

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 NOVEMBER 2011

Members Present

Anthony Cohen (chair), Nikki Cripps (co-opted staff member), Louise Hill, Philip Richmond, David Swann, Ram Thiagarajah.

Also Present

Andrew Miller, College Principal
Nick Letchet, Deputy Principal
David Corcoran, Manager, Students
Frances Millar, RSM Tenon
Simon Cookson, PricewaterhouseCoopers
Paul Dalton, PwC
Alasdair MacDonald, Clerk to the Governors

The meeting commenced at 1600hrs in room N7.3d.

279/11 APOLOGIES

All members were in attendance. The committee chair welcomed Frances Millar, RSM Tenon, to the meeting, and also Simon Cookson and Paul Dalton of PwC.

280/11 DECLARATION OF MEMBERS' INTERESTS.

There were no declarations of interest in any specific items on the agenda.

281/11 GOVERNOR BRIEFING

Nick Letchet directed members' attention to the paper circulated by RSM Tenon entitled 'New Freedoms, New Opportunities, New Risks'. In particular, he pointed to the suggestion that banks might consider colleges to be a higher risk without the financial support of the funding bodies and also to the possibility that Board members' individual liabilities might increase if their college got into difficulties.

The committee agreed that guidance should be sought on these matters as required from the AoC. Members noted the clerk's suggestion that governance should feature on the risk register as Governing Bodies were being given greater freedoms by the Education Act 2011.

Action: AM

Frances Millar spoke to the RSM Tenon paper entitled 'Maximising Performance'. Her caveats about the precision of the data were noted. The committee discussed the college's higher staff costs compared with the sector average for 2009/10. Members agreed that the relative position was unlikely to have improved in 2010/11 and this was an aspect of performance that needed further attention. The committee examined the quadrant on p.7 of the paper and agreed that, if consistent with the educational mission, the college's position needed to shift into the high quality, low cost quarter.

282/11 MINUTES OF THE MEETING HELD ON 11 OCTOBER 2011

Document No 11/251 refers. The minutes were approved as a true record of the meeting and signed by the chair.

283/11 MATTERS ARISING AND OUTSTANDING ACTIONS REPORT

Document No 11/252 refers. The committee noted that all minuted actions had either been undertaken or were for discussion as part of substantive items on the agenda.

284/11 RISK MANAGEMENT

Document No 11/253 refers. The committee chair welcomed David Corcoran to the meeting. David presented the annual Risk Report 2010/11 to members. They received the report and noted that its findings would be reported in the Audit Committee's Annual Report to the Governing Body.

David presented Document No 11/253A, identifying for members the changes made to the Risk Register since its last presentation to the committee. He advised members that updates in the implementation of risk reduction actions were highlighted in red in the Risk Management Plan. He reminded members of the important role of the Governing Body's committees in monitoring the risk plan and also of the practice started in 2010/11 of inviting senior managers to meet the Audit Committee to discuss the management of significant risks in more detail.

The committee debated the content and structure of the risk register and plan in some detail and, whilst recognizing that beneficial changes to the process had been made, concluded that further improvements should be sought to further simplify and streamline the register, and make the actions measurable, as well as integrating the risk process with the wider college business planning process. It was agreed that approval should be sought from the Governing Body for a small task and finish group to be set up to conduct this review.

Action: AC/AM/DC

285/11 INTERNAL AUDIT PLAN 2011/12

Document No 11/254 refers. Simon Cookson confirmed that a review of HR processes and procedures had been added to the plan and a Safeguarding review had been taken out.

The committee agreed the content of the revised plan which the committee chair would report to the Board.

Action: AC

286/11 FUNDING ASSURANCE REVIEW

Document No 11/255 refers, introduced by Frances Millar. She briefly summarized the purposes and coverage of the audit and confirmed that there were no high grade recommendations to make. The cost of the audit was approximately £8k. Nick Letchet commented that the audit was

not mandatory but he explained that the learner numbers' system was highly complex and he sought the assurance that this audit provided.

The committee was pleased to note the outcome of the Funding Assurance Review. Members suggested either a biennial or a lower cost annual review should be considered in future.

287/11 ANNUAL FINANCIAL STATEMENTS

- a) Draft Members' Report, Document No 11/256 refers. Members agreed with the statement on the role of the Audit Committee. They also confirmed that the auditors should have access to the committee in the absence of senior managers should they wish to.

A discussion ensued on the respective roles of the Audit Committee and Resources Committee in providing advice to the Governing Body before the Member's Report and Annual Accounts were signed off. The clerk advised that a minority of colleges held a single 'year-end meeting' at which both the Audit Committee and the Resources Committee were in attendance. Members were attracted to this idea and would seek approval from the Board.

Action: AC/AM

It was agreed that if members wished to discuss the content of the Members' Report in any detail, they should contact Nick Letchet.

- b) Financial Statements' Auditor's Management Letter – Document No 11/257 refers.

Frances was pleased to confirm that, having reviewed the accounting policies and practices applied by the College, they were appropriate for the financial statements. She also reported that there were no accounting issues or adjustments that RSM Tenon wished to draw to the governors' attention.

Frances guided the committee through the content of the report. She referred to some of the audit risks and explained the auditors' conclusions. The significant matters discussed with college management during the audit were set out in section 3 of the report. Frances highlighted, in particular, the auditors' findings on: the college as a going concern; the pension prior year adjustment due to the switch from the RPI to the CPI as the basis for valuation; the legal proceedings in McKie v. Swindon College; and the tri-annual pension scheme valuation. She concluded by commenting on the three recommendations which were made only one of which, to do with the legal case, was classified as significant.

Frances reminded the committee that the Skills Funding Agency required colleges to appoint their Financial Statements' Auditors to also give an opinion on the regularity of the college's transactions, within a framework published by the Agency. RSM Tenon expected to issue an unqualified regularity opinion and again there were no significant issues that were to be drawn to the attention of governors.

The committee chair thanked Frances Millar for presenting the annual management report. Members agreed that this was very reassuring report. They noted the management responses to the three recommendations. The findings would be reported to the Governing Body in the Audit Committee's annual report.

Frances Millar, Simon Cookson and Paul Dalton left the meeting at this point.

288/11 FINANCIAL MANAGEMENT AND CONTROL EVALUATION

Document No 11/258 refers introduced by Nick Letchet. He informed the committee that the college was permitted to submit a much shortened version of the report for 2010/11. The only change in grading was for 'short term financial planning' which was downgraded from 'Good' to 'Satisfactory'. Nick explained the reason for this and confirmed that he had reported fully on the matter to the Resources Committee.

It was proposed by Ram Thiagarajah, seconded by David Swann, that the Audit Committee approve the content of the FMCE, to be signed off by the Principal and returned to the Skills Funding Agency.

289/11 MANAGEMENT ACTIONS FOLLOW-UP REPORT

Document No 11/259 refers, introduced by Nick Letchet. He confirmed that there were no outstanding actions at the current time.

290/11 FRAUD AND IRREGULARITY REPORT

The Deputy Principal confirmed that there were no instances of fraud or irregularity to report.

291/11 THE AUDIT COMMITTEE'S DRAFT ANNUAL REPORT TO THE GOVERNING BODY

Document No 11/260 refers, introduced by the clerk. The committee approved the factual content of the draft report but requested the clerk to make a number of changes to the 'Conclusions' before issuing the report to the Governing Body.

Action: JAM

292/11 MEETING ASSESSMENT

Document No 11/261 refers. Members completed the meeting assessment forms and returned them to the clerk. The average score for meeting effectiveness was 1.6. The score awarded by managers in attendance was 2.0. The following comments were recorded on the assessment forms:

- The agreement that a new approach to risk management is needed
- Full discussion of Audit Committee Annual Report
- Annual Report completed
- Resolve to review the Risk Register
- Meeting room better – promoted intimacy
- Some members seem to dwell on trivial matters or on personal preferences
- Positive outcome on risk management.

253/11 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on 13 March 2012 at 1600hrs.

The meeting concluded at 1815hrs.