

**MINUTES OF THE AUDIT COMMITTEE HELD
23 NOVEMBER 2010**

Members: Mr I Payne
Mr R Priestley
Ms G McCarthy

| | | |
|---------------|--------------|-----------------|
| In Attendance | Mr J Allen | -Clerk |
| | Mr D Goodlet | - Principal |
| | Ms T Trotter | -Vice Principal |
| | Ms S Harper | -Baker Tilly |
| | Mr S Bishop | - Baker Tilly |
| | Mr R Plumb | -RSM Tenon |

The meeting commenced at 1900.

APOLOGIES, DECLARATION OF INTERESTS

1. There were no apologies. There were no declared interests against any of the agenda items. The Clerk confirmed that the meeting was quorate.

MINUTES

2. **Resolved -** that the minutes of the meeting held 15 June 2010 be confirmed as a correct record and signed by the Chair.

MATTERS ARISING

3. For greater clarification, the Principal placed on record, that although the minutes accurately record a number of failings relating to the theft of the laptops that was reported at the last meeting, the theft was down to organised crime. The weaknesses identified in internal controls have been addressed, but the College was subject to a theft that was well organised. It was confirmed that an insurance claim of £25k has been received. The Principal reported just 1 theft of a laptop this year and that was because a supply teacher did not follow College protocol.

INTERNAL AUDIT SERVICES REPORT 2009/10

4. The '*Internal Audit Annual Report 2009/10* was received (copy attached to the signed minutes). The Annual Internal Audit Report confirmed the following areas were reviewed in accordance with the agreed audit plan:

| Areas Covered | Planned Days / Costs | Actual Days / Costs | Overall assessments | Number of recommendations | | |
|--------------------------------|----------------------|---------------------|---------------------|---------------------------|---------|---------|
| | | | | Grade 1 | Grade 2 | Grade 3 |
| Risk management and governance | 3 | 3 | Good | - | - | - |

| Areas Covered | Planned Days / Costs | Actual Days / Costs | Overall assessments | Number of recommendations | | |
|----------------------------------------------------|----------------------|---------------------|---------------------|---------------------------|---------|---------|
| | | | | Grade 1 | Grade 2 | Grade 3 |
| Learner number systems | 3 | 3 | Satisfactory | - | 4 | - |
| Key financial controls | 3 | 3 | Good | - | - | - |
| Financial planning budget setting and monitoring | 2 | 2 | Good | - | - | - |
| Capital project planning management and evaluation | 2 | 2 | Good | - | - | - |
| Procurements and payments | 2 | 2 | Good | - | - | - |

5. The Internal Audit Service (IAS) reviewed and evaluated the college's processes in a number of business areas that are shown in the above table. From these examinations the IAS concluded that the college has adequate policies, procedures and operations in place to:

- establish and monitor the achievement of the College objectives;
- identify, assess and manage the risks to achieving the College's objectives;
- advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer;
- ensure economical and efficient use of resources;
- ensure compliance with the College's policies, procedures, laws and regulations;
- safeguard the college's assets and interest from losses of all kinds, including those from fraud, irregularity and corruption;
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

6. The opinion of the IAS is Coulsdon College has adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.

7. There were no recommendations raised in previous years that required follow up work to be carried out.

8. The Committee welcomed the positive opinion expressed within the report and it was **RESOLVED**:

- (i) that the Internal Audit Annual Report 2009/10 be approved;
- (ii) that the report be recommended for the approval of the Corporation at its next meeting on 7 December 2010 and for a

copy of the report to be sent to the Audit Service of the PFA,
and

- (iii) To Note the Client Briefing Report (copy attached to the signed minutes)

FINANCIAL STATEMENT & REGULARITY AUDIT FINDINGS REPORT

9. As required by the Audit Code of Practice, a copy of the College's draft '*Financial Statement and Annual Report 2009/10*' was made available along with the '*Audit Findings Report Year ended 31 July 2010*' (copies attached to the signed minutes). The Committee were informed that the accounts were subject to review by the Finance Committee at its meeting held on 16 November 2010.

10. Financial Statement Auditors (FSAs) are required to issue two audit opinions:
- An opinion on the financial statements
 - An opinion on the regularity of financial transactions.

11. The financial statements which were subject to review at the Finance & General Purposes Committee meeting held 16 November 2010, record an operating surplus of £22k, compared to £184k for 2008/09. The primary reason for the reduced operating surplus is due to the higher interest and other financial costs associated with the capital project (£647k as against £294k in 2008/09). A deficit of £30k is confirmed on continuing operations after depreciation of assets at valuation and disposal of assets but before tax. The accounts record an historical cost surplus of £54k.

12. The Audit Findings Report raised no internal control issues relating to income and expenditure and the balance sheet. The financial statement auditor has issued an unqualified report (satisfactory) on the 2009/10 accounts.

13. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2009/10. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2010.

14. Following the review of the accounts it was agreed that in Section 2 of the audit findings report, it must record that the College achieved a year-end historical cost surplus of 54k.

15. It was **RESOLVED**

- (i) that the '*Audit Findings Report*' be included within the Annual Report from the Audit Committee and be recommended for the approval by the Board at its meeting of 7 December 2010;
- (ii) that, if approved by the Corporation, the report be submitted to the Audit Service of the SFA;
- (iii) that following a review of the accounts, the Audit Committee confirms that the accounting policies are appropriate for the College; and
- (iv) that the reports be noted.

FINANCE CONTROL MANAGEMENT EVALUATION (FMCE)

16. The College report '*Financial Management & Control Evaluation*' was received (copy attached to the signed minutes). Guidance has been published for the completion of the Financial Management Control & Evaluation (FMCE) that is part of the Framework for Excellence (FfE). The report provided the Committee with an update on the actions taken to in the development plan 2009/10 and it was noted that of the 7 action points, 5 were completed with 2 being carried forward into 2010/11.

17. All providers are now required to conduct an annual self-assessment of their financial management and control arrangements. Financial Management & Control is one of three key performance areas that make up the Finance Dimension in Framework for Excellence.

18. According to the guidance issued, the FMCE and self-assessment grades should be approved by the Audit Committee and then signed by the Principal before submission to the SFA

19. Providers can either submit a full FMCE or a short FMCE. The short option is only available to further education colleges who do not wish to change last year's overall self-assessed grade and have not undergone any significant changes since last year. It was confirmed that the College will be submitting a short FMCE.

20. The short FMCE will consist of Part 1 and Part 2 of the FMCE form, that is, the Summary of Grades and a revised and updated Improvement Plan which should demonstrate where improvements have been made since last year.

21. After a thorough review of the completed Short FMCE, it was **RESOLVED** to approve the Short FMCE and to authorise the Principal to sign the document. It was further **RESOLVED** to support the self-assessment grade profiles for each area of the FMCE listed in the table below.

| Area | Section | Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A) | Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A) |
|-----------------------|-----------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 1. Accountability | 1.1 Strategic Oversight | Outstanding | Outstanding |
| | 1.2 Operational Oversight | Outstanding | |
| | 1.3 Sub-contracting Arrangements | N/A | |
| 2. Financial Planning | 2.1 Long-term Financial Planning | Outstanding | Outstanding |
| | 2.2 Short-term Financial Planning | Outstanding | |

| | | | |
|-------------------------|-----------------------------|-------------|-------------|
| 3. Internal Control | 3.1 Risk Management | Outstanding | Outstanding |
| | 3.2 Internal Control System | Good | |
| 4. Financial Monitoring | 4.1 Financial Monitoring | Good | Good |
| Overall Grade: | OUTSTANDING | | |

CONFIDENTIAL SESSION

22. Prior to considering the Annual Report from the Audit Committee, the Clerk asked all parties if there was a need to go into a confidential session. The auditors confirmed that they had no reason to go into a confidential session and the Audit Committee also confirmed that there was no need to go into a confidential session without College officers being present.

ANNUAL REPORT 2009/10 FROM THE AUDIT COMMITTEE

23. The 'Annual Report 2009/10 from the Audit Committee' was received (copy attached to the signed minutes). There is a requirement in the Audit Code of Practice that states that the annual report of the audit committee is to be written for both the governing body and the Principal as the accounting officer of the College. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

24. The Annual Report must offer an opinion from the Audit Committee to both the Corporation and Principal. The Audit Committee agreed the following opinion:

The Audit Committee welcomes the continuing good performance of the College and wishes to record its appreciation of the work of the Vice Principal & the finance team. Based upon the work and professional opinions made available to the Committee from the internal audit service and the financial statement auditors, and in particular after considering the Internal Audit Annual Report and the audit and regularity audit reports from the Financial Statement Auditor, the Committee is satisfied that the College's whole system of internal control are adequate and effective. The Committee is satisfied that where weaknesses have been identified they have been responded to in an appropriate and timely manner.

25. It was **RESOLVED**

- (i) that the Committee approves the 'Annual Audit Report 2009/10 from the Audit Committee' and authorises the Chair of the Audit Committee to sign and date the annual report on behalf of the Audit Committee;
- (ii) that the 'Annual Audit Report 2009/10 from the Audit Committee' be made available to the Principal and Corporation at its meeting on 7 December 2010; and
- (iii) that the report be noted.

TERMLY RISK MANAGEMENT REPORT

26. The Committee received and reviewed the following reports (copies attached to the signed minutes):

- Risk Management Map & Changes made to the Risk Register
- Redevelopment Risk Register

27. Four high risks were confirmed:

- Theft
- SLN impacted by changes to the curriculum
- Internal progression Rates do not improve
- Failure to meet funding body targets

28. The Committee reviewed the Risk Register and noted the agreed actions being taken to mitigate key risks identified. In discussion it was agreed that in the Risk Register there should be greater clarification of the impact of the risk, i.e., the consequences if no action is taken.

29. A discussion took place on whether the risk register should include the risk around success rates, particularly the issue around achievement. The Principal agreed to take this recommendation back to the risk management group.

30. The Committee reviewed the Redevelopment Risk Register and noted the agreed actions being taken to mitigate key risks identified.

MONITORING OF COLLEGE PERFORMANCE

31. The College report '*Monitoring of College Performance & Assessment of Risk*' was received (copy attached to the signed minutes). The Audit Committee is responsible for the monitoring of college performance and assessment of risk in the area of audit.

32. Once the assessments have been agreed, the Committee, in conjunction with College management, will then agree on the overall assessment (Red/Serious Concerns, Amber/Some Concerns or Green/No Concerns) to be made available to the Corporation for the area of audit. Any identified areas of concern would be reported in the College's Risk Register.

33. The Committee agreed with the assessment of there being 'no concern/no risk' against each of the audit performance indicators.

34. It was **RESOLVED** to inform the Corporation of the following overall assessment for the area of audit:

| | |
|-------|---------------------|
| Audit | No Risk/No Concerns |
|-------|---------------------|

DATE OF NEXT MEETING

35. Tuesday 8 March 2011 @ 1830

The meeting closed at 20.00

Signed: _____ Date: _____

(Chair)

CURRENT SUMMARY ACTION LIST

| MIN REF | DETAILS OF RESOLUTION/ACTION POINT | DATE OF REVIEW |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 14 | In Section 2 of the audit findings report, it must record that the College achieved a year-end historical cost surplus of 54k. | 8/3/11 |
| 28 | In the Risk Register there should be greater clarification of the impact of the risk, i.e., the consequences if no action is taken. | 8/3/11 |
| 29 | A discussion took place on whether the risk register should include the risk around success rates, particularly the issue around achievement. The Principal agreed to take this recommendation back to the risk management group. | 8/3/11 |