

# Chichester College

## Minutes of the Meeting of the Audit Committee held on Monday 24th November 2008

### Present:

Mr David Grove (Chairman)

Mr Andrew Dunlop    Mr Alastair McLean  
Dr John Jarvis        Mrs Jayne Roberts

### In Attendance:

Mr David Smith, Clerk to the Governing body  
Mrs Jenny Brooker, Deputy Clerk  
Mr Ray Cushnie, Head of Finance  
Ms Liz Foster, Hampshire Audit Services  
Mrs Kirsty Hornsey, Health & Safety Officer  
Mrs Shelagh Legrave, Chief Financial Officer  
Mr Chris Mantel, Tenon Audit Limited  
Dr Richard Parker, Principal

### **APOLOGIES FOR ABSENCE**

1. An apology for absence was received from Robin Macmillan.

### **WELCOME**

2. David Grove stated that membership of the Committee had been increased following the review of its effectiveness. John Jarvis had been appointed to the Committee and was welcomed to his first meeting.

### **CHAIRMAN 2008-09**

2. On the nomination of John Jarvis, seconded by Jayne Roberts it was:

#### **Resolved**

*That David Grove be appointed as Chairman of the Committee for the period 2008-09.*

## VICE-CHAIRMAN 2008-09

3. On the nomination of John Jarvis, seconded by Jayne Roberts it was:

**Resolved**

*That Robin Macmillan be appointed as Vice-Chairman of the Committee for the period 2008-09.*

## TENON AUDIT LIMITED MANAGEMENT REPORT 2007-08

4. The Committee received for consideration the draft Management Report on the financial statements provided by the Corporation's external auditors, Tenon Audit Limited.

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

5. Chris Mantel provided a summary of the report and stated that an unqualified regularity audit had been given with no significant issues to bring to the Governing Body's attention. The level of materiality for making adjustments to the financial statements was set at £370,000.
6. Chris stated that one of the implications of the Capital project was a reduced economical life of some of the College's assets. The LSC required that the value of buildings to be demolished had to be written down and this was reflected in the accounts. The impact of the provisions of FRS17 in respect of increasing pension contributions in future years was discussed. In response to a question from Alastair McLean, Chris Mantel confirmed that he would include a note in the Management Report outlining the basis upon which Group relief was provided between the College and its subsidiary companies. In response to further questions from Alastair, Shelagh Legrave stated that she would verify the calculations on which the leases for premises in Terminus Road were being written down and amend the accounts if necessary. After further discussion it was

**Resolved:**

*That, on the basis of the opinion offered by the Corporation's external auditors, Tenon Audit Limited, the Governing Body be informed that there are no material points arising from their audit which need to be brought to the attention of the Governing Body in adopting the accounts for 2007-08.*

## STATUTORY ACCOUNTS 2007-08

7. The Committee received for consideration the statutory accounts for the College and its Subsidiary Companies for 2007-08.

(Copies attached at APPENDICES 2-5 to the Minute Book copy)

8. Shelagh stated that a surplus of £1.051m had been achieved which was less than the original budget but in excess of the £1.035m set in the revised forecast in January. Shelagh provided details of adjustments made to the accounts, the largest of which was the impairment adjustment of £561k in respect of buildings to be demolished as part of the capital programme.
9. The Committee noted that income had increased by 9.6% on the previous year and this was partly attributed to income from International Operations and an ESF contract. Richard Parker stated that the College's success in bidding for contracts had reduced its dependency on LSC grant funding. Expenditure had increased by 5.8% and both pay and non-pay costs had been tightly controlled. Shelagh advised that 27 posts had been made redundant and further efficiency gains had been made.
10. Shelagh indicated that debtors had increased but this was attributed to a delay in the payment for a United Arab Emirates contract. Ray Cushnie stated that it was hoped that the implementation of a new finance system would reduce the time taken to pay invoices from 41 days toward the target of 30 days set by Treasury. In response to Andrew Dunlop, Chris Mantel stated that the accounting policy wording was based on wording provided by the LSC.
11. The Committee discussed the depreciation of College buildings. Chris Mantel advised that including the impairment adjustment at this time provided the opportunity for the College to capitalise the professional fees associated with the capital programme. Shelagh confirmed that the Capital Project was estimated to be £173m inclusive of building inflation costs.
12. Referring to the subsidiary companies, Shelagh stated that Anglia Examinations Syndicate had increased its surplus by £10,000; Chichester College Contracting Limited had ceased trading and would now be closed; Chichester College Services Limited had increased its surplus significantly due to income generated by the nursery. Shelagh confirmed that Chichester College Resources Limited had been de-registered. After further discussion it was

**Resolved:**

*That the Audit Committee has no particular comment to make on the consolidated accounts for the year to 31 July 2008 or on the accounts for the three subsidiary companies for the same period.*

[Chris Mantel left the meeting at this point].

**DRAFT INTERNAL AUDIT REPORT 2007-08**

13. The Committee received for consideration a copy of the draft Internal Audit Annual Report for 2007-08.

(Copy attached at APPENDIX 6 to the Minute Book copy)

14. Liz Foster stated that 58.5 audit days had been used. All of the 15 business areas reviewed had been found to have a complete framework of control in place with appropriate risk management, control and governance processes. The Committee was advised that the report would be submitted to the LSC and it was

**Resolved:**

*That the Internal Audit Report from Hampshire Audit Services for 2007-08, as set out at APPENDIX 6, be adopted.*

**ANALYSIS OF INTERNAL AUDIT FINDINGS 2007-08**

15. The Committee received for information a report analysing the internal audit findings for 2007-08.

(Copy attached at APPENDIX 7 to the Minute Book copy)

16. Liz Foster stated that there had been no significant recommendations and only 10 recommendations made during 2007-08. The Committee agreed that the report was useful in examining trends.

**INTERNAL AUDIT REPORT FOR OCTOBER 2008**

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

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

18. Liz Foster stated that the five areas covered in the audit were all found to have an appropriate framework of control in place to manage the risks identified. The controls were operating in practice and there were no significant issues to report. In response to David Grove, Liz Foster stated that the review of risk management had not identified any new risks and that new risks were more likely to be identified in the audit of operational areas.
19. Shelagh confirmed that additional controls had been put in place to ensure the computer accounts of leavers were closed. In response to Andrew Dunlop, Shelagh stated that staff could access the College computer system from home which limited the need to carry data with them with the risks this entailed. Staff were reminded that information stored on laptops should not be of a confidential nature. Richard confirmed that procedures would be developed in response to recommendations regarding income collection in the library. After further discussion it was

**Resolved:**

- (i) That the internal audit report from Hampshire Audit Services on the outcome of the October 2008 visit, as set out in APPENDIX 8, be adopted and that the Executive Summary be presented to the Governing Body;*
- (ii) That the internal audit report on Governance and Management be submitted to the Governance & Search Committee for information and*
- (iii) That consideration be given to shredding credit card receipts once the credit card statement is reconciled.*

**OUTSTANDING ITEMS**

20. David Smith reported that he had undertaken a review of all outstanding items indicated in the internal audit reports over the past year. Only one action had not been completed. This related to the management of cash by the nursery at Selsey. Parents preferred to pay by cash rather than direct debit and the maximum amount of money held at any one time by the nursery was £1,000. After discussion it was

**Resolved:**

*That consideration be given to improving the mechanism by which cash is banked from the College nursery at Selsey.*

## DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE 2007-08

21. The Committee received for consideration the draft Annual Report of the Audit Committee for 2007-08.

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

22. It was noted that the report highlighted the major areas of activity of both the internal and external audit services over the past year, the reappointment of Hampshire Audit Services as the Corporation's internal auditors and the introduction of a scheme which linked Governors to areas of risk. Upon consideration it was

**Resolved to Recommend:**

*That the draft Annual Report of the Audit Committee, as set out at APPENDIX 9, be adopted.*

## PERFORMANCE MEASURES 2008

23. The Committee received for consideration tables which set out proposed performance grades for the services provided by the internal and external auditors.

(Copies attached at APPENDIX 10 & 11 to the Minute Book copy)

24. Shelagh Legrave stated that the excellent level and quality of the service provided by both the internal and external auditors had been maintained and she proposed that an overall performance grade of one was given for both services.
25. With regard to the external audit service, a proposed grade of two was recommended for continuity of staff as none of the personnel that carried out the 2007-08 external audit had been involved in previous ones at the College. In response to comments from Andrew Dunlop, Shelagh suggested that the absence of minor points in the external auditor's management letter was partly because they were significantly below the level of materiality. In addition the Finance Team worked hard to ensure that minor points were dealt with effectively. Upon consideration it was

**Resolved:**

- (i) *That the suggested grades for the services provided by the internal and external auditors as set out at APPENDIX 10 & 11, be adopted;*
- (ii) *That an overall performance grade of 1 be given to both internal and external audit services and*

*(iii) That Tenon Audit Limited by advised that the Committee feel it important that there should be continuity in terms of the team leader of the audit team wherever possible.*

#### **MEMBERSHIP OF THE AUDIT COMMITTEE 2008-09**

26. The membership of the Audit Committee for 2008-09 was noted as follows:

Mr David Grove	Mrs Jayne Roberts
Dr John Jarvis	Mr Andrew Dunlop (External)
Mr Robin Macmillan	Mr Alastair McLean (External)

#### **MINUTES**

27. The Minutes of the Meeting of the Committee held on 11 June 2008 were taken as a correct record and signed by the Chairman.

#### **MATTERS ARISING**

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

(Copy attached at APPENDIX 12 to the Minute Book copy)

#### **Minute 105: Internal Audit Report for March 2008 Visit**

29. Shelagh Legrave stated that she had spoken to Hampshire Audit Services regarding the wording of the reference to Value for Money but had not asked that the March 2008 audit report be re-presented.

#### **FRAMEWORK MANAGEMENT AND CONTROL EVALUATION (FMCE)**

30. The Committee received for consideration a report on the College's self assessment of its financial management and control against the framework.

(Copy attached at APPENDIX 13 to the Minute Book copy)

31. Shelagh Legrave stated that the FMCE was part of the Framework for Excellence and required the College to make a self assessment of its financial management and control arrangements. The Committee agreed that it was difficult to score each aspect of the FMCE as there

was no definition as to what was required to make 'good' or 'outstanding' judgements. Liz Foster stated that other Colleges were experiencing the same problem when completing the document. Shelagh stated that the College's responses were evidence based and took into account the content of the SARQ, the External Auditors' Management Letter and Internal Audit Reports. After further discussion it was

**Resolved:**

*That the Committee approve the FMCE schedule and proposed grade of 'Outstanding' and that the report be submitted to the LSC.*

(Kirsty Hornsey arrived at the meeting)

**VALUE FOR MONEY**

32. The Committee received for information the annual report of the Value for Money Committee.

(Copy attached at APPENDIX 14 to the Minute Book copy)

33. Shelagh Legrave stated that there has been a focus on reducing staffing costs but non-pay costs had also been controlled and were lower than the prior year. A procurement officer had been appointed and had identified some potential savings. Shelagh stated that the College had good procurement networks through FE Sussex and Crescent Purchasing Consortium. The College's insurance contract was due to end in 2009 and tenders would be sought. Upon consideration it was

**Resolved:**

- (i) *That the annual report on Value for Money be provided in future at the Summer term meeting of the Committee and*
- (ii) *That an update on savings identified by the procurement officer be reported to the Committee at their summer term meeting this academic year.*

**RISK MANAGEMENT**

34. The Committee received for information the Annual Report of the Risk Management Group, the latest version of the Risk Register and the Risk Management Action Plan.

(Copies attached at APPENDIX 15- 17 to the Minute Book copy)

35. Shelagh reminded the Committee that a failure in Strategic Governance had been added as a risk but she was unsure of what score should be associated with this. The Committee agreed that the impact of the Governing Body and Senior Management Team not striving for greater performance and losing their vision would be large but the current likelihood of this was low. After further discussion it was

**Resolved:**

*That the Committee give further consideration to the score for the risk of a failure in Strategic Governance and develop early warning indicators for the risk.*

36. Shelagh reported that the risk of damage to the reputation of the College had been increased as the College's reputation would be affected if it failed in its capital project bid. Risks had been allocated to Governors and meetings would now be arranged between Governors and risk owners to discuss the controls in place to mitigate risks. A walkthrough test of the disaster recovery plan had taken place with no significant issues to report. After further discussion it was

**Resolved to Recommend:**

*That the revised Risk Register, together with the Risk Management Action Plan, as set out at APPENDIX 16 & 17, be adopted.*

## HEALTH AND SAFETY STATISTICS

37. The Committee received for information a copy of the Health and Safety Statistics for 2007-08.

(Copy attached at APPENDIX 18 to the Minute Book copy)

38. Kirsty Hornsey stated that the number of reportable incidents had increased by three to seven although none of these had been followed up by the HSE. The reportable incidents set out in the report omitted an incident regarding a visitor to the College and should be increased to seven.
39. An increase in the number of non-reportable incidents was attributed to the improved reporting mechanisms. With reference to animal related injuries, Kirsty confirmed that all staff employed in certain roles had to be vaccinated. Students were strongly advised to be vaccinated. Kirsty stated that the number of incidents was

comparatively low and agreed to include benchmark data in next year's report. Upon consideration it was

**Resolved**

*That the Health and Safety Statistics Report for 2007-08, as set out at APPENDIX 18, be noted.*

(Kirsty Hornsey left the meeting)

**TERMS OF REFERENCE**

40. The Committee received for consideration a report which proposed alterations to the Terms of Reference of the Committee and a schedule of items considered by the Committee over the past two years.

(Copy attached at APPENDIX 19 to the Minute Book copy)

41. Subject to the addition of the review of the annual insurance claims report being included within the Terms of Reference it was

**Resolved to Recommend:**

*That the Terms of Reference of the Audit Committee, as set out at APPENDIX 19, be adopted.*

42. The implications of the Corporate Manslaughter Act were discussed and it was

**Resolved:**

*That the Risk Management Group consider the implications of the Corporate Manslaughter Act and the contents of the leadership check list associated with the Act at its next meeting.*

**ANNUAL BUSINESS PLAN**

43. The Committee received and noted the annual plan of business for the Committee.

(Copy attached at APPENDIX 20 to the Minute Book copy)

**DATE OF NEXT MEETING**

44. It was noted that the next meeting of the Committee, would be held on Wednesday 4 March 2009 at 9.30am.

**REVIEW OF THE BUSINESS OF THE MEETING**

45. David 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. Members were content with how all items had been dealt with.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date