



Minutes of a Meeting of the Audit Committee of the Board of the Corporation

held at the College on Monday 10 November 2008 at 5.30 p.m.

Present:

Mr G Marshall (Chair), Mr K Chester, Mr I Stephenson, Mr J Davies

Apologies:

Mr G Gibson

In attendance:

Mr A Croney (Principal), Mr R Oliver (Director of Finance and Resources), Mr M Sowerby (Clerk to the Corporation)
Ms S Turner (Bentley Jennison)
Ms K Angus and Mr R Davies (Baker Tilley)

The Chair, Mr Marshall welcomed all attendees to the meeting.

1. Minutes of a Meeting of the Audit Committee held on 21st October 2008

1.1 The minutes were accepted as a true record.

2. Matters Arising

2.1 There were no matters arising:

3. Update on outstanding audit recommendations.

3.1 The Director of Finance and Resources reported that all audit recommendations had either been implemented or were in the process of being implemented. A progress update sheet would be presented to the next meeting of the Committee.

Agreed:-

3.2 THAT the Committee note the current position.

4. Annual Report and Financial Statements

4.1 The Director of Finance and Resources distributed a summary sheet and informed Members that he would be happy to take questions at any time but if they had any detailed questions on the figures he would answer them after the meeting. He also advised the Committee that there were still some minor amendments required and in particular note 28 of

the report had to be rewritten. The Director of Finance and Resources then explained the following items on the summary sheet:

- The main financial factors of 2007/08, which were, the reduction in LSC funding, the small amount of capital investment, the building defect costs and the cost of the Lanchester arbitration decision:
- FRS17, pension scheme deficit implications and the complexities of actuary assumptions:
- The building defects cost implications:
- The accounting adjustments as shown in a table on the summary sheet.

Prior to presenting the report the Director of Finance and Resources explained that the report was longer than in the past because the LSC model now had to be used and the report contained parts of the Development Plan. Members were also informed that the Ofsted report would be available before this report is published.

4.2 The Director of Finance and Resources then presented the report and added further explanation to the following sections:

- Income and Expenditure (page 15). Members were advised of the reduction in Council income, the decrease in staff costs and the PFA inspectors comment that staffing costs were low in comparison to some other colleges, the operating expenses and the implications of the disposal of two assets, the Fire Station and the Louisa Centre in Stanley:
- Balance sheet (page 17). Members were advised that the figures in the first and third columns incorporated zero returns from the dormant companies operated by the College: the current assets in the Bank were lower than expected due to a delay in receiving LSC grant: it was the first time in a number of years that the net current assets was a positive figure: and the Deferred Capital grants would decrease over time:
- Funding and Fees (page 23). Members were given an explanation of the funding arrangements and the issues regarding fees:
- Debtors and Creditors (page 33) Members were informed that the reduction in trade creditors was evidence that the College paid bills promptly.

The Chair thanked the Director of Finance and Resources for his comprehensive report and the clear explanation given.

Agreed:-

4.3 THAT the Committee recommend the adoption and approval of the report to the Board of the Corporation

5. Final Audit Findings Report.

5.1 Mr Davies (Baker Tilley) informed Members that the report summarised the key findings of the audit of the Financial Statements and the Regularity Audit and then presented a brief summary of the report. Issues highlighted included funding, future prospects, the building defects claim and FRS17. An update on the finalisation was given and it was reported that all items have been completed. Members were informed that the Internal Control issues identified had all been agreed by management.

Following a question about the relationship between the College, the Local Authority and the Regional Development Agency, the Principal confirmed that although a meeting with all the regional College Principals had taken place a couple of weeks ago there was a long way to go as local authority sub regional groups and regional planning groups had to be set up and operational before 2010.

Agreed:-

5.2 THAT the Committee receive the report

6. Internal Audit Annual Report

6.1 Ms Turner (Bentley Jennison) presented the report and explained the context of the report, Government Internal Audit Standards, the assurance framework and the overall assurance. Members were informed that the overall opinion was that for the twelve months ending on 31 July 2008 the College;

- had adequate and effective risk management processes;
- had adequate and effective control processes and
- did not have adequate and effective governance processes.

It was recognised however that the governance issues identified were due to the temporary nature of the clerking arrangements and that the College had now appointed a new Clerk.

6.2 Following questions from Members, Ms Turner agreed that to assist with a year on year comparison a third year would be added to next years benchmarking table and Members were advised that in the summary of conclusions no overall opinion had been put against the Governance review because this had been a thematic review and had not been part of the Audit Plan. Members expressed concern that they had not been made aware of the governance issues but the Principal confirmed that some of the issues had been known.

Agreed:-

6.3 THAT the Committee receive the report

7. Annual Audit Letter to the Board and Principal

7.1 The Clerk informed the Committee that the Annual Audit Letter is a summary of the work carried out by the Audit Committee over the year and that it provides assurance to the Board and the Principal that the Committee has fulfilled its responsibilities as set out in the Terms of Reference. The Clerk then briefly summarised the content of the letter and Members were asked if they wanted any amendments making to the letter. The Chair identified that the risk management section needed to be reworded.

Agreed:-

7.2 THAT subject to the rewording of the risk management section the Committee approve the content of the letter.

8. Next Meeting Agenda

8.1 Items include:-

- Minutes/Matters arising
- Update on outstanding recommendations
- PFA Inspection Report
- Financial Management and Control Evaluation
- Value for Money Annual Report
- Procurement Strategy

9 Any Other Business

9.1 There were no items of other business.

The meeting closed at 6.30pm.

Date of Next Meeting

The next meeting of the Audit Committee is 12 January 2009 at 5.30 pm.