

**MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE**  
**held on Monday, 15<sup>th</sup> November 2010 at 9.00 a.m.**

Present: Mrs Vivien Chaffin-Laird, Mr Colin J Eley, Mrs Carolyn Watson

Apologies: Ms Suzie Bridges, Dr Diana Cassell, Mr Mark Watts

In attendance: Mrs Kate Blenkinsop (Grant Thornton), Mr Ian F Dumbleton, Dr Jackie Johnston, Mrs Frances Millar (Tenon Audit), Ms Nicola Whitehead

In the Chair: Mrs Vivien Chaffin-Laird

**1. Declaration of interests**

There were no declarations of interests.

**2. Minutes of the meeting held on 4<sup>th</sup> October 2010** were approved.

**3. Matter arising**

Item 5: The Clerk confirmed that possible additions to the Internal Audit report had been received from Grant Thornton but a final version had yet to be agreed.

Item 8: A revised Internal Audit Plan reducing had also been received by the Director of Finance.

*[ 9.07 a.m. Mrs K Blenkinsop joined the meeting ]*

**4. Financial Statements**

**a) Letter of representation**

*Paper: App. 1 Representation Letter*

Mrs Millar confirmed that only the standard representations were shown in the letter, and that there was just one year end accounting adjustment relating to FRS17 (pensions). The F&GP Committee had already agreed, in line with the FE sector as a whole, that on the basis of the guidance available to-date, the credit arising from the change from RPI to CPI should be accounted for through the Statement of Total Recognised Gains and Losses (STRGL). However there was still a question as to whether the use of RPI constituted a constructive obligation and definitive guidance was yet to be received. (If received after the Report had been agreed a further adjustment might be necessary next year.) She had no further issues to draw to the Committee's attention, and was satisfied that the college had followed guidelines and applied the appropriate accounting standards.

**Recommendation: The Chairman of the Governing Body should sign the letter of representation on behalf of the Governing Body and the Principal should sign it on behalf of the college.**

**b) Financial Statements Management Letter**

*Paper: App. 2 Management Report for the year ended 31<sup>st</sup> July 2010*

Mrs Millar explained that the financial statements audit had gone smoothly. She confirmed that the external auditors had reviewed the accounting policies and procedures and

accounting and financial control systems and no matters of weakness had been identified. Tenon was also able to give an unqualified regularity opinion. The following points were noted:

- i. The College's three main funding streams had all been covered correctly (and as shown in the annexes their profile was similar to other colleges) ;
- ii. the status of capital projects which had been restricted by lack of LSC funding was accurately reflected in the report;
- iii. given the economic climate, the auditors had reviewed all colleges on a "going concern" basis with particular attention to March and April and were satisfied that there were no problems at Collyer's. (The Clerk confirmed that the F&GP Committee had looked regularly at cashflow in monitoring the College's management accounts);
- iv. in respect of the loan for Phase 1, a review of the covenants concluded that the College was in a relatively comfortable position;
- v. the FRS17 pensions adjustment to take account of CPI amounted to a credit of £210k;
- vi. staff costs as a percentage of income were slightly lower than other colleges owing to the efficient deployment of Collyer staff and the intake of international students. However they were not inconsistent to the point of concern that insufficient money was being spent on delivery;
- vii. the 'current ratio' was comfortably over the satisfactory threshold of 1;
- viii. the surpluses were once again healthy and better than both the sector average and the South East average for 6<sup>th</sup> form colleges.
- ix. Mrs Millar confirmed that that the college remained (comfortably) in the top grade of 'outstanding' under the current Framework for Excellence scoring system.
- x. the timing of anticipated accounting changes moving towards full international standards was not known but were not expected to have significant impact on how the College reported.

In terms of the College's future financial strength, members noted rumours that, whilst Sixth Form colleges (SFCs) might be relatively protected, cuts of 10% in 16-19 funding over four years may be forthcoming, and of 25% over 4 years for Adult Education. The reduced role of local authorities (LAs) in the SFC funding process combined with the increase in the number of academies could impact on the services currently provided by the LA such as payroll and educational psychologists.

**Recommendation: The Governing Body should accept the Management Report at its next meeting.**

**c) Draft Report and Financial Statements for the year ended 31 July 2010**

*Paper: App. 3 Draft Report and Financial Statements for the year ended 31 July 2010*

Mrs Millar outlined the sections of the Report and Financial Statements and explained that they had been prepared broadly in line with past practice. The Operating and Financial Review – previously referred to as the Members report- revealed nothing significant and followed the LSC (and its successors') model. Tenon were able to give an unqualified audit report. The balance sheet was consistent with the previous year and the cashflow statement also reflected a positive picture.

**Recommendation: The Governing Body should approve the Report and Financial Statements for the year ended 31st July 2010 at its next meeting.**

**5. Audit Committee Annual Report to the Governing Body**  
*Paper: App. 4 Draft Audit Committee Annual Report 2009-2010*

Members agreed the content of the report as a fair reflection of the Committee's activities over the year and thought the references to the background political and economic uncertainty appropriate. They agreed that the Report should be signed by the Chairman of the Audit Committee.

**Recommendation: The Governing Body should approve the Audit Committee Annual Report to the Governing Body at its next meeting.**

**6. Financial Management Control Evaluation**  
*Paper: Financial Management Control Evaluation 1<sup>st</sup> August 2009 to 31<sup>st</sup> July 2010*

The Principal explained the College's option once more to submit a short return only but flagged that a full return was expected to be necessary next year. The College had carefully reviewed the SFA guidance and felt confident that its gradings remained consistent with the previous year's report. The minimal suggestions in the improvement plan reflected in part minor weaknesses identified by the internal auditors this year as well as a more formalised training programme to help fulfil the new Governor T&D policy. Members noted that the date for submission of the FMCE had been brought forward to end November requiring it to be submitted a week before the next meeting of the Governing Body.

**Recommendation: The Governing Body should approve the short version of the Financial Management Control Evaluation at its next meeting.**

**7. Subjects on which the Committee would like a presentation at the Spring term meeting**

It was agreed that that the presentation could usefully outline the position in relation to the new ACoP on which consultation was expected shortly as well as the wider context of Government funding for education with particular attention to their impact on the College and Audit Committee.

**Action: Clerk to consider nearer the time, and with the auditors and Chair as necessary, the detail of the presentation.**

**8. Meeting self-assessment**  
*Papers: Governance Quality Framework proposals*

Members agreed that the scrutiny made possible in the meeting helped to ensure that the college was run well in the interests of the students. The Committee had been assured that the otherwise commendable efficiencies, for example in staff costs, had not been achieved at the expense of staff or student welfare. Members were satisfied that the information provided had been effective in allowing full consideration of the issues and appropriate decisions to be reached.

**9. Date of the next meeting:** Monday, 7<sup>th</sup> March 2011 at 9.00 a.m.

*The meeting ended at 10.05 a.m.*

Chairman.....

Date.....

NCW 15/11/10