

## CANTERBURY COLLEGE

### Minutes of the MEETING OF THE AUDIT COMMITTEE held on Tuesday, 17 March 2009 at 6.00pm in Room J221

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

**In Attendance:** Mark Hill (Clerk to the Corporation)  
Laura Clarke, Section Manager, Hair (for item 5)  
Julia Joslin, Section Manager, Business (for item 5)

**By Invitation:** Alison Clarke (Principal and Executive Director)  
Adrian Cottrell (Director of Finance and Funding)  
Andrew Griggs/Scott Miles (Reeves & Neylan)

*Italics denotes absence*

#### Declared Interests:

Anne-Marie Nelson expressed an interest in the University of Greenwich.  
Julia Joslin is a Member of the Board (staff – academic)

#### **507 APOLOGIES NOTED**

- i. Apologies were received from Dominic Nichol.

#### **508 MINUTES OF THE MEETING 11 November 2008. NOTED**

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

#### **509 MATTERS ARISING NOTED**

- i. The University of Greenwich was noted at approximately £150k by comparison.
- iii. Adrian Cottrell noted which institutions could be considered for Treasury Management investments. The current climate and current banks were noted. College investments are at £5m. The advantage of clearing banks was noted. Security vs interest risk was considered. The difficulty of ensuring fluidity of cash ready for the Capital Project. It was agreed to retain current policy approach and the Barclays links.
- iv. Pension provision – Adrian Cottrell confirmed the College has planned for the 3% increase from April 2009 but the LGPS has not notified expected.
- v. External Audit Tenders – 5 tenders have been received and a summary of tenders was circulated and considered. The work with MacIntyre Hudson was noted as effective over previous contracts. The relative benefits of each were considered and a short list of 2 was agreed as MacIntyre Hudson and Tenon. The panel would comprise Hugo Fenwick, Alison Clarke, Adrian Cottrell and Roger Clarke.
- vi. Adrian Cottrell provided an update on on-line purchasing. A roll out by December 2009 is planned. Approximate costs are expected at £10k for consultancy days. The system is designed to ensure order vs budgetary management. The Committee endorsed progressing the project.

#### **510 COLLEGE ACCOUNTS FOR THE SIX MONTHS TO 31 JANUARY 2009 NOTED**

- i. The College's operating surplus for the period of £476k against the budgeted surplus of £371k was noted.
- ii. That the College has to date received its expected level of LSC grant income.
- iii. SLN enrolments for 16-18s stand at 104% of the allocation whilst 19+ stands at 93%.
- iv. There is an issue with the LSC over payment of workplace NVQs. The income has not been separately identified by the LSC remittance advices and has been treated as deferred income on the Balance Sheet.
- v. Changed reporting mechanisms for Employer Responsive funding are generally causing problems for colleges as a whole at present.
- vi. The sales ledger debts of £315k were noted.
- vii. Other debtors of £3,927k were noted.
- viii. That £3,214 of this is LSC capital grant accumulated through expenditure on the re-development works.
- ix. Current liabilities including £285k on re-development project costs and £559k for Wates Phase 3 were noted in addition to dilapidations provisions of £450k for Rutland House.
- x. Adrian Cottrell confirmed the College is likely to attempt to resolve the issue with UKC. The Finance Director currently retained £340k dating back to 2005/06. It was agreed that the College has pursued this as much as it should.
- xi. Train to Gain partner shares is currently higher than planned.
- xii. The LSC was originally slow to identify the Train to Gain and Work Based Learning contract values.

- xiii. The Balance Sheet was noted and Appendix Two.
- xiv. Within other debtors the capital grants are included. The College expects to gain all its Phase 2 income.
- xv. The Principal confirmed that the College's LSC grant capital post AiP letter has been faxed to DIUS. The LSC has not been paying its capital payments to Colleges. The situation with Capital funding was discussed. The LSC has insufficient funds to pay commitments. The Foster Review report is due in April. Little movement is expected. The Principal has also written to the Prime Minister and is attending a special AOC focus group this Friday.
- xvi. The LSC is also struggling with its revenue funding for FE. There is a fear that the LSC may seek to reduce revenue payments per learner which will significantly impact on FECs.
- xvii. Impact on the construction industry was noted, 23,000 jobs could be at risk.
- xviii. The College's 10% cost saving approach now matches advice on revised criteria.
- xix. There is a risk of an outstanding debt due from the LSC in the next few months.
- xx. That the College's Phase 3 preparation has been based on LSC advice and consultation.
- xxi. The committee commended the Executive's efforts to protect the College's interests.
- xxii. The College's current financial health group at month end is at A based on the indicative formula. The College is in fact felt to be at B.
- xxiii. Committed costs are for Davis Langdon, King Sturge and a small sum of £90k to Wates under the PCSA. There are the Project Manager and Consultant costs and various other planning and report fees still to be paid. The sum is to be clarified to the Board next week and decisions made about the current project team and wider strategic issues.
- xxiv. Wates were commended for their commitment and investment in good will to the College. Wates are operating at risk to the sum to date of approximately £800k.
- xxv. There is no further news on Rutland dilapidations. TFT is negotiating for the College. Canterbury Christ Church University may purchase and take over the dilapidations. However, some savings expected by retention of partitions will not be achieved as Christ Church does not require them on all floors.

#### **RESOLVED**

- i. The College accounts were approved and recommended for Corporation approval.

#### **511 INTERNAL AUDIT REPORT NOVEMBER 2008**

##### **NOTED**

- i. Andrew Griggs provided an overview of the first visit and second reports.
- ii. The areas reviewed were noted.
- iii. The number of points raised have decreased on past years and fixed assets noted as good.
- iv. There are no major risks affecting the College.
- v. In practical terms doing visit 1 + 2 together has been beneficial for reporting.
- vi. The second visit report was noted.
- vii. Recommendation 2.2 on hair stock may have impacted on the department's ability to address issue as this is a repeat recommendation late in the last year's audit cycle.
- viii. The issue of stock control was noted. The Finance Director agreed there should be a stock control system in place.
- ix. It was noted that the Section Manager was off on long term sick leave and returning to work in the last month. Some loss of confidence and a lack of continuous management has added to the problems in the department.
- x. The link to 2.3 issues were noted. The Section Manager is Laura Clarke.
- xi. Laura Clarke joined the meeting and the issues were clarified (recommendations 2.2 and 2.3).
- xii. Stock procedures were clarified. The storage situation which previously existed was noted. Stock levels are reduced and a stock book is now used as a manual procedure weekly. Available stock is kept at 1 item per type. The system has been implemented from the New Year.
- xiii. The revised staffing and timetabling arrangements were noted.
- xiv. It was confirmed the till float is also put in the safe at the end of the day. Cash is also being banked more regularly. The department has now ordered a computerised till for September. Assists stock/cash monitoring and is more relevant to modern practice in retail.
- xv. Utilised stock is fully used before replacement and recycled items.
- xvi. Only one incident of 'shrinkage' this year which was dealt with.
- xvii. It was spotted quickly due to controls. Laura Clarke left the meeting.
- xviii. Julia Joslin joined the meeting for 2.4 – Stationery Shop.
- xix. Concern of till supervision and stock control was noted.
- xx. Julia Joslin explained procedural and staff changes improving cover of the shop. Lunch gaps in cover remain when staff go to lunch.
- xxi. There is a practice office behind the shop enabling the staff to supervise. Lunch breaks are at the quietest time.
- xxii. Stock control importance was noted. Manual stock check is impossible in the new larger shop. A computerised till has been ordered and is due to be installed shortly.
- xxiii. The lunch time risk of pilferage was considered. Julia Joslin felt students in the shop have shown responsibility. Julia Joslin noted very little stock has been taken. Only one incident in the last 12 months (data sticks).
- xxiv. Stock checks are monthly with spot checks on higher value items.
- xxv. A physical stock take by students is being considered for reintroduction.
- xxvi. Transactions are numerical not bar coded yet.

- xxvii. Re-ordering is handled by the Trainer Demonstrator.
- xxviii. Stock value is approximately several hundred pounds.
- xxix. Julia Joslin left the meeting.
- xxx. Members noted the cultural change required for staff to have a sense of values and need for better control systems for all outlets.
- xxxi. Andrew Griggs noted the Annual Report will revisit follow up effectiveness.
- xxxii. The priority 3 recommendations were noted.
- xxxiii. Visit 1 recommendations at priority 2 1.3 and 1.4 were noted.
- xxxiv. The log file checking of printed reports noted as a checking process to be implemented. Report back to the next meeting as a "matter arising".
- xxxv. The salary change system was noted as not robust. A previously used system based on manual records is to be reintroduced.

**RESOLVED**

- i. Nick Baser to attend the next meeting and report back on payroll progress.

**512 RISK MANAGEMENT REPORT**

**NOTED**

- i. The Risk Plan does not yet reflect Phase 3 risk as the meeting was prior to the LSC announcements on Capital Projects.

**RESOLVED**

- i. Upward rescoring will take place on all Capital items and possibly LSC revenue items at the next Risk Management Group meeting.

**513 REGULARITY AUDIT**

**NOTED**

- i. The report was noted and approved.

**514 REVIEW OF PERFORMANCE OF EXTERNAL AUDITORS**

**NOTED**

- i. The report was noted and approved.

**515 TUITION FEES**

**NOTED**

- i. The report was noted.
- ii. The current dichotomy of the fee recovery policy vs the present economic situation particularly for employers.
- iii. The fee income increase was discussed.
- iv. It could be up to 16% for 2008/09.
- v. There was a concern noted that increases in fee shares sends the wrong message.
- vi. The College still has obligations under LSC requirements to work towards increased employer and learner contributions for some provision.
- vii. Second year fees would not increase.
- viii. The College has not had difficulty in collecting fees to date.
- ix. Appendix One fee guide was noted.
- x. HE fees were noted and the fact that some Universities are pushing for raising fees to £5k.

**RESOLVED**

- i. A 16% fee increase to £1,100 for 19+ was agreed.
- ii. A level of £1,285 HE fees were agreed and the international fee rates were agreed for recommendation to the Board for approval.
- iii. The Exemptions policies were noted and recommended for approval..

**516 AUDIT SELF ASSESSMENT**

**NOTED**

- i. The report was noted.

**517 REVIEW OF TERMS OF REFERENCE**

**RESOLVED**

- i. The Terms of Reference were noted and agreed.

**518 DATE OF THE NEXT MEETING**

**NOTED**

- i. The meetings is scheduled for Tuesday, 9 June 2009 at 6pm in room J221.

**519 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.