

CANTERBURY COLLEGE

Minutes of the MEETING OF THE AUDIT COMMITTEE held on Tuesday, 10 June 2008 at 6.00pm in Room J221

- MEMBERSHIP:** Anne-Marie Nelson, Paul Barrett, Dominic Nichol, Roger Clarke
- In Attendance:** Mark Hill (Clerk to the Corporation)
- By Invitation:** Alison Clarke (Principal and Executive Director)
Adrian Cottrell (Director of Finance and Funding)
Peter Manser & Scott Miles (Reeves & Neylan)

Italics denotes absence

Declared Interests:

Dominic Nichol expressed an interest as Finance Director of St Dominic's School.
Anne-Marie Nelson expressed an interest in the Learning & Skills Council Board and in the University of Greenwich.

476 APOLOGIES/INTRODUCTIONS NOTED

- i. There were no apologies for absence.

477 MINUTES OF THE MEETING 20 February 2008 NOTED

- i. The minutes were approved and signed by the Chair as an accurate record.
- ii. Minute 467 xix was amended to read that items over £1k are signed by the Principal.

478 MATTERS ARISING NOTED

- i. On-line purchasing: the Director of Finance reported that another day's consulting is required.
- ii. The Finance Office has not had time to do work on the system but it is expected to be ready by in the autumn of 2008.
- iii. Interviews for the Appointment of internal auditors took place during the afternoon. Details are at Minute 488.
- iv. That future agendas will reflect the Committee's revised Terms of Reference more obviously dividing the finance advisory role and audit code of practice core responsibilities.

479 INTERNAL AUDIT REPORT NOTED

- i. Craig Nimmo (Estates Manager) attended regarding the Priority 2 recommendations.
- ii. A second PAT testing machine is to be utilised. This will help update the assets register. The College has an electrician deployed to undertake this work.
- iii. A programme is to be devised for PAT records and is now in the office.
- iv. Inherited records exist but Estates will start afresh.
- v. E-light testing is now being undertaken over and above PAT testing which has not been done before.
- vi. Smoke detectors also get tested on an annual cycle.
- vii. The current electrician has also got the required qualifications/certificates.
- viii. Point 3.6 – Health & Safety Manual: The Health & Safety Adviser is developing Health & Safety profiles – the whole College is due to be completed in the Autumn. A Health & Safety statement is to be posted on the website. A revised manual will be presented to the next Health & Safety Committee.
- ix. The LSC Health & Safety Audit has been undertaken.
- x. Point 3.2 – Value for Money: The evaluations of quotes for contracted work have been undertaken via Committees. A new purchase schedule will be added to the central tendering file held by the Clerk once approved through the Committee routes.
- xii. It was noted that it is important to avoid proliferation of duplicate checking systems. Concerns at staff burden of additional bureaucracy was discussed at length.
- xiii. The existing systems are to be re-evaluated and Reeves & Neylan to report back.
- xiv. Point 3.5 – Utility Bill / Metre checks: It was clarified that a gap in practice existed and this has now been rectified.

RESOLVED

- i. The report was noted and approved.

NOTED

- i. The current £434k surplus was noted.
- ii. Surplus expected at approx. £570k.
- iii. The 16-18 target is expected to be achieved.
- iv. WBL is up to allocation.
- v. LSC schools income has increased on Next Steps. This is currently being reviewed to improve the income viability.
- vi. The recent Train to Gain Audit noted. Some hold-back on claims has occurred regarding awaited evidence. This has caused a short term imbalance with staff costs and partner payments. Purchase Order commitments remain in place and targets are expected to be achieved.
- vii. The Balance Sheet was noted – The College is stable Category B.
- viii. Debtors remain large at £541k of which £410 is due from partner schools. Schools income is being recovered and 3 disputes with schools are being assessed currently.
- ix. Purchase order books are now back with Finance to contain year end spend.
- x. The teaching staff forecast was noted. The July costs were noted and the £9.3m forecast may be optimistic.
- xi. Barclays have discussed the loan provision. Potential to draw down full sum and invest. 5.4% borrowing with a 5.57% investment account rate. The College would need to draw down by 23 June 2008.
- xii. Balance sheet – retention monies – were noted as normally reported at year end.
- xiii. Enterprise income was noted and discussed. The College is now looking at commercial business income.
- xiv. International work is now gaining progress.
- xv. VAT advice is still being sought regarding income in the new buildings.
- xvi. Lets are still minimal and tax risk low.
- xvii. University of Kent issues remain to some extent. The Principal has met with Denise Everitt (Kent) and will liaise monthly with her and David Nightingale (Kent) to resolve communication issues.
- xviii. Kent owes the College some capital which is not in dispute.
- xix. Net pension liability reduction; it was noted that risk of adjustment in line with 2007 may cause a year end deficit.
- xx. It was noted that FRS17 is removed in the LSC's Financial Forecast.

RESOLVED

- i. It was agreed that the College should draw down the full available loan with Barclays and invest the balance.
- ii. The Other fees were noted and the amendment due to grant status change of some students (to be clarified). The change from the March Management Report is to be clarified by the Director of Finance.
- iii. The College Accounts were noted and the Committee recommends that the Corporation approve them accordingly.

481 FINANCIAL FORECAST**NOTED**

- i. As expected the Capital Grant issues have impacted on the Financial Forecast.
- ii. The AIP queries have been accounted for in the provided devolved budget.
- iii. The College will operate against the deficit but the actual budget improvements will be managed to produce an estimated £75k surplus rather than a £117k deficit.
- iv. The overriding 3 year trend should maintain the B status.
- v. The College has needed to report to the Audit Committee on a similar basis to the AIP forecasts in order to be consistent with the information provided to the LSC.
- vi. The Director of Finance clarified that the Financial Forecast's 'box 7' will read "yes" in July following the Corporation meeting.
- vii. The Financial Forecast does not yet reflect the allocation. LSC advised this should not be put in yet.
- viii. The final ALS allocation is due on 30 June from LSC after the Corporation meeting and therefore the decision will be approval on a provisional basis.
- ix. The pay award may be 3% over the year split in two to reduce overall cost. Trade Unions are currently not agreeing to the muted national 2.5%.
- x. The Committee expressed reservations at the 2.5% level given cost of living factors.
- xi. AOC progress is to be reported soon and will inform the Corporation.
- xii. The Committee agreed that the Corporation should be recommended to increase the CMML of £3m to £5m to cover enabling works and up front costs once the Capital grant has had LSC AiP approval. It was noted that the CMML facility of £5m originally existed but was reduced to £3m.
- xiii. It was confirmed that Facility costs are likely for the CMML.
- xiv. The Committee agreed that the Corporation should approve the draw down of £2.9m now.

RESOLVED

- i. The Financial Forecast was noted and the Committee recommended that the Corporation approve subject to the Director of Finances revisions to be presented to the Board on 26 June.

482 BUDGET AND PAY AWARD

NOTED

- i. The issues relating to the Budget and pay award were discussed under Minute 481.
- ii. The report was noted.

RESOLVED

- i. The Budget received provisional recommendation for approval subject to the concerns raised in Minute 481.
- ii. The Finance Director was requested to provide three suggested pay award options for Corporation consideration and approval.

483 RISK MANAGEMENT REPORT

NOTED

- i. The Clerk presented the revised Risk Plan and noted that the new format covered the recommendations of the LSC PFA Audit Report from the October 2007 Inspection.
- ii. The new style Risk Register should be more manageable and effective.
- iii. The number of total significant risks was noted as reduced in the new format.
- iv. Members raised the issue of who are the key personnel in the Executive and what contingencies might be in place to cover their absence or loss.
- v. It was explained that cover would come from specialist agencies and has been previous practice.
- vi. Internal cover plans are in place for the Principal and senior directors.
- vii. Key members of the SMT are also trained to provide cover on a short term basis.

RESOLVED

- i. The Risk Management Report was noted and recommended for approval.

485 PFA AUDIT REPORTS: ESF FIRST BASE SKILLS/TRAIN TO GAIN

NOTED

- i. The audit of the ESF First Base Skills Project was noted as successful. The auditors returned an unqualified opinion on the use of funds.
- ii. The Train to Gain audit was noted. The auditors returned an unqualified opinion on the use of funds but a qualified opinion on internal controls. The latter opinion will be queried in the response to the auditors given the financial value was a 1.5% error rate. (5% is the normal threshold).

RESOLVED

- i. The report was noted.

486 DATE OF THE NEXT MEETING

NOTED

- i. The date of the next meeting is scheduled for Tuesday, 11 November 2008 at 6.00 pm in J221.

487 EVALUATION OF THE MEETING

NOTED

- i. The summary of the evaluation of the last meeting.
- ii. The committee members completed the post meeting evaluation forms and the Clerk will follow up on any points of action.

488 APPOINT OF INTERNAL AUDITORS

NOTED

- i. Reeves & Neylan and Bentley Jennison were interviewed by a Panel of Audit Committee Members and the Principal on 10 June 2008.
- ii. Bentley Jennison could not provide details of the actual auditors who would undertake the job.
- iii. Bentley Jennison are very experienced and a very large firm and big sector player.
- iv. Costs were similar overall and a matrix of comparisons was provided to the panel.
- v. Reeves & Neylan would provide consistency going forward in view of their knowledge of the College with respect to the Capital project.
- vi. Reeves & Neylan have been auditors for 12 years. The required lead partner break was noted.
- vii. Reeves & Neylan need to be more robust in consideration of their opinions.
- viii. That the College would request some changes to the senior team.
- ix. For specific projects other firms may be contracted.

RESOLVED

- i. The Audit Committee recommends that the Corporation appoint Reeves and Neylan as Internal Auditors for a term of 3 years.
- ii. The Principal will discuss team composition with Andrew Griggs and liaise with Roger Clarke pre contract.