

Accrington and Rossendale College
Minutes of the Audit Committee
held at 4.00pm on Tuesday 9th February 2010
in the Innovations Room (B)

Present:

Mrs. R Andrews (Chair)
Mrs. L Higham
Mr. T Gill
Mr. S Sugarman

In attendance: Mr. A Armiger: Clerk to the Corporation
Mrs. S Collinge: Vice Principal (Corporate Services)
Mrs. C Jarvis: Director of Finance
Mrs. A Holt: Finance and Systems Improvement Manager
Ms K Musgrave: RSM Tenon Group

54.1 Apologies for Absence

Apologies were received from Mr. M Smallwood, Dr. A-M Coyne and Mr. K Rushton (Grant Thornton).

54.2 Declarations of Interest

There were no declarations of interest

54.3 Minutes of the previous meeting

308 Resolved to approve the minutes of the meeting held on Tuesday 17th November 2009 as being a true and accurate record

54.4 Matters Arising (not on the Agenda)

53.5: There were questions about the current position regarding FRS 17. Mrs. Jarvis said that she had recently met with Barclays Bank in an attempt to get written confirmation about the effect of FRS17 on the current loan with the Bank. Barclays had sent a letter to the college to confirm that FRS17 would be accounted for, but that the bank did not currently see the college as a loan risk. Should the covenants be breached the loan would be renegotiated. Barclays had been asked to provide an estimate of costs for a renegotiated loan so that this could be included in the coming year's financial estimates. Mrs. Collinge noted that it may be worthwhile for the college to engage a new actuary to challenge the current one as, as Mr. Ruston from Grant Thornton noted at the previous meeting on 17th November, the current service costs appear high.

53.8: Mr. Gill asked what progress had been made with performing a piloted sensitivity analysis on a specific area. Mrs. Jarvis replied that it had been decided to present a best and worst case

scenarios against the midyear out-turn forecast with a likelihood risk score attached. Mrs. Jarvis confirmed that she would report back to the Audit committee on the success of its implementation

54.5 Internal Audit Reports

Ms Musgrave of RSM Tenon Group reported on the first five internal audit reports for 2009/10:

(a) 01 Corporate Governance

Ms Musgrave noted that this was an annual report. The report gave a finding of Substantial Assurance with two issues, one being of low risk and another at medium risk. It was noted there had been a change in the Clerk to the Corporation and that the risks identified were being dealt with.

(b) 02 Risk Management

This report showed a finding of Substantial Assurance with only one issue of medium risk. The report was pleasing because the area had only been given a Reasonable Assurance the previous year. It was also apparent from the audit that Risk management was now firmly embedded in the college. There were no concerns raised during this audit.

(c) 03 Personnel and Payroll

This audit produced a report with an overall finding of Substantial Assurance with only two issues of low risk attached. One of these risks relates to the fact that the college uses a payroll company and that the college does not perform any checks on the company's internal control system. Mr. Gill asked whether the company had its own checks. Mrs. Holt replied that certification has been sent by the company as to its control systems.

(d) 04 Curriculum Planning and Modeling

This report came with Reasonable Assurance. It contained four issues, two of which were rated as high, one as medium and one rated as low. With regard to the two issues rated as high, Mrs. Collinge noted that the college was working with the auditors on a consultancy basis to develop the systems required to manage the two areas more effectively. She went on to say that although the college was surprised by the number of issues, all points made during the audit had been useful. Mrs. Jarvis confirmed that all the points raised had or were being dealt with.

(e) 05 Staff Utilisation

After audit this area received a report with a finding of Reasonable Assurance. The report shows 5 issues requiring management attention; one of which has a high risk priority, three having medium risk and one being of low risk. It was reported that the college was happy with the recommendations and was currently actioning and developing the appropriate systems and software to improve this area.

308 Resolved To note the reports

54.6 Internal Audit Progress Report

Ms Musgrave of RSM Tenon Group reported that five of the seven Internal Audits had been completed and reported on. The remaining two reports to be completed in year were Report 06: Key Financial Controls and Report 07: Funding Assurance Review. Ms Musgrave also reported that there had been regular contact between management and audit staff throughout the year and apart from the Personnel, Payroll & Staff Utilisation work being split into two reports there had been no other changes to the original audit plan.

309 Resolved To note the report

54.7 Audit Finding Monitoring Report

Mrs. Collinge presented a summary of the recommendations (medium and high) that had arisen during both internal and external Audits and that have remained outstanding to date. Mrs. Collinge noted that there was one significant item which remained not fully implemented from 2007/08 audits in the area of student records with regard to company health and safety appraisals and that this was being dealt with. All recommendations from audits during 2008/09 had been fully implemented and that progress was being made with recommendations from the current 2009/10 audits.

Mrs. Collinge said that the Monitoring report would become a regular standing item at Curriculum Directors meetings, with particular regard to 09/10 Report 04: Curriculum planning & monitoring to ensure progress was being made on all recommendations.

310 Resolved To note the report

54.8 Procurement Progress Report

Mrs. Holt introduced her annual report to the committee explaining the background to the efforts to make savings in “influenceable” college spend. Any savings made in this way are able to be redeployed into front line services and are not clawed back by the LSC. Mrs. Holt described the savings achieved since March 2008 (£209k), the additional work carried out in tendering processes and collaboration with other local colleges in the NW FE Procurement Consortium. It was reported that, currently, the college was working with the LSC’s NW Procurement Team on reducing exam fees paid (a major expense) alongside other East Lancashire colleges. Mrs. Collinge noted that the college is currently working with Lancaster & Morcambe and Nelson & Colne Colleges to share good practice and create savings. Mrs. Holt went on to describe future developments within the procurement area such as creating preferred supplier lists, review of postal services, improved use of e-technology and exploration of further collaboration opportunities. Mr Gill asked where future Efficiency Measurement Reports would be sent. Mrs. Holt replied that the current LSC procurement team would be transferring to the AoC and they would receive the reports within that organisation

311 Resolved To note the report

54.9 Home Office Audit of Citizenship Project

Mrs. Jarvis presented her report on the recently received Home Office Audit of the College's Citizenship Project. Mrs. Jarvis noted that the project took place between December 2007 and December 2008, but an audit of the project had not been carried out until the autumn term of 2009. Amongst the Key findings was that "the financial management of the project was carried out in an acceptable manner, and in compliance with the requirements of the contract". There was one major issue of note being an audit adjustment of £17,700. Mrs. Jarvis explained the complicated reason for this adjustment which was to do with use of student fees to match fund the project which had not been identified in the original bid and had not been picked up on in an interim audit. Mr. Gill asked why this had not been picked up. Mrs. Jarvis explained that the Home office recognized that they had been told about the issue and were sympathetic but the auditors were not.

Mrs. Jarvis went on to explain a list of actions that had been taken to prevent a similar situation arising in future project bidding and also that an appeal will be made to the Home office to overturn the audit adjustment. However, in the meantime the financial outturn forecast will include an assumption of maximum clawback.

312 Resolved To note the report

54.10 Risk Management Plan – Monitoring Plan

Mrs. Collinge presented the mid- year monitoring report which was the level 2 plan developed from the level 3 plans, used at directorate level and presented to the Senior Management Team meeting in early February noting also that the level 2 plan is reviewed by the Principalship. She went on to say that currently there are no further actions required as there were no risks identified that required inclusion in this level 2 plan. Mr. Gill stated that he thought the document was actually better than he thought it would be but asked if the Risk Management Plan is seen as a burden or as a useful tool. Mrs. Jarvis replied that, as an SMT member, she found the process and the resulting documentation a very useful tool. Ms Musgrave commented that documentation could provide a sense of comfort that the process of dealing with risk is embedded across the college.

313 Resolved To note the report

54.11 Any Other Urgent Business

Ms Musgrave spoke to the committee about the recent merger, on 30th December 2009, of RSM Bentley Jennison and Tenon Group to become RSM Tenon. She advised the committee that there would be no change with regard to the work carried out with the college other than the branding of reports, letters etc.

54.12 Date and Time of Next Meeting

8th June 2010 at 4.00pm