that the learner numbers data was complete, accurate and informed management decisions on: the

Action

Miranda
Coles
Teresa
Kelly

curriculum offer: the financial status of the College and learner success rates. After testing a sample of 60 learners no significant issues were identified and there was a 'good' level of assurance that the system's objectives were being achieved. There were 3 Grade 3 recommendations.

5.3 Governance

Control objectives were:

- Governors fulfil their responsibilities
- Governance arrangements comply with legislation, the instrument and articles of governance and sector good practice
- Governors have the appropriate skills and expertise to discharge their role adequately

The findings indicated that there was a 'good' level of assurance that the system's objectives were being achieved. There were no recommendations.

5.4 Key Financial Controls

A broad selection of key controls were tested on an annual basis covering:

- Budgetary control, financial monitoring and management information
- Other income and debtors
- Payroll
- Security of assets

The findings indicated that overall the control environment was effective and efficient and provided a 'good' level of assurance that the system's objectives were being achieved. Payroll was regarded as 'satisfactory'. There was a Grade 2 recommendation on Fixed Assets Verification and 2 X Grade 2 and 1 x Grade 3 on payroll.

5.5 Follow up of outstanding recommendations made in previous years

Of the 17 previous recommendations, 14 had been actioned, one was no longer applicable and 2 were in progress.

The Committee felt that an outcome of 4 X 'Good' and 1 X 'Satisfactory' assessments was a very acceptable situation.

5.6 Employer Responsive

The College had commissioned an additional internal audit on 'Employer Responsive', the main funding stream for Train to Gain and Apprenticeships. Lorna Raynes and Miranda Coles were liaising on the wording of the final report which would be circulated to members in the week commencing 28th June in order that it could be considered 'out of committee' prior to the Board meeting on 8th July.

Miranda
Coles

RSM Tenon's internal audit report dated 8 June 2010 was approved.

6. RISK MANAGEMENT REPORT

Miranda Coles advised that the new grading system of 1 to 5 had been used in preparing the report and had resulted in the desired greater differentiation. The report identified 3 high level risks. A score of 28 had remained unchanged for SFA funding for adult enrolments. The risk of changes in funding for

employer responsive enrolments had been increased by 7 to 35 following the government's recent announcement of cuts in Train to Gain and an expectation that further cuts would be imposed. Failure to secure full cost income streams had been graded as 28.

Two new risks had been added. The first was that the coalition government would introduce additional cost cutting measures which could have a negative impact on the income and expenditure account. The second new risk was that some of the College's partnership schools may become academies thereby becoming competitors rather than partners.

In answer to a question Teresa Kelly advised that becoming an academy school did not preclude continuing in a partnership.

The risk management report was approved.

7. FINANCIAL REGULATIONS

Miranda Coles reminded the Committee that a comprehensive review had been carried out in the previous year and the update for consideration was largely a tidying up exercise particularly in replacing LSC with YLPA or SFA as appropriate.

After agreement of an amendment to the processing of the Principal's expense claims following the recommendations of the internal audit report, it was agreed to recommend to the Corporation Board approval of the updated Financial Regulations.

**Miranda
Coles
David
Bramble**

8. INTERNAL AUDIT STRATEGY AND PROGRAMME 2010 – 11

Lorna Raynes presented the review of the Internal Audit Strategy and proposed Plan for 2010/11. The main drivers for the strategic plan for the next three years were explained and it was confirmed that the proposals complied with sector good practice and GIAS requirements.

The following points items were raised:

- Pages 6 & 7 - there was an error in the fees calculation for 2012/13
- Page 7 - Shared services review. Proposals from LSN were under consideration but had not been finalised. The proposed audit review could not be regarded as a firm commitment.
- There were no recommendations as to how reductions in cost could be achieved. Lorna Raynes agreed to consider if this was feasible and report back to the Chair.
- 3 days were planned for capital project management and evaluation. As the Witney re-development contract was due to be signed in October, it was thought the audit should be conducted early enough to allow any corrective action to take effect. It was agreed the audit date should be reviewed

RSMTenon

**Miranda
Coles
Lorna
Raynes**

The internal audit strategy and programme for next year was approved..

9. FINANCIAL STATEMENTS AUDIT STRATEGY 2009 – 10

Rakesh McIntyre presented the audit strategy paper. It was explained that LSC had remained in use to provide clarity in reporting of funding provider.

The prime responsibility was to form an opinion as to whether the College's financial statements prepared under UK accounting standards gave a true and fair view of the state of affairs of the College at 31 July 2010 and complied with the SORP Accounting for Further and Higher Education. The audit would accord with the statutory requirements of the International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by LSC. An Operational Review would be conducted. There would be no duplication of the work carried out by RSMTenon as internal auditors.

At the planning stage materiality had been anticipated as follows:

1% of income	£184,860
5% of Surplus/Deficit	£ 18,250
4% net assets	£317,400
Audit Materiality (average)	£173,503

In answer to a question, Rakesh Shaunak gave an explanation of the market value of buildings falling below the carrying value.

The financial statements audit strategy for the year ended 31 July 2010 was approved.

10. PROGRESS ON ACTIONS OF PREVIOUS AUDIT RECOMMENDATIONS

Miranda Coles reported that one recommendation from 2007/8 relating to livery fees would be completed by 31 July 2010. The action to address the issue on the CoVE balance was explained in Minute 4.1 above. The one remaining recommendation from 2008/9 regarding inconsistency between Financial Regulations and current practice was addressed in the update of Financial Regulations (see Minute 7 above). Of the eleven recommendations made in the current year, four had been completed and the remaining seven would be actioned by 31 August 2010.

In answer to a query, Miranda Coles explained that the amount of cash taken at Common Leys did not justify collection by a commercial agency.

The Committee noted the good position regarding progress of audit recommendations.

11. BUSINESS CYCLE 2010 – 11

The proposed dates and schedule of business for 2010 – 11 were approved. It was noted that if the financial statements audit went to plan, the autumn term meeting could be brought forward.

**David
Bramble**

12. ANY OTHER BUSINESS

Stephen Dexter advised that in the recent publication of Part 1 of the Joint Code of Practice, separate responses to YPLA and SFA would not be required. Part 2 of the Joint code would be published later this year.

Lorna Raynes and Rakesh Shaunak left the meeting

13. RE-APPOINTMENT OF INTERNAL AUDITORS

After a review of completed qualitative performance indicator questionnaires, it was agreed that RSMTenon had provided a satisfactory internal audit service. In responding to a query, Miranda Coles advised that she had no evidence to suggest that RSMTenon's charges were in excess of other internal audit providers in the FE sector. It was noted that the audit partner had changed last

year and the audit manager three years previously. It was agreed to recommend to the Corporation Board that RSMTenon should be re-appointed internal auditors for 2010/11.

Stephen Dexter recommended that, as a matter of principle, after six years tender action should be taken on the appointment of auditors and this should be incorporated into College procedures. It was agreed to recommend this action to the Corporation Board.

Next meeting: Thursday 2nd December 2010 , 6.00pm, Abingdon campus
(subject to review if audited financial statements were available earlier)

The meeting ended at 7.40pm

DRAFT