

CANTERBURY COLLEGE

Minutes of the MEETING OF THE AUDIT COMMITTEE held on Wednesday, 25 November 2009 at 6.00pm in Room J221

MEMBERSHIP: *Anne-Marie Nelson*, Paul Barrett, Dominic Nichol, Roger Clarke, Hugo Fenwick (Chair)

In Attendance: Mark Hill (Clerk to the Corporation)

By Invitation: Alison Clarke (Principal and Executive Director)
Adrian Cottrell (Director of Finance and Funding)
Andrew Griggs/Scott Miles (Reeves & Neylan)
Rakesh Shaunak/Tanya Alleway (MacIntyre Hudson)

Italics denotes absence

Declared Interests:

Dominic Nichol is Finance Director for St Dominic's Sixth Form College.

534 APOLOGIES

NOTED

- i. Apologies were received from Anne-Marie Nelson and Tanya Alleway

535 MINUTES OF THE MEETING 9 JUNE 2009

NOTED

- i. The minutes were approved and signed by the Chair as an accurate record.

536 MATTERS ARISING

NOTED

- i. Reeves & Neylan reported that the review of Payroll has been accommodated in the Annual Audit Plan 2009/10.

537 COLLEGE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2009

NOTED

- i. The year end operating Surplus (pre-year end adjustments) of £1,374k was noted.
- ii. Phase 3 Professional fee write offs and other year end adjustments result in deficit of £131k in the statutory accounts.
- iii. The position on 2008/09 Train to Gain shortfall was clarified that the College gained an additional allocation and funding to cater for committed learners resulting in a good position.
- iv. Income was 7% over budget and expenditure 4% over budget.
- v. The LSC Train to Gain audit was confirmed as having taken place and the results are awaited from the Provider Financial Management (PFM) LSC auditors. The initial error rating was over 5% but evidence from external partners has been provided for the PFM Team to review.
- vi. A zero error rating and unqualified opinion was confirmed as returned for Work Based Learning by the PFM auditors.
- vii. The summary income and expenditure account was noted.
- viii. The major variances were noted.
- ix. The College achieved its LSC targets for Learner Responsive funding. An additional payment for over-delivering on Adult Learner Responsive funding of £178k was received.
- x. The situation regarding Phase 3 loan arrangements was discussed.
- xi. The creditor situation with Kent and the University of Greenwich was noted. The College would negotiate repayment terms if asked to repay the money at this point.
- xii. Phase 3 impact on the ratio factors were noted.
- xiii. The three exceptional items were noted: Phase 3 professional fees of £2,823,000 and fee support grants of £1,158,000: A reduction in the dilapidation provision for Rutland of £160k.
- xiv. That overall the College is in a stable financial position despite the LSC rescinding the Phase 3 approval.
- xv. Rutland House – A lessons learned approach regarding the need for more rigorous approach to “condition surveys” and photo evidence prior to lease take up was recommended.
- xvi. The College is writing to the Rutland House Landlord's surveyor's (Hetherington Associates) professional body to raise concerns over his approach.

RESOLVED

- i. The Accounts were noted and recommended for Corporation approval.

538 COLLEGE ACCOUNTS FOR THE PERIOD ENDED 31 OCTOBER 2009

NOTED

- i. The operating surplus was noted of £746k for the period.
- ii. The budgeted operating surplus is £206k was noted.
- iii. The Standard Learner Number (SLN) and funding target position to date was noted.

- iv. Train to Gain funding was explained as split 33%/67% for the financial year which has caused some planning problems, notably with consortia partners.
- v. The challenge will be to deliver £1.2m of Train to Gain activity in April-July 2010.
- vi. Staffing costs are currently significantly below budget.
- vii. That the pay ward was 1.5% effective from 1 August 2009 for all staff.
- viii. The accounts took into account the staff salaries for ending contracts at year end rather than in the 2009/10 year.
- ix. The College's allocation on learner numbers is expected to be met.
- x. Summer school activity will supplement work towards the target.
- xi. The Balance Sheet was noted.
- xii. The Local Authority commissioning role is being considered in the College's positioning going forward.
- xiii. The debtors position was noted including school, LSC, Christ Church and Aim Higher income.
- xiv. Cashflow forecast was noted with respect to Phase 3 commitments and ICT infrastructure updating.
- xv. The Barclays loan would become payable from January 2011 if Phase 3 progresses. The loan level is lower than the expected £17m. It is now £10.5m approx. giving a healthier position going forward and reducing interest costs.
- xvi. Regarding Framework for Excellence (FfE) benchmarks the College will only be satisfactory for 2012-2014 and good to outstanding by 2016.
- xvii. The options of Local Authority borrowing may be considered after approval.
- xviii. The Barclays rate is 1.55% above base rate.
- xix. The market place is moving and uncertain regarding interest rates in the next 6 to 12 months.
- xx. Support staff pension cost is approx 15.6%.
- xxi. Concerns were noted at pension liabilities.
- xxii. The College still has a fair proportion of staff not on the LGPS.
- xxiii. That the College has undertaken a pro-active stance on possible future funding reductions of revenue grants by as much as 10%.
- xxiv. The Skills investment Strategy impact on funding for 2010/11 was noted.

RESOLVED

- i. The Accounts were noted and recommended for Corporation approval.
- ii. The current liabilities section at 4.12 needs clarification regarding purchase order commitments and is to be amended by the Director of Finance and Corporate Services.

539 STUDENT UNION ACCOUNTS AND BUDGET RECOMMENDATION

NOTED

- i. The small SU deficit was noted of £3,137 vs £4,425 in 2007/08.
- ii. The net reserves are £24,171, much of which is to cover the expected Block 16 move.
- iii. The proposed 3.8% budget increase was noted as high by most Members.
- iv. That the Union has maintained significant reserves and should not achieve a deficit at year end 2009/10.

RESOLVED

- i. The Audit Committee recommended a 1.5% budget increase for approval by the Corporation.

540 FMCE

NOTED

- i. The Financial Management Control Evaluation (FMCE) long form version was noted for 2009/10.
- ii. The simplified nature of the form compared to 2008/09 requirements.
- iii. That it links to the FfE modelling.
- iv. Completing the long form will enable the College to be better prepared for possible inspection.
- v. The College was graded as "good" at the PFA Audit (Ofsted) of October 2007.
- vi. The FfE financial judgement in June 2009 was noted as "outstanding".
- vii. The current FMCE assessment of "good" was discussed and Members felt that the grade should reflect the FfE and other financial judgement affecting the College presently and as such "outstanding" was felt to be a better judgement.
- viii. The position and grades taken by other Colleges locally.

RESOLVED

- i. The Audit Committee recommended "outstanding" for the FMCE overall grade.
- ii. The FMCE was approved subject to a change to "outstanding".

541 EXTERNAL AUDIT REPORT, ANNUAL ACCOUNTS AND MANAGEMENT LETTER

NOTED

- i. MacIntyre Hudson presented the accounts.
- ii. The opinion is "unqualified".
- iii. The balance sheet was noted.
- iv. The income and expenditure account was noted.
- v. Debtors noted as lower than previous year.
- vi. Page 20 – pension liability increased by over £3m impacting on balance sheets.
- vii. Page 22 – Cashflow statement is positive.
- viii. Page 32 – Tangible fixed asset were noted and depreciation impacts.

- ix. Page 33 – Debtors £1.07m. Creditors reduced. The comparative effect of the Capital Project Phase 2 was noted vs this year's accounts.
- x. Page 40 – The pension (FRS17) impact. The actuarial position relating to demographic impacts. It was noted that there may be benefits in using an actuary and having a joint approach, eg. With another College.
- xi. Another example of college joint work was to reduce exam costs.
- xii. Page 44 – Regularity opinion “unqualified” on use of funds.
- xiii. The Members Report was noted.
- xiv. Note Roger Clarke's term of office page 12 of the members list should read 'December 2009'.
- xv. There were no internal control issues.
- xvi. The provisions at page 14 of the Management Letter were noted.
- xvii. Comparative graphs for benchmarking were tabled showing MacIntyre Hudson averages and comparison to other Colleges.

RESOLVED

- i. It was recommended that Adrian Cottrell raise options of joint work with KAFEC.
- ii. The Report of the Members were noted – need up to date P10 maintenance figure.
- iii. Page 41 delete word “we” from Accounts notes.
- iv. Page 2, paragraph 3 in terms of internal control issues was noted as requiring amendment.
- v. That Roger Clarke's term needs amendment to read until 'December 09'.
- v. The Audit Committee noted and approved the external audit report, annual accounts and management letter.

542 INTERNAL AUDIT END OF YEAR ANNUAL REPORT, NEEDS ASSESSMENT & PLAN

NOTED

- i. Reeves & Neylan presented the Internal Audit Service Annual Report.
- ii. That the report sets out some areas to be revisited in 2009/10.
- iii. Payroll issues will focus on procedure notes.
- iv. The body of the report was noted as having no priority 1 issues in 2008/09.
- v. The overall opinion is that the College has satisfactory controls. No areas of weakness or procedural deficiencies were noted.
- vi. The visit schedule for 2009/10 was noted.
- vii. That the report and visit timings were noted with respect to follow-up visits and Audit Committee timings.
- viii. It was noted that the third visit follow up could be amended to accommodate the type of issues and areas covered.

RESOLVED

- i. The report was noted and approved.

543 ANNUAL REPORT TO THE CORPORATION

RESOLVED

- i. The report was noted and approved. Final table to be amended for June 2009 to include the re-appointment of External Auditors.

544 RISK MANAGEMENT

NOTED

- i. The Risk Plan was noted.
- ii. The Risk Plan report 3.6 item 5 value to be adjusted.

RESOLVED

- i. The report was approved subject to the minor change.

545 REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT SERVICE

RESOLVED

- i. The report was noted and approved.

546 AOB

NOTED

- i. It was noted that Roger Clarke had confirmed that he will step down as the Committee External Co-opted Member as at December 2009.
- ii. Roger was thanked for his years of service and contribution to the Corporation and College.

546 DATE OF THE NEXT MEETING

NOTED

- i. The meetings is scheduled for **Tuesday, 9 March 2010** at 6pm in room J221.

547 EVALUATION OF THE MEETING

NOTED

- i. The evaluation form from the last meeting was noted.
- ii. All members completed the evaluation of meeting forms and returned them to the Clerk who will take forward any matters raised.