

## SOUTH CHESHIRE COLLEGE

### MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE TOWER BLOCK, ROOM 302 ON THURSDAY 4 DECEMBER 2008 AT 4.45 PM

#### **Present:**

S Utting (Chair)  
F Ellison  
G Fyffe  
C Lamont  
G Martin

#### **In Attendance:**

G Bebbington (Director of Finance and Administration) (withdrawing as shown)  
S Bower (KPMG, Financial Statements Auditors) (withdrawing as shown)  
B Mutambirwa (KPMG, Financial Statements Auditors) (withdrawing as shown)  
E Davies-Jones (Clerk to the Corporation)

The Clerk confirmed that the meeting was quorate.

#### **A**

#### **45/08 APOLOGIES FOR ABSENCE**

No apologies for absence were received.

#### **A**

#### **46/08 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**

#### **47/08 MINUTES OF THE LAST MEETING AND MATTERS ARISING**

The minutes of the meeting held on 9 October 2008 were considered.

***IT WAS RESOLVED that subject to an amendment to dates recorded in Minute Number A32/08, they be approved as a true and accurate record and signed by the Chair.***

#### **Matters arising:**

#### **Minute No. A41/08 : Risk Management 2007/08**

Members considered the proposed further risks to be added to the College Risk Register to be inserted as 7a "The College may place investments in a vulnerable institution" and 7b "Volatile interest rates on long term borrowing facilities"

***IT WAS RESOLVED to recommend approval of the new risks to be added to those risks overseen by the Corporation's Finance Committee within the College Risk Register.***

#### **Minute No. A 30/01/08 : Internal Audit – Review of Provision**

In answer to a question raised the Director of Finance and Administration informed members that the procedure for sending out invitations under the

competitive tender process was underway and that a short list of preferred firms would be presented to the Audit Committee at its next meeting as planned.

***IT WAS RESOLVED to note the position.***

**A**

**48/08 FINANCIAL STATEMENTS AUDITORS' REPORT 2007/08 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 2008, which will be considered by the Corporation at its meeting on 12 December 2008.

Stephen Bower presented KPMG's tenth report as financial statements auditors in respect of the financial statements for the year ended 31 July 2008, in the form of a management letter dated 26 November 2008. 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 that in addition to the regularity audit and the audit of the College's financial statements, KPMG had undertaken work on Funding Assurance and the ABTA Return 2006/07 but the provision of these additional services to the College were not considered to have had a bearing on the independence of KPMG in its capacity as the College's external auditors.

He informed members that the operating surplus for the year is £108,000 after the FRS provision is taken into account and £210,000 prior to FRS 17 provision.

He drew members' attention to the key changes in the balance sheet namely:

- fixed asset additions totalled £2.5m in the year, of which £1.7m related to land and buildings, including the Campus Development Project and the purchase of a new Hair and Beauty training facility at the Kingsway premises;
- debtors decreased by £420k (41%) largely due to receipt of the second allocation of HEFCE funds before year end from the Cheshire College HE Consortium;
- deferred Capital Grants increased by £784k (79%) largely due to receipt of £712k from the Learning and Skills Council in respect of the New build project; and
- the pension scheme deficit increased by £1.04m to £3.18m as at year end. This increase being due to changes in actuarial assumptions rather than a change in the value of pension scheme assets.

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 12 December 2008;***

- ***receive the financial statements auditors' report and to advise the Corporation of its content.***

**A**

**49/08 TIMELY SUBMISSION OF LSC RETURNS**

Members received a report confirming that three monthly monitoring returns, two ILR returns and four Work Based Learning returns, the 07/08 end of year estimate 3 September 2008 and the Annexe 1: Franchise/Partnership Provision Return 10 September 2008 had been submitted to the Learning and Skills Council in the period between the date of despatch of the paper for the last committee meeting and the 27 November 2008.

He reported that the above returns had been submitted accurately and on time.

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

**A**

**50/08 RISK MANAGEMENT ANNUAL REPORT 2007/08**

The Director of Finance and Administration 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 attention 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 responsibilities of the Director of Marketing and Operations, following her retirement in June 2008, being split between the Director of Curriculum Support and the Director of Quality as a temporary arrangement to be reviewed prior to July 2009 by the Principal Designate;
- utilities provision and management of the provision of an adequate water supply to the Kingsway premises.

***IT WAS RESOLVED to receive the annual report on risk management 2007/08, which will be submitted to the Corporation at its meeting on 12 December 2008;***

**A**

**51/08 MONITORING OF OUTSTANDING RECOMMENDATIONS**

Members were informed that there were no outstanding recommendations as all of the audit recommendations made by the College's auditors had been implemented prior to the last meeting of this committee

***IT WAS RESOLVED to receive the report.***

**A**

**52/08 AUDIT COMMITTEE ANNUAL REPORT 2007/08**

Members considered the final draft of the Committee's eleventh annual report to be delivered to the Corporation. Members were informed that the outstanding returns to the governors' questionnaire had been received prior to

the meeting and the final summary of responses had been included within the report. 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 23 October 2008. Following discussion it was agreed that an additional response should be added to encourage new members of the Corporation to attend and observe meetings of those Corporation committees that they were not currently assigned to as members in order to extend their knowledge of the work undertaken by those committees.

***IT WAS RESOLVED to approve the final draft of the committee's annual report which is to be presented to the Corporation on 12 December 2008.***

**A**

**53/08 RISK REGISTER 2008/09**

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 2008/09 and advise the Corporation accordingly.***

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

**A**

**54/08 CONFIDENTIAL BUSINESS**

Members and auditors had before them 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 the move of the College's finance department from the Somerville building to the Edleston Road premises.

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

Stephen Bower and Blandina Mutambirwa withdrew from the meeting at this point.

**A**

**55/08 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 2006/07 for benchmarking purposes. All issues had been assessed as 'good' in respect of the year 2007/08 save and except for the date and duration of the audit which were marked as 'adequate'. The Director of Finance and Administration informed members that this was in no way a reflection on the auditors themselves rather it was

due entirely to the delays caused by the move of the College's finance department to the Edleston Road premises.

***IT WAS RESOLVED to receive the report***

Stephen Bower and Blandina Mutambirwa rejoined the meeting at this point.

**A**

**56/08 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.

***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 2007/08 Financial Statements are not materially misstated because of any known fraud.***

**A**

**57/08 FINANCE AND MANAGEMENT CONTROL EVALUATION**

The Director of Finance and Administration tabled the paper. He explained that the document had been introduced by the Learning and Skills Council in order that Colleges in meeting the requirements of Framework for Excellence. The document had been completed setting out the College's responses in terms of its self assessment, evaluation and grading of its financial management and control arrangements. The document replaces the Business Environment Questionnaire, the Provider Control Risk Assessment and the Self Assessment Report Questionnaire. Members were requested to take time to read and review the contents of the document prior to the Corporation meeting on 12 December 2008 following which the document will be submitted to the Learning and Skills Council.

***IT WAS RESOLVED that members would review the content of the Finance and Management Control Evaluation in advance of the Corporation meeting on 12 December 2008.***

**A**

**58/08 DATE OF NEXT MEETING :** Thursday 5 March 2009 at 4.00 pm

There being no further business, the meeting concluded at 6.00 pm.

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(Chair)

Production: 8 December 2008  
Chair's Approval: 8 December 2008  
Committee's Approval: 5 March 2009  
Reported to Corporation: 12 December 2008