

FAREHAM COLLEGE

**AUDIT COMMITTEE**

24<sup>th</sup> November 2010

**MINUTES**

Present: Mr S Carter (Chair)  
Mrs J Howard  
Mr J Westbrook

In attendance: Mr N Duncan (Acting Principal)  
Mr D Marston (Vice-Principal R&F)  
Mr K Smith (Finance Manager)  
Mrs T Thorne (Hampshire Audit Services)  
Mrs J Newton (Grant Thornton)  
Mrs S Heritage (Grant Thornton)  
Mrs J Collumbell (Clerk)

**30/10 Declaration of Interests**

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting.

**31/10 Apologies for absence**

Apologies for absence were received and accepted from Mr Groves and Mr Spires. Members were advised that Mr Spires was due to be confirmed as an External Co-option to the Committee by the full Corporation at its meeting on the 8<sup>th</sup> December 2010.

**32/10 Minutes of the meeting held on the 7<sup>th</sup> July 2010**

The minutes of the meeting held on the 7<sup>th</sup> July 2010 were agreed as a true and accurate record and were signed by the Chairman. There were no matters arising from them which were not covered elsewhere on the agenda.

**33/10 Closure of Accounts 2009/2010**

**(i) Financial Statements:**

Members of the Audit Committee met privately with the auditors prior to the consideration of the Closure of Accounts. Following these discussions members of the Executive/management officers, Mr Duncan, Mr Marston and Mr Smith were invited to join the meeting. The Chair briefly outlined the discussions which had taken place and confirmed the view of the External Auditors that the Audit had gone well, had been well organised and very transparent. In addition, it had been noted that the finance team had been pro-active in providing information to clarify points of query which had been helpful. Mrs Newton from Grant Thornton had confirmed that normal year-end adjustments had taken place which had resulted from slight over accruing which demonstrated that caution had been exercised. She concluded by assuring Governors that no areas of concern regarding fraudulent transactions or mismanagement of funds had arisen.

Members of the Audit Committee had received a copy of the Financial Statements Year Ended 31 July 2010 for discussion and review. Mr Smith spoke to the Accounts and drew members' attention to the following:

- Financially the year closed at £215k Operating Surplus, the College's third consecutive year of financial surplus;
- All necessary legislative changes as a result of the former LSC being superseded with the Skills Funding Agency (SFA) and Young People's Learning Agency (YPLA) had been incorporated;
- The College had adopted the official Casterbridge model in preparing the Accounts;
- The Accounts were due to be presented to the full Corporation for approval and signing by the Chair and Acting Principal at the meeting scheduled for 8<sup>th</sup> December 2010.

Members of the Committee reviewed the Accounts and identified a number of minor amendments for completion prior to the final document being presented to the full Corporation.

**Members reviewed the Financial Statements 2009/2010 and agreed to recommend them to the full Corporation for formal approval at its meeting on the 8<sup>th</sup> December 2010.**

## (ii) Key Issues Memorandum

Members of the Committee had received the Key Issues Memorandum (KIM) and Letter of Representation for consideration and review. The Chair invited Mrs Newton to present these documents.

Mrs Newton referred members to page 2 of the KIM and drew members' attention to section 2, 'Status of Audit'. She confirmed that the audit of the Accounts was substantially complete with a few areas still to be finalised. She confirmed that Grant Thornton had issued an unqualified opinion on the Accounts and she anticipated issuing a 'clean report'. She continued by saying that, of the areas to be finalised, it was not envisaged that any outstanding issues would alter the unqualified opinion.

Members reviewed the key areas of risk which related to:

- **Income recognition** – Mrs Newton confirmed that the terms of the recurrent grant and other income contracts had been reviewed to ensure that income recognised in the accounts was fairly stated. Members noted that all employer responsive activity had met or exceeded MCV for 2009/2010 and, as a result, there was no reason to expect any claw-backs;
- **Going concern** – Grant Thornton confirmed they had reviewed the 2010/2011 cash-flow projections on which management had based their going concern consideration for the 12 months from July 2010. Mrs Newton confirmed that there had been no change in this position but it would continue to be reviewed up to the date of signing the Accounts to ensure the 'going concern' position remained appropriate;
- **FRS 17 pension disclosures** – Members noted that, following review, Grant Thornton considered the assumptions and the disclosures in the accounts as fairly stated;
- **Subcontracting** – Members noted that this area had been reviewed in detail. Mrs Newton confirmed that the management exercised tight control and were monitoring this area well;
- **Dilapidation provision.**

Members reviewed and noted the auditor response and conclusion and the management responses made. In addition, members reviewed and accepted the Letter of Representation presented and agreed to recommend it for formal approval by the Board.

**Overall, members of the Audit Committee were satisfied that there were no issues of concern and agreed to recommend the Key Issues Memorandum and the Letter of Representation for approval by the full Corporation at its meeting on the 8<sup>th</sup> December 2010.**

#### **34/10 Internal Audit Annual Report 2009/2010**

Members of the Committee had received the Draft Internal Audit Annual Report 2009/2010. Mrs Thorne spoke to the report and confirmed that this was the only Report prepared by the Internal Audit Service which had previously been forwarded to the LSC, although, following their demise it was unclear who would now receive it. She referred members to Section 3 of the Report which outlined the Overall Assurance. The Committee noted that all the audit work had been undertaken in line with the original plan and no significant findings had been highlighted by the work which had been done during the year. Members reviewed Appendix C which provided a summary of the opinions issued during the 2009/2010 year. Members noted there were no areas for concern.

Governors noted the Audit Report and agreed that it reflected a very positive outcome for the College. It was noted that the overall assurance provided by the Internal Auditors confirmed that the College had appropriate risk management, control and governance processes which were operating in practice.

**The Committee reviewed and noted the contents of the Report and agreed to recommend it for formal approval by the full Corporation.**

#### **35/10 Audit Needs Assessment and Strategic Internal Audit Plan 2010/2013**

Members of the Committee received the Audit Needs Assessment and Strategic Internal Audit Plan 2010/2013. Mrs Thorne spoke to the paper and confirmed that a meeting had taken place with the College management to agree the areas of work to be covered during the 2010/2011 year and the internal audit plan arising from that meeting had been presented at the summer term Audit Committee meeting in July 2010 to provide Governors with an opportunity to comment on the identified risk areas for inclusion in the 2010/2011 Plan. She referred members specifically to page 3 of the document which outlined the key changes to the strategic internal audit plan. In particular, members noted that:

- **Governance and management** - Audit objectives had been realigned for this area and it was now intended to carry out a specific review of this area once in every 3 years. It was noted the next scheduled coverage of this area would be 2012/2013;
- **Estates management** – Mrs Thorne advised that the estates management review had been reduced from 3 days to 1.5 days due to the positive outcome of the 2009/2010 review of this area;
- **Safeguarding** – Members noted that the College had requested a review of the safeguarding arrangements due to the current focus on this area within the sector and, as a result, a 2 day review had been included in the 2010/2011 plan.

Members were referred to the revised audit needs assessment attached at Appendix A which had been updated to reflect these changes in risk.

Members also reviewed Appendix D to the report which outlined the Audit Plan for 2010/2011 and the number of contracted days which totalled 36.

**Members of the Audit Committee noted the contents of the report and agreed to recommend the Strategic Internal Audit Plan 2010/2013 an Annual Internal Audit Plan 2010/2011 for formal approval by the full Corporation.**

### **36/10 Annual Report of the Risk Management Group – November 2010**

*Mr Westbrook left the meeting during this item (6.40pm)*

Members of the Committee received the Annual Report of the Risk Management Group – November 2010. Governors were aware that the College was required to submit an annual report to the Audit Committee and the Corporation on Risk Management in order to establish the College's compliance with the Turnbull Committee's recommendations.

Mr Marston, Vice-Principal Resources and Finance, spoke to the paper and drew Governors' attention to page 3 of the report which outlined the current full list of Corporation 'high' risks. He advised members that, during the period May 2010 to October 2010 no risks had moved from 'medium' or 'low' straight into the 'high' category which was welcome news.

Members reviewed the topics which had been discussed during the year by the Risk Management Group and noted that the Risk Register and Business Continuity/Disaster Recovery Plan had also been reviewed and updated.

Members reviewed the report in detail and agreed that it was very thorough. Members agreed to recommend that the College's Risk Management arrangements continued to be adequate to enable the Corporation to discharge its duties.

**Members of the Audit Committee reviewed the Report and agreed to recommend to the Corporation that the College's Risk Management arrangements were adequate to enable the Corporation to discharge its duties.**

### **37/10 Financial Management and Control Evaluation**

Members of the Committee had received the completed Financial Management and Control Evaluation document for consideration and review. The Finance Manager spoke to the paper and advised the Committee that completion of the full FMCE return was not mandatory for all further education colleges in 2010/2011 if:

- the College did not wish to change last year's overall self-assessed grade; and
- the College had not undergone any significant changes since last year. Members noted these changes related to organisational changes, changes in the governance framework, mergers; deterioration in financial health; adverse audit or inspection outcomes.

Members were advised that, as a result, the College had opted to complete the short FMCE which included Part 1 – a summary of grades and part 2 – an updated improvement Plan.

Members reviewed and noted the summary of grades and the improvement plan presented.

**Members of the Audit Committee agreed to recommend the FMCE for formal approval by the full Corporation at its meeting on the 8<sup>th</sup> December 2010.**

### **38/10 Annual Report of the Audit Committee to the Corporation and Principal of Fareham College: Financial Year 2009/2010**

Members of the Committee had received the Draft Annual Report of the Audit Committee of

Fareham College which had been prepared on behalf of the Chairman. Members reviewed and accepted the draft report with the inclusion of a minor amendment on page 4.

**The Committee approved the Report and agreed it be presented to the full Corporation at its meeting on the 8<sup>th</sup> December 2010.**

**39/10 Review of Audit Recommendations – November 2010 Update**

Members of the Committee received a paper which outlined outstanding audit recommendations for review by the Committee. Members reviewed the actions in train and the progress to date.

**Members reviewed and noted the contents of the paper and noted the current position.**

**40/10 Self-Assessment Evaluation Checklist**

Members had previously agreed that an audit specific self-assessment evaluation questionnaire be developed and presented for consideration by the Committee. The Chair had provided the Clerk with a model which had been adapted for an FEC Audit Committee. Members reviewed and endorsed the questionnaire and agreed it should be completed by members and auditors and the findings presented at the summer term meeting as part of the annual review and evaluation process.

**41/10 Date of next meeting**

It was noted that the next meeting was scheduled to take place on **16<sup>th</sup> March 2011 at 5.30 pm**