

Plumpton College

**Minutes of the Audit Committee meeting
held on Tuesday 1st December 2009**

Present: Pat Foster - Governor / chairman
Christine Howe - Governor
Geoff Miller - Co-opted member
Stan Stanier - Governor

In attendance: Jenny Brooker - Clerk to the Corporation
Jonathan Ericson - Baker Tilly
Geoff Gregory - Deputy Principal (Resources)
Des Lambert - Principal

Apologies: David Evans - Governor
Richard Seager - ESSC Internal Audit Service
Val Wilkinson - Director of Finance

Meeting commenced: 5.00pm

Minute Item		Action by whom	Action by when
Ac/09/25	<p>Session without Management Present</p> <p>The Clerk advised that the internal auditors and financial statements auditors had confirmed that they had no issues they wished to raise without management present.</p>		
Ac/09/26	<p>Minutes of the meeting held 2nd September 2009</p> <p>The minutes of the previous meeting were agreed and signed by the chairman.</p>		
Ac/09/27	<p>Matters Arising</p> <p>Mrs Foster stated that the internal audit service had previously advised that they would not be able to attend the meeting. Due to the focus of the agenda being on issues concerning the financial statements, it had been agreed that the meeting proceed as scheduled.</p>		
Ac/09/28	<p>Draft Financial Statements and Regularity Audit management letter</p> <p>On behalf of the committee, Mrs Foster expressed concern regarding the lateness in the financial statements being provided to both members of the F&GP Committee and Audit Committee. Mr Lambert stated that consideration had been given to recruiting additional staff to assist in the production of the accounts but for various reasons this action had not been taken. He stated that extenuating circumstances had caused the delay to the accounts but additional staff would be put in place for the production of the accounts next year taking Mr Ericson's offer into account of Baker Tilly providing support in the production of the accounts.</p>		

	<p>The Clerk reminded members that they were required to make a recommendation to the Corporation on the approval of the audit report and the accounts, although in draft, were circulated to members purely to aid understanding of the audit report.</p> <p>Mr Ericson went through the audit findings report which would need to be updated with the management response to recommendations. Mr Lambert stated that he anticipated that the management team would agree with all recommendations made. The audit report could not be finalised until the LSC had confirmed the College's income for the year and this was anticipated in December.</p> <p>The audit plan and strategy had been presented at the last meeting. The College had achieved a healthy final surplus of £445k. This surplus was different to that reported in the draft accounts but a revised version of the accounts with various adjustments had been produced and would be circulated to members.</p> <p>Key accounting issues had included the introduction of clawback, the appropriate treatment of capital costs and the uncertainty of future audit requirements of colleges. Significant adjustments had been made to the accounts as a result of capital costs originally being included in the income and expenditure account instead of being defined as fixed assets. Consideration had been given to the College's forecasting and the audit concurred with the College's assessment.</p> <p>Referring to the regularity audit, Mr Ericson stated that the auditors had concluded that all funds (including non-LSC funds) had been used for their correct purpose.</p> <p>With regard to issues identified during the audit, Mr Ericson stated that a significant increase in repairs and maintenance costs had been identified. Also, there had been significant difficulty in obtaining the information required for the audit. Baker Tilly was keen to provide support to resolve this issue and one possibility was for a member of Baker Tilly staff, not involved in the audit, to assist the Director of Finance in producing the financial statements and supporting documentation in advance of the audit commencing next year.</p> <p>With regard to outstanding issues, Mr Ericson advised that in order to keep audit costs down, it had been agreed that the audit team would not check drafts of the annual members report. They were yet to receive the final version of the report and also awaited supporting documentation for some minor disclosures and the LSC confirmation of the final funding figure.</p> <p>Mr Ericson highlighted the recommendations made in the report and concluded that other than the financial reporting procedures themselves, there were no issues of concern. Baker Tilly would charge additional fees for assisting in supplying information for the accounts and revisions to the accounts.</p>	<p style="text-align: center;">JKB</p>	
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	<p>With reference to the accounts, Mr Miller recommended that the separate column of assets on page 16 was removed. The Clerk confirmed the College's existing and proposed loan facilities and in response to a concern expressed regarding the performance of the PSCSP pension fund, stated that reference to the pension risk would be included in the annual report.</p> <p>Mr Ericson stated that the Chairman of the Corporation had requested that the annual members report include as annexes the FMCE return and the self assessment questionnaire completed as part of the regularity audit. Mr Ericson advised against this proposal as the documents did not form part of the accounting process and the auditors would have to comment on any document attached to the account.</p> <p>Agreed:</p> <p>(a) Subject to additions to the report including the management response to recommendations, the report be approved by the Corporation.</p> <p>(b) It was agreed that additions to the report would be sent to the Chair of the Committee for consideration.</p> <p>(c) The Committee recommend to the Corporation that the self assessment questionnaire for the regularity audit be circulated no wider than the auditors and the FMCE be sent to the LSC as a stand alone document separate to the annual report.</p>	<p>DPL/JKB</p> <p>JKB</p> <p>JKB</p>	<p>15.12.09</p> <p>04.12.09</p> <p>15.12.09</p>
<p>Ac/09/29</p>	<p>Financial Management & Control Evaluation (FMCE)</p> <p>The Committee received for consideration a report on the College's self assessment of its financial management and control processes.</p> <p>The Clerk advised that colleges this year had been given the option of completing a shorter version of the FMCE if there had been no significant changes to their financial management or control arrangements since the prior year. As there had been no significant changes to its financial management, the College had taken the decision to complete the shorter version, which comprised a self assessment of grades and an action plan to address areas of weakness.</p> <p>The longer version would however have to be completed if it was announced that the College was to be inspected in the current academic year.</p> <p>The College had again self assessed itself as Good. Actions to address areas of identified weakness had been allocated to staff or the Chairman of the Corporation to complete.</p> <p>Agreed: That the document be approved by the Corporation and submitted to the LSC.</p>	<p>Clerk</p>	<p>15.12.09</p>

Ac/09/30	<p>External Auditor Performance against Indicators</p> <p>The Clerk reminded members that the Committee was required under the Audit Code of Practice to annually assess the performance of its auditors and had considered the performance of the Internal Auditors at its last meeting as part of the annual report of the internal audit service.</p> <p>The committee considered the performance of the Financial Statements' Auditors against previously agreed performance indicators.</p> <p>Agreed:</p> <p>(a) That the financial statements auditors had met each of the agreed performance indicators.</p> <p>(b) The performance indicators be used for the 2009-10 financial year.</p>	Clerk	
Ac/09/31	<p>Internal Audit report on Asset Management</p> <p>Mr Gregory reported that a substantial assurance had been given with four recommendations, which were all rated as relatively minor and low risk.</p> <p>The audit had been carried out in a practical way by checking the way in which staff in various departments were following asset control procedures relating to acquisitions, disposals and care of equipment.</p>		
Ac/09/32	<p>Internal Audit report on Risk Management</p> <p>Mr Gregory reported that a full assurance had been given with no recommendations.</p> <p>The audit had tested how well the content of the strategic risk register was cascaded through the College down to individual members of staff and how risks were reported back up through the management chain. Mr Gregory advised that the way in which risks were reported back up was particularly pleasing and the Senior Management Team reviewed risks at its weekly meeting.</p> <p>Mr Gregory advised that the internal audit service was providing thorough and meaningful audits and internal audit staff put forward supportive and helpful suggestions in the course of their work.</p>		
Ac/09/33	<p>Rolling Review of Internal and External Audit Recommendations</p> <p>The Committee noted an updated report on action taken in response to Internal and Financial Statements Auditors' recommendations. The Clerk advised that the recommendations arising from the asset management audit had been included in the report but not the actions arising from the financial statements audit.</p> <p>It was agreed that completed actions should continue to be</p>		

	<p>removed from the report once they had been brought to the committee.</p> <p>Concern was raised regarding the timescales for completing some of the recommendations, particularly those rated as being of urgent importance.</p> <p>Agreed: The report be updated and brought to the next meeting for consideration.</p>	JKB	09.02.10
Ac/09/34	<p>Draft Annual Audit Committee Report</p> <p>The Committee discussed the draft annual report. Subject to some minor amendments it was</p> <p>Agreed: The report be submitted to the Principal and the Corporation.</p>	JKB	15.12.09
Ac/09/35	<p>Internal Audit Contract</p> <p>The Internal Audit contract with ESCC was scheduled to expire at the end of the 2009-10 academic year. Because of the enormous changes taking place in the FE sector and the uncertainty surrounding the College's future audit requirements, it was proposed that the contract was renewed for one year.</p> <p>Mr Lambert advised that it was not clear at this stage whether ESCC audit service would have a conflict of interest when 16-18 funding was transferred from the LSC to local authorities. Mr Ericson advised that he did not foresee a problem in ESCC continuing to provide an internal audit service. He stated that many large companies had their own in house internal audit service. It was also noted that the internal auditors currently audited several organisations within ESCC.</p> <p>The Clerk advised that the College would not need to tender for a one year renewal of the internal audit contract but would need to tender for a longer internal audit contract commencing 2011-12.</p> <p>Agreed:</p> <p>(a) The committee recommend that the Corporation extend the internal audit contract with ESCC for a year.</p> <p>(b) The committee give thought at its meeting in September 2010 to the tender process for selecting an internal audit service commencing in the 2011-12 academic.</p>	JKB/PF JKB/PF	15.12.09 01.09.10
Ac/09/36	<p>Date of Next Meeting</p> <p>The next meeting would be held on Tuesday 16th March 2010 at 5.00 pm.</p> <p>There being no further business the meeting closed at 5.55pm.</p>		

JKB 02/12/09

Signed..... (chairman) Dated.....