



Accrington and Rossendale College
Minutes of the Meeting of the Audit Committee
held on Tuesday 16th November 2010 at 8.15am
in the Conference Room, Broad Oak Centre

Confirmed

Present:

Mrs R Andrews (Chair)
Mrs L Higham
Mr T Gill
Dr A-M Coyne
Mr S Sugarman
Mr S Ireland
Professor Ian Smith

In attendance: Ms J Love: Grant Thornton
Mr T Wilson: Grant Thornton
Mrs S Collinge: Vice Principal (Corporate Services)
Mrs C Jarvis: Director of Finance
Mrs A Holt: Finance and Systems Improvement Manager
Mr A Armiger: Clerk to the Corporation - minuting

56.1 Apologies for absence

Apologies were received from Ms Karen Musgrave - RSM Tenon

56.2 Declarations of Interest

There were no declarations of interest from the members

56.3 Minutes of the previous meeting

323 Resolved **To approve the minutes of the meeting held on 8th June 2010 as being a true and accurate record**

56.4 Matters arising (not on the agenda)

The Clerk referred members to the Record of Resolutions with Actions required paper and it was noted that all actions required from the meeting had been carried out.

Chair of Audit Committee

56.5 Approval of Financial Statements for Year Ended 31st July 2010

a) Financial Statements Audit: Key Issues Memorandum including Regularity Opinion

Mr Toby Wilson of Grant Thornton presented the Draft Key Issues Memorandum (KIM) to members explaining that the documents purpose was to highlight and summarise key finance issues for the college, and also be used to report these issues to college management, the Board and also the Skills Funding Agency.

Mr Wilson began by leading members through the important points in section 1 of the report, those being the Income and Expenditure account and the Balance sheet.

Discussion moved on the effect of the colleges Pension provision and particularly the effect of FRS17 on the Lancashire County Pension scheme. Mr Wilson described the effect of the recent budget announcement with regard to linking public sector pension schemes to the Consumer Price Index, but explained that recent guidance from the Urgent Issues Task Force had created complications which were being dealt with in a range of different ways by colleges.

Mr Wilson moved on to section 2 of the report which were the Key Audit Issues. He noted that there was some work still to be done in finalising all the issues, but concentrated on the Issue of Going Concern. He continued by saying that Grant Thornton had reviewed and examined the risks within the 3 year financial plan. He verified that, in discussion with the Director of Finance, the college’s management had been able to explain how it would deal with any foreseeable problems using built in sensitivity analysis. Mr Wilson went on to state that Grant Thornton were “satisfied that the College has sufficient resources (within the existing facilities) to continue in operation for the foreseeable future”.

Members went on to discuss Issue number 6 – Contractual Dispute. Members asked if the position with this issue remained the same. The Vice Principal (Corporate services) reported that there had been little change. One member asked if the college had considered going to arbitration. The Vice principle replied that the college had, but as yet there had been no response from the contractor. It was still an ongoing issue.

Mr Wilson continued with his presentation and said that he was pleased to report that there were no control recommendations arising from the current year’s audit.

The chair asked members if there were any further question. There were none and members

324 Resolved to note the Key Issues Memorandum

Chair of Audit Committee

b) Audited Financial Statements

The committee considered the report from the Director of Finance, who noted that the report would also be presented to the Finance and Employment Committee on 23th November 2010 at which point the financial content would be considered in more detail, before recommendation to the Corporation Board. Members

325 Resolved that the Audited Financial Statements be recommended for approval to the Corporation Board following the additional review by the Finance and Employment Committee on the 24th November 2010

56.6 Internal Audit 2009 / 10

a) Report 07a - Key Financial Controls

b) Report 07b - Audit Review – Income Collection in Salon and Catering Departments

56.7 Learner Records – High Level Controls - “Mock Audit” - Draft

56.8 Annual Report of the Internal Audit Service 2009 / 10

The above items were not able to be taken as the representative of RSM Tenon had been unable to attend the meeting. Members agreed that a further meeting prior to the Corporation Board on the 7th December 2010 meeting would be convened to take these items. The Clerk would arrange this meeting.

56.9 Audit Findings Monitoring Report

The Vice Principal (Corporate Services) presented this report. She began by saying that it was an unusually long report and that this was due to the range of audits carried out through the year. The Vice Principal highlighted specific audits where there had been significant risks. The first of these were the Curriculum Planning and Monitoring of Performance Audit, The Vice Principal assured members that all actions required to reduce and alleviate risks in this area were being embedded into college systems.

With regard to the Learner Records Audit, (which had been instigated by the college to ensure preparation and readiness for any forthcoming full ILR audit by Skills Funding agency) the Vice principal confirmed that all recommendation made by RSM Tenon had been implemented. It was also noted that RSM Tenon will carry out follow up audits to ensure readiness. The Vice Principal reported that there were no further outstanding issues and members

326 Resolved to note the report

Chair of Audit Committee

56.10 Audit Committee Annual Report 2009 / 10

The Clerk to the Corporation presented the report to the committee. He noted that the report (a former LSC, now SFA requirement) provided a summary of the decisions of both the internal and external auditors for use by the Board when making a decision as to whether or not to approve the Financial Statements. There were no changes recommended by the members.

327 Resolved to note the Audit Committee Annual Report 2009 / 10 and recommend it for presentation to the Corporation and Principal Accounting Officer

56.11 Financial Management and Control Evaluation (FMCE)

The Vice Principal (Corporate Services) presented this report. She began by explaining that last year’s report, submitted to the LSC, had been graded as Good. If, as it was felt by the college’s management, that this year’s report merited an Outstanding grade the full report would have to be resubmitted to the Skills Funding Agency.

The Vice principal explained that, historically, the first report submitted in 07 /08 almost achieved outstanding but was graded as Good due to issues with risk management. The 08/09 report had been graded as good due to the large financial deficit the college held. However, it was felt that as these issues had now been resolved the FMCE should be graded as Outstanding and noted that this result would have a beneficial effect on the college’s assessment under Framework for Excellence. Having noted one very minor change to be made to wording members

328 Resolved to note the Financial Management and Control Evaluation report and recommend it for approval by the Corporation Board with an overall self assessed grading of “Outstanding”

56.12 Risk Management Action Plan 2009 /10 – Final Outcomes

The Vice Principal (Corporate Services) presented the paper. Members discussed the process and agreed that the process is working well and it allows the members to assess how risks are being dealt with. The Vice Principal confirmed that all recommendations from RSM Tenon, in terms of use of the action plan, were being implemented. Members

329 Resolved (i) that the college should continue to use the Plan; and (ii) that future updated Risk Management Action Plans for 2010/ 11 are to be brought to the Audit Committee for Consideration

Chair of Audit Committee

56.13 Risk Management Policy

The Vice Principal (Corporate Services) presented her paper on the Risk Management Policy along with the policy itself noting that the policy was produced following a recommendation from RSM Tenon which had arisen from an internal audit. She also stated that the policy had been approved at a meeting of the Senior Management Team.

The Vice Principal brought forward the point that the Corporation’s responsibilities were highlighted at in the policy at 3.1 and particularly at 3.1.1 where it is stated that the Corporation is tasked with “determining whether the College is ‘risk taking’ or ‘risk averse’ as a whole or on any relevant individual issue.

The Vice Principal stated that during the last 18 months the college could be seen to be ‘risk averse’ because of its deficit , but it may be that college may need to move to being more ‘risk taking’ due to the innovation, e.g. working with potential new partners, required to move forward in the current economic climate.

Discussion followed and points raised included the need for the risk to be assessed on focused issues brought to the Board and consideration of risk against reward in these matters. There was also discussion around point 3.1.2 of the policy, ‘ determining what types of risk are acceptable and which are not’ in that members felt that it should be possible to set threshold of risk for such matters as Financial risk or risk of College reputation.

Following further discussion members about minor amendments to the policy it was

330 Resolved to recommend the Risk Management Policy be taken to the Corporation Board for approval.

56.14 Membership of the Education, Training and Skills College Forum

The Vice Principal (Corporate Services) reported that the college had been invited, following an assessment process, by RSM Tenon to become part of the newly formed group, which included eight other colleges with seven other colleges being assessed for suitability.

The purpose of the group would be to Respond to policy papers, Lobby Ministers, Work together on various initiatives such as Shared Services, College Models/ Federation/ Joint Bidding, Share information/ data (to be coordinated by RSM Tenon) and Support each other.

Members agreed that it was encouraging to see the College being part of the first group to join the forum and

331 Resolved to note the report

56.15 Updated Whistle blowing and Fraud and Corruption Policies

The clerk to the Corporation presented the report commenting that the policies had been brought to the previous audit committee in June but members had felt that the two policies were too similar and that the Clerk should meet with the deputy principal and others to relook at the policies. This had been done and at the meeting it was agreed that the each policy had its own context and that the Clerk would draw up a summary of the various college complaints procedures to show potential users the circumstances in which they should be used. This would be made available on the College website.

Discussion followed during which members agreed that the policies were in fact separate, but a point was raised that the fraud and corruption policy seemed more slanted towards the fraud element with very little about corruption. Mr Toby Wilson, of Grant Thornton, indicated that it would be helpful to include information about the new Bribery Act which came into force in the summer of 2010. The Clerk agreed to do this. Members were in agreement that once the Fraud and Corruption policy had been further updated the policy could be taken to the Corporation for approval. Members

- 332 Resolved (i) that the Updated Whistle blowing policy be recommended to the Corporation Board for approval; and (ii) that the Fraud and Corruption Policy, once it has been updated to include information on the Bribery Act, be recommended to the Corporation Board for approval**

56.16 Updated Terms of Reference for the Audit Committee

The Clerk presented the updated terms of reference noting that they had not been updated since July 2003 and that he was currently in the process of updating the terms of reference for all the Board’s Committees adjusting for recent changes in government funding and audit agencies. Members

- 333 Resolved that the Updated Terms of Reference for the Audit Committee be recommended to the Corporation Board for approval**

56.17 Date and time of next meeting:

Tuesday 8th February 2011 at 8.15am

The meeting closed at 9.45am

Chair of Audit Committee