

Priestley College

Minutes of the Audit Committee meeting
held at 4.30 pm on Monday, 29 November 2010
in the Board Room

PRESENT:	Mr P Dyke	(Chair)
	Mrs D Farrent	
	Mrs K Hope	
	Mr Y Shaikh	
	Mr P McMellon	Clerk
BY INVITATION:	Mr M K Southworth	Principal
	Mrs J McCann	Vice Principal (Resources)
	Mr I Lewis	Director of Finance
	Mr G Wilson	PriceWaterhouseCoopers
	Ms R L Miles	PriceWaterhouseCoopers
	Ms J Andrews	PriceWaterhouseCoppers
	Mr K Rushton	RSM Tenon

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr J A Farquharson and Councillor K Simcock. In the absence of Mr Farquharson, the meeting was chaired by the Vice Chair, Mr P Dyke.

2. DECLARATION OF INTERESTS

No member declared any personal interest in any item on the agenda.

3. APPOINTMENT OF VICE CHAIR

RESOLVED : That Mr P Dyke is appointed as Vice Chair of the Committee until October 2011.

4. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 21 June 2010 were accepted as an accurate record and signed by the Chair.

5. MATTERS ARISING

There were no matters arising

6. AUDIT COMMITTEE ANNUAL REPORT ON 2009/10

The Chair presented the draft Report which had been distributed with the agenda papers.

The Committee examined the draft and agreed that it captured all matters of substance relating to the previous academic year.

RESOLVED: That the draft Annual Report on 2009/10 is approved and should be presented to the Governing Body.

7. INTERNAL AUDIT ANNUAL REPORT ON 2009/10

Mr K Rushton (RSM Tenon) presented the Annual Report which had been distributed with the agenda papers. He drew attention to the 'adequate and reassuring' categorisation of all three areas covered in the Assurance Statement (ie., Governance, Risk Management and Control). He reminded the Committee about the basis upon which the internal audit work was conducted, and confirmed that no significant issues had arisen during the year.

Mr I M Lewis confirmed that, in the case of a single internal audit recommendation (on the ad hoc BACS system review) with which the College had disagreed, the Internal Auditor had subsequently confirmed the acceptability of the College's preferred solution to the matter.

Mr Rushton summarised by confirming that the Annual Report on 2009/10 reflected a year of impressive performance by the College in audit/control terms.

RESOLVED: That the Internal Audit Annual Report on 2009/10 is accepted.

8. INTERNAL AUDIT REVIEWS

(i) Risk Maturity – Follow Up (2009/10)

Mr K Rushton (RSM Tenon) presented the report of follow-up review of risk management performed in June 2010. He suggested that the report indicated good progress with no issues.

The Principal advised that, following the review, the College's Risk Management Team had considered all the recommendations and had decided to adopt two innovations (a risk matrix and a risk management cycle addition to the policy document) which would enhance the existing arrangements.

RESOLVED: That the report of the Follow Up review of Risk Management is accepted and that the responses of College management are endorsed as appropriate.

(ii) Governance & Risk Management – FMCE (2010/11)

Mr K Rushton (RSM Tenon) presented the report of the review of the FMCE (Governance and Risk Management aspects) performed in October 2010. He confirmed that the report offered substantial reassurance with no issues.

The Committee endorsed the proposal that maintenance of a separate 'schedule of decisions' should be discontinued.

The Committee discussed the incidence of Freedom of Information requests and the College's policy and practice for handling such requests.

RESOLVED: That the report of the Governance and Risk Management (FMCE) review is accepted.

9. FINANCIAL STATEMENTS 2009/10

(i) Annual Report and Financial Statements

Mr I Lewis (Director of Finance) presented the Annual Report and Financial Statements which had been distributed with the agenda papers.

He confirmed the year end operating surplus of £324,000, and explained the treatment of retirement benefits (FRS17).

Mr G Wilson (PricewaterhouseCoopers) confirmed that the College's approach complied with FRS17, pointing out that there was no uniform approach in the sector.

The Committee then examined each section of the Report/Statements.

The Chair drew attention to the opening statement on the College's legal status, and it was agreed that this should be re-worded so as to make clear that it was the College (not the Governing Body) which had been incorporated under the 1992 F&HE Act.

Mr Lewis also confirmed that, in the Cash Flow statement, the cash balance monies held on behalf of students was, at £13,000, the same figure as in 2008/09.

RESOLVED : That the Governing Body is recommended to accept the Annual Report and Financial Statements for 2009/10.

(ii) Audit Management Letter

Ms R L Miles (PriceWaterhouseCoopers) presented the Management Letter (Year ended 31 July 2010) which had been distributed with the agenda papers.

She reported that the annual audit had gone very positively with hardly any adjustments and only minimal errors.

She advised the Committee about the single change to the planned Scope of Work (relating to the Governments move to CPI instead of RPI for pensions increases. There had been no issues relating to compliance with the Accounts Direction and no independence issues.

Regarding the listed Accounting Issues, Ms Miles commented on each of the Accounting Issues listed in the report. She confirmed that, as regarded accounting estimates and assumptions, there were no particular issues with the principal assumptions used by the actuary (pensions).

On internal controls, including IT controls, no deficiencies had been identified, and, similarly, under regularity, a totally unqualified opinion was offered.

Ms Miles explained the minor misstatement covered in Appendix A, pointing out that the matter had no material impact. She also drew attention to the Future Developments (Appendix B).

The Committee discussed aspects of the Management Letter, including the guidance on 'Pension tax for high earners' and the possible consequences for the College arising from this specific development. It was agreed that it would only be when full detail of the pensions tax changes had been clarified that implications for the College, including potential loss of leadership capacity, might be gauged.

Finally, Ms Miles thanked College staff for their co-operation during the audit.

RESOLVED: That the Governing Body is recommended to accept the Audit Management Letter on 2009/10.

Mr Lewis was thanked for his work on the year-end accounts.

10. AUDIT COMMITTEE COMPLIANCE WITH TERMS OF REFERENCE

The Committee examined the copy of the current terms of reference which had been distributed with the agenda papers.

It was agreed that the terms of reference remained totally consistent with the Audit Code of Practice, and that there had been no instance of failure to comply (with the terms of reference) since the last occasion on which this review had been conducted in December 2009.

11. RISK MANAGEMENT

(i). Risk Management Annual Report 2009/10

The Principal presented the Risk Management Annual Report (2009/10) which had been distributed with the agenda papers.

He drew attention to the 'November Update' sections of the Report which brought up-to-date the risk management achievements of the year. He also confirmed that management of the College's risk exposure had been achieved in accordance with the Implementation Timetable.

He then drew attention to the risk management of the key issues identified in the Report and, in particular to the approach used in relation to development of the campus and other assets. He advised that, whilst progress had been achieved in a number of regards, there remained much uncertainty and lack of clarity surrounding capital funding and related matters. In addition, the full implications of the Comprehensive Spending Review had yet to be assessed/announced nationally. Against this background, College Management had sought only to make preliminary investigations into potential sources of funding/loan support.

The Principal pointed out that, although student achievement at the College continued to be strong, there had to be recognition of Ofsted's significant raising of expectations. He reported that the services of consultant inspectors had been applied to two curriculum areas (Professional Studies and Sport) and that the College had also contracted the services of a former HMI to perform a critical review of the draft Self Assessment Report on 2009/10.

Finally, he confirmed that the section on Internal Audit reviews and outcomes during the year indicated that the College's systems and controls were operating effectively

The Committee discussed the Annual Report and agreed that it was a full, accurate and very reassuring record of the risk management of the College in 2009/10.

RESOLVED : That the Risk Management Annual Report on 2009/10 is accepted.

(ii) Risk Management Action Plan 2010/11 : Progress Report

The Principal presented the first update of the current year's Action Plan and drew attention to the following:

- Under 'Machinery of Government, the dissolution of the YPLA (as part of mergers to form the new 'Education Funding Agency') had recently been announced.
- Significant progress under health and safety had been made
- Issues arising from the proposed abolition of 'Beacon Status' were giving some concern
- The International Baccalaureate had been successfully launched and a recent event had served to raise local awareness of the IB at the College

The Committee discussed in more detail the IB and expectations regarding future student intake onto the new qualification

- The feedback from student focus groups and the usefulness of this source in the early identification of emerging issues
- Securement of the services of Mr David Bell as Guest of Honour at the forthcoming Presentation Evening

The Committee examined the full report, noting where the application of effective risk management had directly supported the interests of users of the College.

RESOLVED: That the Risk Management Action Plan 2010/11 Progress Report is accepted.

(iii) Risk Management Policy – Update

The Principal drew attention to the revisions to the current Risk Management Policy which he had introduced in the light of the most recent guidance from Internal Audit (ie., Item 8(i) above).

RESOLVED: That the changes to the Risk Management Policy are approved

12. AUDIT SERVICE REPORTS : RECOMMENDATIONS TRACKING

The Committee examined the updated Recommendations Tracking report which had been distributed with the agenda papers.

In noting College Management’s responses to the single action points carried over since the last review of the tracking report, the Committee confirmed that it was satisfied that one outstanding matter had now been adequately addressed.

RESOLVED: That the Recommendations Tracking report provides adequate evidence of progress on agreed action points.

13. FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)

The Committee considered the basis upon which it was proposed, by College Management, that a ‘short version’ of the FMCE should be returned in relation to the 2009/10 year. By considering each section of the questionnaire, and the College’s responses, the Committee were satisfied that submission of the ‘short version’ would again be appropriate. The Committee had earlier noted assurances from Internal Audit (ie., Item 8(ii) above) in relation to a significant proportion of the 2009/10 return.

The four issues on the Improvement Plan section were also accepted. Mrs J McCann provided more detail on the ILR data accuracy ‘Area for Improvement’.

It was, thus, confirmed that the ‘Outstanding’ status, as self assessed and confirmed (by LSC) for 2008/09, was again appropriate.

RESOLVED : That the short version of the FMCE should be submitted, with the overall self assessed grade being ‘Outstanding’, and the contributory area grades remaining as per 2009, and that the Governing Body is recommended to endorse this decision.

14. INTERNAL AUDIT – PROGRESS REPORT

The Committee received the latest Progress Report provided by RSM Tenon

15. DATE OF NEXT MEETING

The next meeting of the Committee will be at 4.30pm on Monday, 21 March 2011.

PMcMellon
29 November 2010

Accepted as a true record and signed by the Chair

Signature

Date

<i>Initials of the Chairman:</i>
