

Chichester College

Minutes of the Meeting of the Audit Committee
held on Wednesday 11 June 2008

Present:

Mr D A Grove (Chairman)
Mr A Dunlop Mr J A McLean

In attendance:

Mr D C Smith, Clerk to the Governing body
Mrs S J Legrave, Chief Financial Officer
Dr R N Parker, Principal
Ms T Thorne, Hampshire Audit Services
Miss J Turrell, Senior Administrator

APOLOGIES

100. Apologies for absence were received from Mr Macmillan and Mrs Roberts.

MINUTES

101. The Minutes of the Meeting of the Committee held on 5 March 2008 were taken as a correct record and signed by the Chairman.

MATTERS ARISING

102. The Committee received and noted a schedule outlining responses to action points from the Minutes of the previous Meeting of the Committee.

(Copy attached at APPENDIX 1 to the Minute Book copy)

ANNUAL REVIEW OF CLERKING ARRANGEMENTS

103. The Committee was reminded that the Audit Code of Practice suggested that while the Clerk to the Governing Body should act as Clerk to the Audit Committee another person should act in this capacity where the Clerk was a senior manager or had significant

financial responsibility. This was intended to protect the independence and objectivity of the Audit Committee. As the Clerk also held a senior management position the Committee reviewed this issue annually. In considering the situation the Committee agreed that nothing had happened during the year to make them change their opinion with regard to the current clerking arrangements. Mr Smith stated that the issue had been raised in the recent PFA Audit Inspection and the auditors were reassured that all financial matters were the responsibility of the Chief Financial Officer. Upon consideration it was

Resolved:

That the Committee considers it appropriate for the Clerk to the Governing Body to continue to Clerk the Audit Committee whilst also holding a senior managerial position as Vice-Principal (Corporate Services).

RE-APPOINTMENT OF INTERNAL AUDITORS

104. Mrs Legrave confirmed that Hampshire Audit Services Ltd had been re-appointed for three years commencing 2007-08 with the possibility of extending the contract by an additional two years. She stated that the contract and price was as presented to the selection panel on 25 March. In response to Mr Grove, Ms Thorne provided reassurance that there would be a rotation of audit staff and Ms Foster would initially manage the contract on a day to day basis. On behalf of Hampshire Audit Services, Ms Thorne thanked the College for their reappointment.

INTERNAL AUDIT REPORT FOR MARCH 2008

105. The Committee received for consideration the internal audit report from Hampshire Audit Services following their March review.

(Copy attached at APPENDIX 2 to the Minute Book copy)

106. Ms Thorne stated that the audit included a review of the areas of financial planning, childcare and the major capital project. The Audit had concluded that appropriate frameworks of control were operating in all areas with only some minor recommendations for improvement.
107. With regard to financial planning, Ms Thorne stated that robust systems of control were in place and a clean audit had been given. In response to Mr Dunlop, Ms Thorne stated that no opportunities for value for money were identified but that was not to say that they did not exist. She stated that value for money opportunities were not

specifically looked at but were considered in every audit. Mrs Legrave stated that the College's value for money group explored financial savings and targets were in place following a recent Tribal Benchmarking exercise.

108. In response to Mr Grove, Ms Thorne stated that she believed the College's financial systems were robust enough to deal with the increased pressure they would experience over the next few years. In response to comments from Mr Grove regarding central and programme area control, Ms Thorne stated that budgets were delegated to budget managers, were effectively monitored at a central level and that the controls were robust.
109. In response to Mr Grove regarding financial variances, Mrs Legrave stated that a report on overspends was produced each month. She stated that over-runs on staffing costs tended to occur in curriculum areas due to sickness or unexpected increases in student numbers. Mrs Legrave stated that the overspend on non-pay costs were generally attributed to the effect of the economy.
110. Ms Thorne stated that the audit of childcare had covered the systems in the College nurseries including the new nursery at Selsey. She stated that the audit had looked at all processes and checked to ensure systems in remote locations were operating in line with the central location. She stated that a clean audit had been given with four minor recommendations.
111. Ms Thorne stated that this had been the first audit of the capital build and she expected it to feature in most audit visits in future years. She stated that the PFA team had commented that it was content with how the project was managed and that the audit had concluded that appropriate controls were in place. Ms Thorne stated that it was important that the controls in place for the project were continually monitored and reviewed. Upon consideration it was

Resolved:

- (i) *That the internal audit report from Hampshire Audit Services on the outcome of the March 2008 visit, as set out in APPENDIX 2, be adopted subject to re-wording to clarify that Value for Money was not looked at as a separate audit and*
- (ii) *That the Executive Summary be presented to the Governing Body.*

INTERNAL AUDIT REPORT FOR MAY 2008

112. The Committee received for consideration the draft internal audit report from Hampshire Audit Services following their May review.

(Copy attached at APPENDIX 3 to the Minute Book copy)

113. Ms Thorne stated that some minor alterations had been made to the draft report but its content remained the same. She stated that the audit had been predominantly finance based and had covered the areas of debtors, cash income and learner number systems. The Audit had concluded that appropriate frameworks of control were operating in all areas with only some minor recommendations for improvement.
114. Ms Thorne stated that debt control had improved significantly and no recommendations had been made. Mr Grove congratulated the College on its achievements in this area over the last few years although he suggested that payments might become more difficult in the current economic climate. In response to Mr Dunlop, Mrs Legrave stated that the small amount of debt that couldn't be collected was written off. Ms Thorne stated that the levels of outstanding debt were small for the size of the College and that she was content that the controls over debts were appropriate and operating effectively.
115. With regard to cash income, Mrs Thorne stated that the audit had looked at this topic from a central point of view. She stated that there had been issues with cash income in the past but the College had worked hard to ensure compliance with the controls and there were no issues to raise.
116. With regard to the audit of learner number systems, Ms Thorne stated that a clean opinion had been given and that the previous issues regarding the interface between the student record and finance systems had been resolved.
117. Referring to follow up work, Ms Thorne stated that she was content that the College had carried out and acted on all recommendations made in previous Audits. She stated that health and safety had been looked at as part of a follow up Audit and there were no issues to report.
118. In response to Mr Grove regarding the Freedom of Information Act (FOI), Mr Smith stated that the College maintained a register of FOI requests and only three had been received since the introduction of the Act. Mr Smith stated that his main concern was that individuals relying on the Act did not have to state this when making requests for information. To try and resolve this the website requested that all requests for information under the Act should be directed to his office. Upon consideration it was

Resolved:

That the internal audit report from Hampshire Audit Services on the outcome of the May 2008 visit, as set out in APPENDIX 3, be adopted and that the Executive Summary be presented to the Governing Body.

OUTSTANDING ITEMS

119. It was noted that there were no outstanding items from previous audit reports.

DRAFT STRATEGIC INTERNAL AUDIT PLAN 2008-12

120. The Committee received for consideration the draft strategic internal audit plan for 2008-12.

(Copy attached at APPENDIX 4 to the Minute Book copy)

121. Ms Thorne stated that the draft strategic internal audit plan had been developed in consultation with Mrs Legrave. She stated that the number of audit days for 2009-10 onwards might change when the plan was reviewed next year.
122. Ms Thorne stated that five days a year had been built in to the plan to look at the Capital Project. She suggested that the number of days focusing on the Capital project might need to be increased as the project developed. In response to comments from Mr Grove, Mrs Legrave stated that the current partnerships the College had were franchise operations which were small. Partnerships might develop significantly in the future through the expansion of Train to Gain.
123. In response to Mr Dunlop, Ms Thorne confirmed that the audit charge per day would be inflated each year by the July RPI figure. She confirmed that the College would only be charged for what was included in the audit plan whether or not the work was completed within the number of days specified. Upon consideration it was

Resolved to Recommend:

That the draft Strategic Internal Audit Plan for 2008-12 incorporating the Annual Internal Audit Plan for 2008-09, as set out at APPENDIX 4, be adopted.

PFA REVIEW OF FINANCIAL MANAGEMENT AND GOVERNANCE

124. The Committee received for information a report by the LSC following a Provider Financial Assurance (PFA) review of the financial management and governance frameworks of the College.

(Copy attached at APPENDIX 5 to the Minute Book copy)

125. Mrs Legrave stated that the LSCs PFA team had reviewed the financial management and governance of the College and awarded a grade of outstanding. She stated that the only recommendations in the report related to financial matters and would be considered by the Finance & General Purposes Committee.

RISK MANAGEMENT

a) Risk Register & Action Plan

126. The Committee received for information a copy of the risk register and risk management action plan.

(Copy attached at APPENDICES 6 & 7 to the Minute Book copy)

127. Mrs Legrave highlighted the key changes to the risk register since the last meeting of the Committee. These included increasing the risk score of a change in Government policy having a significant financial impact due to machinery of Government changes and reducing the risk of a failure in Every Child Matters in response to it receiving a good grade in the recent Ofsted inspection. Mrs Legrave stated that she would discuss with Mr Farman the scoring for the risk of a failure in strategic governance and report back to the Committee. Mrs Legrave stated that the disaster recovery plan had recently been tested and it had proved to be a useful exercise.
128. In response to Mr McLean, Dr Parker stated that although exchange rate fluctuations and travel costs were risks to international student recruitment, other issues such as securing visas tended to have a larger effect.
129. In response to comments from Mr Grove regarding the risk of not gaining approval for the Capital Project, Dr Parker stated that the College was in a constant dialogue with the LSC and this close communication should ensure that any difficulties were resolved before the AiP was submitted for final approval. Mr Smith stated that a larger risk would be the project not being approved at its current figure but the College still expected a capital build to be approved at a significant level. Upon consideration it was

Resolved:

- (i) *That the revised Risk Register, as set out at APPENDIX 6 be adopted and*
- (ii) *That the revised Risk Management Action Plan, as set out at APPENDIX 7, be adopted.*

b) Significant Risks

- 130. Dr Parker reported on the actions being taken to reduce the risk of a change in Government policy and/or change of funding methodology having a significant financial impact on the College. He stated that changes to the machinery of government and funding meant that a split in 16-18 and 19+ funding would take effect from 2010. He stated that there would be a phased approach to this but it would have an effect on the College with the College's budget for 2008-09 already split between 16-18, 19+ and employer responsiveness.
- 131. Dr Parker stated that budgets would need to be managed carefully and the College had strategies for each of the three funding streams. He stated that the College was working closely with the local authority as 16-18 funding would be received via it. Different terms and conditions based on out-turn had been developed for staff engaged in employer responsiveness work.
- 132. Dr Parker stated that the College had clear LSC and non-LSC targets and was trying to reduce its dependency on LSC funding. He stated that the College had a clear financial strategy to achieve a 5% annual surplus and it was on target to achieve close to that this year. Dr Parker stated that tight controls were in place to ensure that each curriculum area was managing its costs to a maximum of 55% of income.

VALUE FOR MONEY

- 133. Mrs Legrave stated that a three month consultation with staff on efficiency savings would be completed at the end of the week and would result in 28 staff being made redundant, 15 of whom would be compulsory redundancies. She stated that the £1m in savings had been identified but redundancy costs were thought to be between £200k and £300k, most of which were pension costs. Mrs Legrave stated that she was responsible for authorising the filling of staff vacancies.
- 134. Referring to non-pay costs, Mrs Legrave stated that a review of postage costs was being undertaken by FE Sussex. An agreement with Edexcel had been reached to secure savings in examination and

registration fees. Mrs Legrave stated that it was hoped that the new College website could be used to reduce recruitment advertising costs.

EFFECTIVENESS OF THE COMMITTEE

135. The Committee received for information a self assessment template to assist with the process of reviewing its effectiveness during the 2007-08 academic year.

(Copy attached at APPENDIX 8 to the Minute Book copy)

136. Miss Turrell stated that it had been agreed at last year's meeting of Chairs that standing committees should review their own performance on an annual basis and the results of the exercise would be considered by the Governance Committee in the Autumn term.
137. Mr Grove raised some concern as to whether the Committee had a sufficient number of members. Mr Grove stated that he was grateful to Mr Dunlop and Mr McLean for the skills they brought to the Committee. Mr Smith confirmed that the external members of the Committee were permitted to Chair meetings of the Committee but would need to be invited to attend the following Corporation meeting to report matters considered at the meeting. Mr Grove asked that the Governance Committee give further consideration to whether the membership of the Committee should be extended.
138. With regard to training needs, Mr Dunlop stated that working with government type organisations was new to him. Mr Smith stated that external governors were welcome to be included in the Governor Link programme if they wished to develop an insight into a particular College area and suggested that Mr Dunlop should contact him with any queries he had relating to his role.
139. The Committee felt that it operated well and that information it received was sufficiently detailed. The Committee was content that it had carried out its duties under its Terms of Reference established by the LSC.

CALENDAR OF MEETINGS 2009

140. It was:

Resolved:

That the following calendar of meetings for the Audit Committee for 2009 be adopted:

*Wednesday 4 March at 9.30am
Wednesday 10 June at 9.30am
Monday 23 November at 9.30am*

DATE OF NEXT MEETING

141. It was noted that the next meeting of the Committee would be held on Monday 24 November 2008 at 9.30am.

ANY OTHER BUSINESS

Audit Planning Memorandum

142. The Committee received for consideration the External Audit Planning Memorandum from Tenon Audit Ltd for the year ended 31 July 2008.

(Copy attached at APPENDIX 9 to the Minute Book copy)

143. Mrs Legrave stated that the Audit Planning Memorandum was a standard document produced each year. She stated that the external audit was scheduled to take place in the first week of October. Upon consideration it was

Resolved:

That the External Audit Planning Memorandum for the year ended 31 July 2008, as set out at APPENDIX 9, be adopted.

REVIEW OF THE BUSINESS OF THE MEETING

144. Mr Grove invited Governors to consider whether any items of business discussed at the meeting might have been dealt with in a different or more appropriate fashion. He asked that Governors contact Mr Smith or Miss Turrell with any thoughts they had on this issue.

CONFIDENTIAL BUSINESS

145. It was

Resolved:

That, in view of the confidential nature of the business to be dealt with, the Minutes for the remainder of the meeting be recorded on a confidential basis and remain so unless and until they become public in the ordinary course of the Corporation's business.