

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE**

held on Monday, 7st March 2011 at 9.30a.m.

Present: Dr Diana Cassell, Mr Colin Eley, Mrs Carolyn Watson, Mr Robert Yorke

Apologies: Ms Suzie Bridges, Mrs Vivien Chaffin-Laird

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

In the Chair: Mrs Carolyn Watson

1. Declaration of interests

There were no declarations of interests.

[9.05a.m. Dr Diana Cassell joined the meeting]

2. Minutes of the meetings held on 15th November 2010 were approved.

3. Matter arising None

4. Review of performance of the Financial Statements Auditor 2009/2010

Paper: App. 1 Performance Indicators for Audit of Financial Statements Auditor

The Director of Finance explained that the Financial Statements Auditors were very good; the external audit of the accounts had gone very smoothly and there had been appropriate liaison with the internal auditors. The only issue which had arisen had been a technical one concerning the treatment of the change in pension arrangements. If this were resolved contrary to the expectation when the accounts were finalised, an adjustment would be made in the current year's financial statements. It was agreed that the same performance indicators should be used for the Financial Statements Audit 2010/2011.

5. Appointment and remuneration of the Financial Statements Auditor 2010/2011

The Director of Finance explained that the external audit fee was usually increased year on year by RPI. Members discussed whether a more competitive rate might be achieved given the current economic climate and funding constraints and commended the College's efforts to agree a price freeze with all suppliers. An alternative way of containing costs would be to reduce the days required of the auditors by, for example, doing some of the schedule preparation in-house. It was agreed that CPI would be a more appropriate maximum level of increase than RPI.

Recommendation: At its next meeting, the Governing Body should re-appoint Tenon Audit Ltd as the Financial Statements Auditors for 2010/2011 and the remuneration should at most be at the same level as for this year plus CPI and VAT.

6. Internal Audit Report

Papers: Draft Internal audit reports to the Audit Committee 2010/11: App. 2 (Key financial controls), App.3 (Security of IT Infrastructure & Disaster Recovery) and App.4 (Corporate Governance and Risk Management)

Mrs Blenkinsop explained that there were no recommendations in relation to Corporate governance and risk management and on the other reports the issues were minor housekeeping points at most considered ‘meriting attention’.

- i) **Key financial controls:** Mrs Blenkinsop confirmed agreement that the first recommendation should be removed as inappropriate in the absence of amended framework documents reflecting machinery of government changes. The Director of Finance confirmed the college’s agreement to the recommendation on complex passwords. Members also suggested that the password even to any working documents accessible only to IFD should be kept in a sealed envelope in the safe in case of emergencies. Members noted that all key journals were scrutinised in the monthly accounts but the college accounting system could not provide exception reporting to supplement checks on any attempted fraud. It was noted that whilst a checklist as such did not exist to aid the month end process, previous reports were used in such a way. The college confirmed it was aware of the need to keep the cheque system under review in anticipation of the end to cheques in 2017.
- ii) **Security of IT Infrastructure & Disaster Recovery:** Mrs Blenkinsop confirmed that the college had a strong disaster recovery plan. The Principal agreed however that the recommendation for a protocol for the dissemination of information to the whole college was an area which “merits attention”. Members were reminded of the safeguards in relation to the IT system and heard about the lessons learned from the most recent live walk-through of a potential problem.

Action: Grant Thornton to make the agreed amendments to the report in preparation, in due course, for the annual report to the Governing Body.

7. Update on wider issues

The Clerk explained that this agenda item was in place of a presentation on the new Joint Audit Code of Practice given that there was understood to have been no progress on this. The Principal sought to update members on wider issues of interest in the context of the Strategic Plan.

- i) It was understood the Coalition Government were holding to the plans to *raise the participation age* to achieve full participation. This might assist with growth in the college but the demographic trend suggested that it would be difficult to sustain the considerable growth in recent years and that there would be increased competition for any additional students, particularly in vocational areas.
- ii) A revised *Local Development Framework* was in the course of being consulted on in the Horsham area which included the possibility of a new secondary school in Southwater and expansion of the Weald in Billingshurst which clearly could have implications for the college.
- iii) Similarly the *Academies Act* aimed to provide greater freedom in the provision of education by allowing academies to operate free of Local Authority control and for ‘free’ schools to be established alongside existing provision.
- iv) *Curriculum developments* were less radical, returning as they did to a concept of core subjects along traditional lines. The recent Wolf report had similarly rejected the equivalence of some qualifications in favour of core GCSEs. There was also a dislike of the modular approach to exams which could impact on both 16-18 and the fast-tracking of students at an earlier age.
- v) *The introduction of HE fees and the loss of EMA* were a potential threat to both degree and A level study although locally it was felt there was recognition of the value in both;
- vi) The precise *Funding allocation* was not yet known but was expected to be austere to the order of a 20% real terms cut over 4 years.

- vii) The College's ability to continue to offer *Adult Education and Apprenticeships* on the current basis was dependent upon a satisfactory resolution to the reported disagreement between DBIS and DfE on minimum contract values.
- viii) *International Students* continued to be valuable to the college but were a volatile market given a potential Government decision to limit their entry to the UK to study at Level 3.

The Clerk added that the Education Bill currently in Committee stage abolished the YPLA as expected from April 2012. No mention was made of its successor body, the Education Funding Agency, as the statutory powers would be vested in The Secretary of State in line with the arrangements for the Skills Funding Agency. The Bill also removed the duty, but not the possibility, of close liaison with the Local Authority on issues such as Children's Trusts.

In relation to the areas for development in the college's FMCE return, further progress had not yet been possible in implementing the Anti-Bribery Act due to come into force in April 2011. It was understood to have been delayed by some months awaiting guidance from Government on "adequate procedures", in response to the new provision which made it possible to prosecute organisations for not having done enough to prevent bribery.

8. Meeting self-assessment

Members felt that the IAS reports had been reassuring in providing confidence as to the security of college resources and sound practice in the areas addressed. The discussion had enabled the Committee to put their work in the context of the wider challenges facing the college in continuing to provide a high level of service to students and was helpful for the newer members of the Committee in particular. The papers for and purpose of the meeting had been clear.

9. Date of the next meeting: Monday, 20th June 2011 at 9.00 a.m.

The meeting ended at 10.50 a.m.

Chairman.....

Date.....

NCW 09/03/11