

SOUTH CHESHIRE COLLEGE

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE CENTRE, ROOM 1 ON THURSDAY 22 NOVEMBER 2007 AT 4.30 PM

Present:

S Utting (Chair)
B Dean
D Felton (until the point shown)
G Martin

In Attendance:

G Bebbington (Director of Finance and Administration) (withdrawing as shown)
J Dowell (Deputy Director of Finance and Administration)
(from the point shown and withdrawing as shown)
S Bower (KPMG, Financial Statements Auditors) (withdrawing as shown)
E Davies-Jones (Clerk to the Corporation)

The Clerk confirmed that the meeting was quorate.

A

41/07 APOLOGIES FOR ABSENCE

No apologies for absence were received.

A

42/07 DECLARATION OF INTERESTS

The Chair enquired whether any of the members attending this meeting considered that they held any personal interest in the items as listed on the agenda to be considered at this meeting. No declarations of interest were made by the members attending.

A

43/07 MINUTES OF THE LAST MEETING AND MATTERS ARISING

The minutes of the meeting held on 4 October 2007 were considered.

IT WAS RESOLVED that they be approved as a true and accurate record and signed by the Chair.

The Deputy Director of Finance joined the meeting at this point.

Matter arising: Minute No. A 44/03/07

Members were informed that the Audit Committee's request that the Corporation review its decision concerning the appointment of the financial statements auditors is to be considered by the Corporation at the Corporation meeting on 30 November 2007. Members considered the points which they felt should be considered by the when reviewing its previous resolution namely that the Audit Committee's view is that that the Corporation's resolution on 19 July 2007 was made without:

- the benefit of the information resulting from the results of the market test which had been requested by the Audit Committee at its meeting in June 2007 and is being undertaken by the Director of Finance and Administration for report back to the Audit Committee in March 2008 when the audit fees are due to be reviewed;

- taking into account the usual procedure which has been followed in the past whereby the Audit Committee considers the possible re-appointment of the auditors at its meeting in November for the current year (2007/08) with any proposal for re-appointment subject to agreement on fee level with recommendations made to the Corporation in March 2008 for the audit of the 2007/08 financial statements to be undertaken in the following autumn 2008;
- considering the impact which the extended work relating to the accounts of the subsidiary company and subsequent regularity audit work on consolidated accounts would have on the fee level, given the mass of additional financial transactions (including VAT & non-VATable transactions) relating to the subsidiary company's extended trading activities including its catering arm with additional staffing and material purchases in the year;
- considering the fact that the subsidiary company pays the fees related to its own audit work which will include the additional costs of the extra work relating to its extended trading activities;
- considering the fact that the Corporation agreed in 2006/07 to have a funding assurance audit undertaken every three years with a commitment that the present financial statements auditors undertake the funding assurance audit in the current year;
- considering the impact of the new build which is proposed to commence in spring 2008, where the forecasted accounts and treatment of the same have been on the last 3 years accounts which the present financial statements auditors are familiar with;
- considering that going out to tender at today's prices may result in re-appointment of the same firm at a higher cost than just the annual yearly increase which has been imposed to date.

The Director of Finance and Administration informed members that there had been a rotation of partners and staff from KPMG dealing with the College over the period of the 9 years of their appointment with four changes of KPMG partners and three changes of KPMG audit managers during that time period.

IT WAS RESOLVED to draw the above points to the attention of the Corporation at its meeting on 30 November 2007 and to recommend that the Corporation agree that the Audit Committee should receive the results of the full market test in March 2008 before making recommendations regarding a requirement to go out to tender thereafter for the audit of the 2007/08 financial statements.

There were no other matters arising from the minutes of the last meeting which were not dealt with as part of the agenda items for this meeting.

A

44/07 FINANCIAL STATEMENTS AUDITORS' REPORT 2006/07 AND MANAGEMENT LETTER AND AUDITED FINANCIAL STATEMENTS

The Director of Finance and Administration presented the draft of the College's annual report and accounts for the year ended 31 July 2007, which will be considered by the Corporation at its meeting on 7 December 2007.

Members considered the financial accounts as presented and in answer to members' questions concerning the reduced level of the financial surplus

stated in the accounts, the Director of Finance and Administration informed members that this was due to a number of factors: a reduction in tuition fee income with part-time numbers being down; the accounts entry for the £93,000 income received from the Learning and Skills Council in support of professional fees relating to the new build had affected the surplus figure with this amount being capitalised following the approval of the Application in Principle with deferment over a 50 year period; costs and income projections relating to the services between the College and its subsidiary company.

Stephen Bower presented KPMG's ninth report as financial statements auditors in respect of the financial statements for the year ended 31 July 2007, in the form of a management letter dated 14 November 2007. The management letter was accompanied by the draft audited financial statements.

Stephen Bower informed members that the audit work undertaken by KPMG was substantially complete and that KPMG anticipate issuing unqualified opinions on both the financial statements and regularity audits. He informed members of the principal outstanding matters, set out in the management letter, namely;

- Total income increased by £423,000 (2.3%). This increase is predominantly in Funding Council grants and other income with a notable decrease in tuition fees and education contracts. The most significant movements were as follows:
 - Funding Council grants have increased by £220,000 (1.4%).
 - Tuition fees paid by or on behalf of UK Further Education (FE) students decreased by £344,000 (48%). The LSC adult funding has significantly dropped compared to previous year. Therefore, the College reduced its range of part-time/short courses offered to students. This impacted on FE tuition fee income hence the decrease. To mitigate these reductions the College has increased its HE tuition fees by £82,000, has transferred £100,000 of tuition fees to Train to Gain and has increased the number of full cost courses by £100,000.
 - Other income has risen by £365,000 (25%). This is mainly due to expansion of trading activities undertaken by the College's subsidiary company during the year. Café Chill and Dane Bank Theatre were added to South Cheshire Enterprise Limited's portfolio.
- Overall, expenditure has risen by £770,000 (4.2%) in 2006-07. The main reasons for this increase is due to the pay award of 3% and changes in employer's TPA pension contributions from 13.5% to 14.1% in January 2007.

Stephen Bowers informed members that there were no observations arising from either the financial statements or the regularity audits to report.

IT WAS RESOLVED to:

- ***note the content of the draft annual report and accounts which will be reviewed by the Corporation at its meeting on 7 December 2007;***
- ***receive the financial statements auditors' report and to advise the Corporation of its content.***

A

45/07 TIMELY SUBMISSION OF LSC RETURNS

Members received a report confirming that only one return, the monthly student number monitoring returns for 2007-08 on 31 October, was due for submission to the Learning and Skills Council between the date of despatch of the papers for the last meeting and 15 November 2007. He reported that the return had been submitted accurately and on time.

IT WAS RESOLVED to note the timely submission of the LSC return.

A

46/07 RISK MANAGEMENT ANNUAL REPORT 2006/07

The Director of Finance presented the College's annual report on risk management which includes the three risk registers namely: the main College risk register which is overseen by the Audit Committee; the detailed risk register covering the subsidiary company's activities which is overseen by the Board of Directors of the subsidiary company; and the new build risk register which is overseen by the Campus Development Committee. He drew members specific attentions to the issues arising in particular –

- the pressure on suitable accommodation provision and the risks related to the management of the new build project;
- succession planning for senior management appointments with the strengthening of the team through the appointment of a new deputy principal and a director of quality;
- utilities provision and management of the provision of an adequate electricity supply to the campus site.

IT WAS RESOLVED to receive the annual report on risk management 2006/07, which will be submitted to the Corporation at its meeting on 30 November 2007;

A

47/07 MONITORING OF OUTSTANDING RECOMMENDATIONS

Members considered the Committee's rolling schedule of outstanding recommendations. All recommendations were shown either to have been implemented or were being implemented.

IT WAS RESOLVED to receive the report.

A

48/07 AUDIT COMMITTEE ANNUAL REPORT 2006/07

Members considered the final draft of the Committee's tenth annual report to be delivered to the Corporation. Members went on to consider the areas for development resulting from the responses of Corporation members to the self assessment questionnaire and the recommendations made by the Search Committee which met on 9 November 2007. Members were informed that the outstanding returns to the governors questionnaire had been received prior to the meeting and the final summary of responses could therefore now be prepared.

IT WAS RESOLVED:

- ***that the summary of the responses to the assessment of performance as set out in governors self assessment questionnaire be appended to the minutes of this meeting; and to receive the final draft of the committee's annual report which is to be presented to the Corporation on 7 December 2007;***

A

49/07 RISK REGISTER 2007/08

Members considered the current position in respect of the risks as set out in the College's complete risk register.

IT WAS RESOLVED to note the current position in respect of management of the risks in the risk register 2007/08 and advise the Corporation accordingly.

The Director of Finance and Administration and the Deputy Director of Finance withdrew from the meeting at this point.

A

50/07 CONFIDENTIAL BUSINESS

Members and auditors had before them a list of questions which might be put to the financial statements auditors in the absence of management as recommended by CIPFA and a list of questions suggested by the Chartered Institute for Public Finance and Accountancy in their *Handbook for Audit Committee Members in Further and Higher Education* as suitable to be asked by audit committees in the absence of management. The financial statements auditors confirmed that there were no matters to which they wished to draw the attention of the Committee in management's absence. Stephen Bower informed members that management were co-operative and open in dealing with audit queries with no issues arising. He informed members that there had been a slight delay in undertaking the regularity audit due to staff sickness in the College's finance department. He went on to inform members that there had been a significant increase in the amount of work undertaken for the regularity audit with the inclusion of transactions relating to the new build and the extended trading activities of the College's subsidiary company. He informed members that the risks related to these extended activities need to continue to be monitored but that there were no signs of concern arising from the regularity audit work which had been undertaken for the 2006/07 accounts.

The Director of Finance and Administration and the Deputy Director of Finance rejoined the meeting at this point.

Stephen Bower withdrew from the meeting at this point.

A

51/07 MONITORING PERFORMANCE OF FINANCIAL STATEMENTS AUDITORS

Members received a report on the performance indicators adopted for the financial statements auditors. The report was accompanied by a satisfaction survey completed by the Director of Finance and Administration in respect of the audit, with comparative data for 2004/5 for benchmarking purposes. All issues had been assessed as 'good' in respect of the year 2006/07.

IT WAS RESOLVED that financial statements audit performance was shown by the satisfaction survey to be acceptable and to consider the outcome of the full market test, pending the decision of the Corporation concerning the requirement for a tender process, at the next meeting of the Committee in March 2007.

Stephen Bower rejoined the meeting at this point.

A

52/07 RISK AND FRAUD ASSESSMENT SCHEDULE

The Director of Finance and Administration presented the paper informing members that the International Standard of Auditing (ISA) 240 issued in March 2004 requires that it is the Auditor's responsibility to consider fraud in an Audit of Financial Statements.

Reliance gives assurance in signing off the accounts.

The risk/fraud self assessment schedule was considered by members. The Director of Finance and Administration informed members that the new purchasing system had been introduced with the College's Procurement Manager now responsible for the purchasing ledger and management of the changes to the purchasing controls.

IT WAS RESOLVED to receive the schedule and note that copies of the Senior Managers signed statements regarding ISA 240 have been forwarded to the external auditors and to conclude that management has given adequate assurance that the 2006/07 Financial Statements are not materially misstated because of any known fraud.

A

53/07 DATE OF NEXT MEETING : Thursday 6 March 2008 at 4.00 pm

There being no further business, the meeting concluded at 5.55 pm.

.....
(Chair)

Production: 26 November 2007
Chair's Approval: 26 November 2007
Committee's Approval: 6 March 2008
Reported to Corporation: 30 November 2007

Ref: Minute A48/08:

**CORPORATION SELF-ASSESSMENT QUESTIONNAIRE 2006/07
- MEMBERS' RESPONSES:**

FOCUS ON THE OPERATION OF THE BOARD:	Excellent	Satisfactory	Needs Improvement	Unsatisfactory
The board receives the information needed to undertake its role and responsibilities as a governing body effectively.	12	3		
The board receives the information needed in an appropriate format. Agendas are well planned and focus on the most important items	11	3	1	
Members are given sufficient information of appropriate quality to make sound judgements	10	5		
The board operates with effective time management and delegation	11	3		
Board and Committee meeting minutes are clear and record all relevant matters	14	1		
The clerking function is independent and is carried out in an effective manner.	13	2		
The board's performance indicators* are adequate and appropriate (for reference see appended list of performance indicators)	9	5		
Board members have a clear understanding of what excellence (or outstanding) performance as a governing board means.	7	7	1	
The board is able to identify any barriers to board effectiveness and take action to overcome them.	7	7		
How effectively does the Corporation monitor its performance?	9	5	1	
How effectively does the Corporation monitor the College's performance?	8	5	1	
How effectively does the Corporation monitor the Principal's performance?	9	4	1	
The board's procedures for appointing new members are appropriate	8	5	1	
Is the Corporation's conduct of business sufficiently open?	8	6		
Overall efficiency of the board's operations	10	4		

FOCUS ON GOVERNORS:	Excellent	Satisfactory	Needs Improvement	Unsatisfactory
The board has the right balance of skills and expertise among its members	5	9	1	
Membership reflects the local community and stakeholders	5	6	4	
Adequacy of members' knowledge of their role	3	10	2	
Adequacy of the training and development of members?	7	7		
The quality of the contribution of individual governors in and between meetings is good and we can specify what influence this has on decisions.	4	8	3	
Effectiveness of the Chair.	11	3		
The relationship between Chair and Principal	11	4		
The relationship between governors and the Senior Management team members	10	5		
Adequacy of members' awareness of views of staff	5	6	3	
Adequacy of members' knowledge of the College	6	7	1	
Effectiveness of the governor/curriculum area links programme?	7	6	1	
Adequacy of members' awareness of views of learners	4	7	3	
Adequacy of members' awareness of views of wider community	4	6	5	

FOCUS ON STATUTORY DUTIES:		Excellent	Satisfactory	Needs Improvement	Unsatisfactory
Articles 3.1 (a) & 9(a)	Determination of educational character, mission and strategic plan:	11	3		
Articles 3.1 (a)	Oversight of College activities:	8	6		
Article 3.1 (b)	Ensuring effective and efficient use of resources:	8	6		
Articles 3.1 (b) & 9 (c)	Ensuring solvency:	13	1		
Articles 3.1 (b) & 9 (c)	Safeguarding assets:	13	1		
Articles 3.1 (b) & 9 (b)	Approving annual Income and Expenditure estimates (i.e. budget):	12	2		
Articles 3.1 (d) & 9 (d)	Appointment, appraisal and development etc. of senior staff:	9	5		
Article 3.1 (e)	Setting framework for pay and conditions of other staff:	10	3		

FOCUS ON THE QUALITY INDICATORS COVERED WITHIN KEY QUESTION 5 OF THE COMMON INSPECTION FRAMEWORK:	Excellent	Satisfactory	Needs Improvement	Unsatisfactory
The board operates sound financial management with consideration of financial consequences of decisions: " We deploy resources effectively and efficiently, ensuring value for money"	12	2		
The board oversees curriculum and quality of provision: "Our quality assurance and self assessment practices and processes enable performance to be monitored and improved effectively"	8	5		
The board seeks to ensure improvement of learner retention and achievement: " Our leaders and managers at all levels clearly and effectively direct improvement and promote the well-being of learners through high quality care, education and training"	9	4		
The board oversees the risks to delivery of strategic objectives including health and safety: "We have effective processes for recruiting and selecting suitable staff, who are capable of ensuring that our learners are well taught and protected"	10	4		
The board oversees equality and diversity: "We actively promote equality of opportunity and we tackle discrimination, so that all learners are able to reach their potential"	9	4	1	
Provision of resources: "We have adequate and appropriate specialist equipment, learning resources and accommodation".	6	7	1	
The board oversee effective links with outside organisations:: "We make effective links with other providers, services, employers and other organisations so that we can encourage the integration of care, education and any extended services to enhance learning and to promote well-being"	4	7	2	