

SOUTH CHESHIRE COLLEGE

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT EDLESTON ROAD ON MONDAY 30 NOVEMBER 2009 AT 6.40 PM

Present:

S Utting (Chair)
R Jones
S Yates (until the point shown)

J Atkinson, Afford Bond LLP, attending as an observer

In Attendance:

G Bebbington (Director of Finance and Administration) (withdrawing as shown)
J Dowell (Deputy Director of Finance) (withdrawing as shown)
N Peet (Director of Curriculum Support & Operations) (until the point shown)
S Bower (KPMG, Financial Statements Auditors) (withdrawing as shown)
R Pearson (KPMG, Financial Statements Auditors) (until the point shown)
E Davies-Jones (Clerk to the Corporation)

The Clerk confirmed that the meeting was quorate.

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40/09 APOLOGIES FOR ABSENCE

Apologies for absence were received from Claire Blanchard.

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41/09 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.

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42/09 MINUTES OF THE LAST MEETING AND MATTERS ARISING

The minutes of the meeting held on 8 October 2009 were considered.

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

Matters arising:

Minute No. A28/09 : Internal Audit Assignment Report- Capital Projects

Members were informed that in the period since the last meeting of this committee the Internal Auditors have amended the report, the amended report has 1 rather than 2 significant recommendation and 5 rather than 4 Merits Attention recommendations.

Members went on to consider the response of the Campus Development Committee as set out in the minutes of the Campus Development Committee meeting held on 13 November 2009 (Ref: C65/09).

In answer to members' questions the Director of Curriculum Support & Operations confirmed that the Project Manager's monthly report is a cumulative report and this document constitutes a log of all issues raised.

IT WAS RESOLVED to receive the report and to notify the Internal Auditors that with regard to the recommendations made in the Internal Audit Report on Capital Projects:

- ***Ref 1.3: the marketing and communications strategy is considered as a matter which is under control, marketing and communications are in place and are an on-going part of the College's plan and no additional action is required to be undertaken;***
- ***Ref 1.4: the non-acceptance of the recommendation is confirmed - the issues log already appears in the Project Manager's Report and the information stream is considered adequate for monitoring purposes;***
- ***Ref 1.5: the recommendation is agreed but the risk is considered to be extremely remote;***
- ***Ref: 1.8: the recommendation is already covered within the Project Manager's report and no additional action is required to be undertaken***

The Director of Curriculum Support & Operations left the meeting at this point.

Minute No. A A27/01/09 : Internal Audit – Review Risk Maturity in FE

Members considered the content of the benchmarking report which had been prepared by the Internal Auditors.

IT WAS RESOLVED to receive the report.

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.

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43/09 FINANCIAL STATEMENTS AUDITORS' REPORT 2008/09 AND MANAGEMENT LETTER AND AUDITED FINANCIAL STATEMENTS

Stephen Bower presented KPMG's report in respect of the financial statements for the year ended 31 July 2009, in the form of a management letter dated 23 November 2009. 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 the consolidated balance sheet shows an increase in net assets of £14.3m. Net assets have risen by £1.2m to £2m. The key changes in the consolidated balance sheet are as a result of the progression of the new build project.

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

- Tangible assets have increased by £25.0m which is largely as a result of capitalised construction fees from the building contractor and other professional fees;

- Debtors have increased by £6.7m which is primarily due to increased prepayments and accrued income connected with increased activity as a result of the new build project;
- Creditors have increased by £13.5m which is due to increased borrowing and increased trade creditors resulting from increased activity as a result of the new build project; and
- the FRS 17 pension liability has increased by around £3.6m in 2008/09, this being largely attributable to an actuarial loss of £3.4m in respect of the market value of assets.

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

The Director of Finance and Administration informed members that the College's annual report and accounts for the year ended 31 July 2009 will be considered by the Corporation at its meeting on 11 December 2009.

IT WAS RESOLVED to:

- ***receive the financial statements auditors' report and to advise the Corporation of its content;***
- ***note the content of the draft annual report and accounts which will be reviewed by the Corporation at its meeting on 11 December 2009***

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44/09 TIMELY SUBMISSION OF LSC RETURNS

Members received a report confirming that all returns 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 23 November 2009, accurately and on time apart from one monitoring return for September 2009/10 where the data was submitted two days late.

IT WAS RESOLVED to note the submission of the LSC returns.

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45/09 RISK MANAGEMENT ANNUAL REPORT 2008/09

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' attention to the section of the report detailing issues which had arisen and which had been reported to the Committee against specific risks in the register during the course of the year.

IT WAS RESOLVED to receive the annual report on risk management 2008/09, which will be submitted to the Corporation at its meeting on 11 December 2009

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46/09 MONITORING OF OUTSTANDING RECOMMENDATIONS

Members were informed that, of the 15 outstanding recommendations made by the College's auditors, 8 recommendations had been implemented, 3

recommendations are in the process of “being implemented”, 3 recommendations are those which the Campus Development Committee considers do not require any further action to be taken and 1 recommendation is marked as requiring further clarification from the internal auditors.

IT WAS RESOLVED to receive the report.

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47/09 AUDIT COMMITTEE ANNUAL REPORT 2008/09

Members considered the final draft of the Committee’s twelfth annual report to be delivered to the Corporation.

IT WAS RESOLVED to approve the final draft of the committee’s annual report subject to an amendment being made to Appendix 2, and to present the amended report to the Corporation on 11 December 2009.

Simon Yates left the meeting at this point.

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48/09 RISK REGISTER 2008/09

Members considered the current position in respect of the risks as set out in the College’s risk register. Members were informed that the outcomes of the Risk Management workshop held in November 2009 are in the process of being followed up and that proposals will be made, with regard to the future reporting of the risk register, in due course.

IT WAS RESOLVED to note the current position in respect of management of the risks in the risk register 2009/10 and advise the Corporation accordingly.

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

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49/09 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.

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.

Rachel Pearson left the meeting at this point.

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50/09 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 2007/08 for benchmarking purposes. All issues had been assessed as 'good' in respect of the year 2008/09.

IT WAS RESOLVED to receive the report

Stephen Bower rejoined the meeting at this point.

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51/09 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 2008/09 Financial Statements are not materially misstated because of any known fraud.

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52/09 FINANCE AND MANAGEMENT CONTROL EVALUATION

The Director of Finance and Administration presented the paper. He explained that 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. He informed members that the document is to be considered at the Corporation meeting on 11 December 2009 following which the document will be submitted to the Learning and Skills Council.

IT WAS RESOLVED receive and recommend approval of the Finance and Management Control Evaluation.

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53/09 DATE OF NEXT MEETING : Thursday 4 March 2010 at 6.00 pm

There being no further business, the meeting concluded at 8.20 pm.

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(Chair)

Production: 2 December 2009
Chair's Approval: 2 December 2009
Committee's Approval: 4 March 2010
Reported to Corporation: 11 December 2009