



Minutes of the Audit Committee Meeting

held 3 November 2009

Present: Andrew Hanson (*Vice Chair*), Liane Purnell, Alan Taylor

In attendance: Keith Bate (*Principal*)
Jacquie Carman (*Director of Finance and Administration*)
Paul Oxtoby (*Baker Tilly*)
Timothy Shaw (*observer*)
Jennifer Sunter (*Clerk*)

1 Apologies

There were none.

2 Declarations of Interest

Liane Purnell declared her standing interest in relation to partnership working arrangements between Halesowen College and Newman University College.

3 Minutes of Meetings held 29 September 2009 and Matters Arising

The minutes of the meeting held 29 September 2009 were approved as a correct record.

There were no matters arising.

4 Halesowen College Audit Findings Report for Year Ended 31 July 2009

With reference to the Audit Plan and Key Risks, Paul Oxtoby presented a clean report with no substantial issues.

In commenting on the findings Paul Oxtoby drew attention to a number of points including the College operating surplus (prior to subtraction of pension charges and professional fees not capitalised in respect of Block 0 developments) and funding with no indication of potential clawback from the Learning and Skills Council.

Paul Oxtoby further referred to the regularity audit opinions with no issues.

There were no internal control issues and two presentation points only in relation to adjusted or unadjusted misstatements of which there were none.

The statement of audit independence was noted in addition to the audit of the financial statements and draft letters of representation for Halesowen College and Halesowen College Enterprises Ltd to be signed.

Paul Oxtoby outlined for members sector emerging issues. Colleges needed to think laterally on how to move accommodation needs forward. Colleges as going concerns could also become an issue across the sector as a result of financial problems arising from capital schemes. College mergers could again be under consideration. Members also noted that the audit methodology would change slightly with potential for funding clawback being reintroduced.

Alan Taylor asked about the transfer of Learning and Skills Council staff to Local Authorities under the Machinery of Government changes. Members discussed staff and funding arrangements, in particular the central administration budget.

Timothy Shaw asked if the national political position was being monitored. Keith Bate responded that national party positions were being tracked through manifestos, white papers and attendance at the AoC National Conference and that this remained an identified risk.

The Audit Committee resolved to recommend to Corporation the acceptance of the Baker Tilly Audit Findings year ended 31 July 2009, noting the opinion that a thorough and robust audit had been carried out, that reliance was placed on the work of the internal auditors and that there were no areas of internal control or weakness to be formally reported to the Audit Committee arising from the audit work.

5 Annual Members Report and Financial Statements 2008/2009

Jacque Carman presented the accounts as at 31 July 2009 noting the financial headlines, including performance against target with an operating surplus of £932,000, prior to a transfer of £375,000 into the designated capital reserve. Jacque Carman outlined the detail of income, pay expenditure and liquidity and noted the difference from previous years in investment and deposit accounting lines which reflected the better rates received from deposit accounts rather than the money market.

Jacque Carman reported on the Annual Members Report covering operational and financial review inclusive of financial performance, student numbers and performance against contract. Members considered the inclusion of the principal risks and uncertainties with funding under new arrangements being the largest risk.

Members noted the requirement of the Chair's signature on the Annual Members Report on behalf of the Corporation

Members further considered the content of the Corporate Governance Statement including the role of the Audit Committee and noted the requirement of the Chair's and Principal's signatures on behalf of the Corporation.

The Audit Committee resolved to recommend to Corporation the approval of the Annual members Report and Financial Statements 2008/2009 (including the additional disclosure) and that the Statement of Corporate Governance and Internal Control be signed by the Chair and the Principal.

6 Halesowen College Enterprises Ltd Directors Report and Financial Statements 2008/2009

Jacque Carman presented the company accounts as at 31 July 2009 noting their consolidation within the College accounts as a wholly owned company. The company covered costs with no cross subsidy from the College. £21,597 of profit was achieved and though lower than the previous year was in line with the budget forecast and was covenanted to The Halesowen Foundation.

The Audit Committee resolved to recommend to Corporation the approval of the Halesowen College Enterprises Directors Report and Financial Statements 2008/2009.

7 Audit Committee Annual Report 2008/2009

The Clerk outlined the content of the Committee's report for the Corporation and the Principal including reference to the work of the internal and external audit services.

Members were satisfied with the content of the report and the opinion therein.

Members resolved to recommend to Corporation the Audit Committee Annual Report 2008/2009.

8 Progress on Internal Audit Action Plans

Jacque Carman reported on progress made against audit action plans.

Under Pensions Review 1 it was noted that actions on policy and procedure for management of pensions and inclusion of contact information on the College intranet site for staff were being addressed.

Under Contract Management Review 2 it was noted that the cleaning company were providing and the catering company would be providing requested reports.

Under PFA Funding Pilot Review 5 the Learning and Skills Council had confirmed that the College methodology for calculating costs for Adult Learner Support was acceptable.

The Audit Committee resolved to receive the progress report on Internal Audit Action Plans and authorised the removal of closed items from the list.

9 Performance Indicators Internal Audit Service

Jacque Carman presented a very positive report where all internal audit performance indicators had been complied with. The indicators remained relevant based on a code of practice therefore there were no proposed changes for 2009/2010.

The report was received and the Performance Indicators for the Internal Audit Service provision for 2009/2010 were approved.

10 Audit of Pension Contributions

Jacque Carman reported that Baker Tilly had conducted their annual audit of pension contributions covering the previous tax year period with no resulting issues.

Jacque Carman reported on the significant changes to the Local Government Pension Scheme as introduced in 2008 and that further revision to employer contributions were proposed, raising concerns that increased rates could be prohibitive.

Paul Oxtoby noted that administration of the scheme would probably change over the following five years.

The Audit Committee noted the work conducted by Baker Tilly on the Teachers Pension Scheme (TPA) and the Local Government Pension Scheme returns 2008/2009.

11 Risk Management Annual Report

Jacque Carman presented the report giving an overall summary of the College's approach to risk.

In addition to the review of risk and the establishment of risk appetite the disaster management plan was revised and systems thoroughly tested with both a desktop exercise and the real event of a broken water pipe.

Risks in relation to the financial/banking crisis and those scoring twelve or above were emphasised. The change of the College approach to treasury management to manage risk was noted.

Jacque Carman noted that risks outside the appetite remained similar for 2009/2010 and that additional risks were also identified. Members further discussed the process of scoring risks.

The Audit Committee resolved to recommend to Corporation the Risk Management Annual Report 2008/2009.

12 RSM Bentley Jennison Thematic Review of Risk

Louise Tweedie presented the results of the thematic review noting that a further report would be provided in due course mapping the College position against sector trends.

Alan Taylor asked for more information on those Corporations that monitor risk monthly. Louise Tweedie responded that this related to those Corporations operating a structure where there were statutory committees only or colleges in financial difficulty.

The report was received.

13 Financial Management and Control Evaluation

Jacque Carman presented the self assessment questionnaire which had been fully completed in its revised format, noting the inclusion of an opportunity to summarise strengths and weaknesses at the end of each designated section.

Grade 1 had been assessed for each area covering Accountability, Financial Planning, Internal Control and Financial Monitoring leading to an overall grade of Outstanding.

The Audit Committee resolved to recommend to Corporation the approval of the completed Financial Management and Control Evaluation 2009.
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14 Any Other Business

There was none.

15 Date of Next Meeting

The next meeting is scheduled for Tuesday 9 February 2010.

Closed: 9.45am