

PAPER FOR GOVERNORS
PAPER LMC/A/35/08

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 1 DECEMBER 2008 AT 6.00 PM
VENUE: THE BOARD ROOM (B066)**

Present: Angela Bathgate
Ainsley Cheetham
Phil McGrath
Joyce Tombs

In attendance: David Fletcher (*Bentley Jennison*)
Dale Thorpe (*Baker Tilly*)
Peter France (*Director of Finance and Information Services*)
Stuart Boyd (*Head of Employer Engagement*)
Julie Wilkinson (*Clerk to the Corporation*)
Oona Cushen (*Minuting Secretary*)

In the absence Pat Thomas, Ainsley Cheetham was elected Chair of the Committee for this meeting.

Prior to the start of the meeting, the Chair requested any conflicts of interest be declared and asked those present to introduce themselves. No conflicts of interest were declared.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Pat Thomas and Vivien White.

2. MINUTES OF THE MEETING HELD ON MONDAY 13 OCTOBER 2008

The minutes of the previous meeting held on 13 October 2008, which have already been presented to the Corporation on 15th November, paper LMC/A/29/08, were agreed as an accurate record and signed by the Chair, subject to the amendment on page 5, item 7 to amend Baker Tilly on point 3 to Barclays Wealth.

3. MATTERS ARISING

The private session to be held for the auditors and Audit Committee members only (item 9 on the agenda) was postponed until the next meeting of the Audit Committee, to be held on Monday 2nd March 2009.

The Clerk confirmed the private session had been requested as these had previously been held periodically but not for some time.

4. AUDIT REPORTS

LSC Internal Audit Report – Train to Gain

The Head of Faculty for Employer Engagement referred Governors to paper LMC/A/30/08 and highlighted the key points:

- The LSC Regional Audit Team had carried out an audit of the Train to Gain provision, reviewing current procedures and practices.
- As a result of the work undertaken, the LSC concluded that the College has substantially met the contractual conditions attached to the payments and there were sound systems of internal control in operation.
- One error was identified resulting in the College paying back £768.75 relating to one learner, who did not meet the criteria for eligibility.
- It was also confirmed that the actions taken to put in place the agreed recommendations, from the last report, have been satisfactory.
- Over 800+ Train to Gain qualifications were achieved last year.

The Director of Finance and Information Services confirmed that Train to Gain is a very complicated system, with much bureaucracy, with one of the eligible criteria being that a learner must not hold a Level 2 (or equivalent) qualification and is an evidence intense programme of funding.

In response:

- Bentley Jennison confirmed to the Audit Committee that the report looked in keeping with other college reports and there is always likely to be some claw back owing to the complicated nature of the qualifications.
- It was confirmed that the shadow audits will be carried out by the Head of Faculty for Employer Engagement and members of his team, who learnt from the LSC Auditors some of the main procedures to use.

The Committee noted and received the Internal Audit Report – Train to Gain, paper LMC/A/30/08.

Stuart Boyd left the meeting at 6.13pm.

Internal Audit Report – Governance: Instruments and Articles

David Fletcher, representing Bentley Jennison referred Governors to paper LMC/A/31/08 and highlighted the key points:

- This is the first audit for work undertaken as part of the approved internal audit plan for 2008/09.
- As a result of the work undertaken, Bentley Jennison provides substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid and operated, are adequate and effective.
- There are no recommendations and the College is fully compliant.

- Additionally, areas of good practice identified during the audit were:
 - Management within the College have been proactive in ensuring that the requirements of the revised of the revised Instruments and Articles of Government have been implemented and that an appropriate level of documentation has been retained on file to evidence the implementation.
 - The College continues to maintain its Financial Health in the Category A status.
 - There are a suite of Key Performance Indicators in place within the College that provide operational and strategic assurance over the operations of the College. It is also pleasing to note that they have been linked to the performance requirements under the Framework for Excellence.
 - The College already includes the Framework for Excellence in its Self Assessment Report (SAR) process.
 - Management have been proactive in informing the Audit Committee of the requirements of the Financial Management Control Evaluation (FMCE) as required under the Framework for Excellence.

Bentley Jennison commented that management and the Corporation should be commended for their work in this area.

The Committee noted and received the Internal Audit Report – Governance: Instruments and Articles, paper LMC/A/31/08

5. FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)

The Clerk referred Governors to paper LMC/A/32/08 and explained that the FMCE replaces the Self Assessment Report Questionnaire (SARQ). The draft of the report was presented at the last Audit Committee and this is the completed report. The key points highlighted were:

- The overall, self assessed grading for financial management and control is good, which is consistent with the PFA (Provider Financial Assurance) report.
- The final PFA inspection report has not yet been received but there was only 1 'merits attention', which was for all audit reports to be presented to the Audit Committee, as some have been sent direct to the relevant department.
- The new report ties in with the Framework for Excellence process.
- The LSC may produce another questionnaire relating solely to governance.

In response to questions:

- The Clerk explained that the weakness identified under 1.1 Strategic Oversight (page 11) referred to inadequate succession planning for governors, in that there is no waiting list for people to join the Corporation and no successors for Chair/Vice Chair have yet been identified. Governors requested that this point was expanded to clarify the weakness for Governors.

The Committee noted and received the Financial Management and Control Evaluation (FMCE), paper LMC/A/32/08.

6. FREEDOM OF INFORMATION ACT (FOIA)

The Clerk referred governors to paper LMC/A/33/08 and highlighted the key points:

- The current Model Publication Scheme ends on 31 December 2008 and the new model scheme comes into effect on 1 January 2009.
- Failure to adopt the model will result in Lancaster & Morecambe College being in breach of the Freedom of Information Act.
- If adopted, the College will place a link on the college website to the model scheme. The College will then produce a guide stating:
 - What information we hold, publish or intend to publish
 - How the information will be published – for example, on-line or hard copy and
 - If there are any charges for the information (e.g. photocopying and postal charges).
- The college guide will be based on the Definition Document for the Model Publication Scheme for Colleges of Further Education (appendix 2).
- All public authorities are required to have a model scheme.

The Committee noted and received the Freedom of Information Act (FOIA), paper LMC/A/33/08 and agreed to recommend to the Corporation the Model Publication Scheme for adoption.

7. COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2007/08: 1 AUGUST 2007 – 31 JULY 2008 AND FINANCIAL STATEMENTS AUDITOR MANAGEMENT LETTER AND REGULARITY AUDITORS (OPINION) MANAGEMENT REPORT

Dale Thorpe, Baker Tilly, referred Governors to paper LMC/A/34/08 and explained the Annual Report and Financial Statements for 2007/08: 1 August 2007 – 31 July 2008 had been fully reported to the Finance and Resources Committee, immediately prior to this meeting and was provided to the Audit Committee for information only.

Mr Thorpe explained Baker Tilly's audit role is to ensure the financial statements are a true and fair record of the financial results and the Regularity Opinion is to ensure the College has applied its income (mainly from the LSC and OLASS contract) for the proper and intended purpose. Mr Thorpe highlighted the key points:

- The Review of Income and Expenditure (page 3) and the Review of Balance Sheet (page 4) provide a commentary to put the financial results into context.

- The audit and accounting issues (page 5) identified at planning stage provides a summary of the work, which has been carried out as planned with no issues arising.
- No areas of internal control weakness, which should be brought to the attention of the Audit Committee, have been identified.
- Two key risks/exposures to the College were identified and these were:
 - The existing OLASS contract is due for renewal from August 2009, the loss of which could lead to difficulties in making a surplus, along with a number of related projects funded through European Structural Funds which could be at risk. Mr Thorpe confirmed that the College is managing this risk, with the tender process ongoing and as the College has significant cash reserves, it will be able to support its activities over the next 12 months.
 - The building of a new road through the site leading to a compulsory purchase order is expected, which will have a large impact on the college site. This risk is also being managed by the College, with a proposed redevelopment of the site, with large capital funding expected (subject to approval of application). No impact of the new road is expected for 12 months due to planning and funding requirements.
 - The unadjusted misstatements (page 9) have been listed for information, although no audit adjustments have been made to the final statements. Financial management of the College is quite prudent and the judgmental unadjusted misstatement is a result of that prudence.
 - Baker Tilly has provided confirmation of their fees and independence. Although the audit senior remains the same, there is a new manager on the Baker Tilly audit team.
 - Appendix C of the report – Emerging Issues is for information only and provides a background of developments within the sector, which the College may find useful.

In response to questions:

- Mr Thorpe confirmed the Project Management or Decision Making policy referred to on page 7 was not related to the Capital Project, but should be a generic policy on how the College manages projects. As a Capital Project Committee has been formed to oversee the New Build Project, it may be that a generic policy would state that project committees would be formed to oversee any major projects, which have significant value. The Clerk confirmed this would be overviewed.

Action: Clerk to the Corporation to develop a Project Management or Decision Making Policy to be presented at the next Audit Committee meeting on 2nd March 2009.

- Governors questioned the significant cash reserves being held in the bank and whether these would normally be invested. The Director of Finance and Information confirmed that the Finance and Resources Committee had discussed the cash reserves and the position of the College should the New Build project not proceed. Two possible options for these reserves are payment

of the pension liability and investment in college facilities. These will be reviewed once the full 10 year financial forecast for the College has been produced for the next Finance and Resources Committee meeting, to be held on 10th February 2009.

- Mr Thorpe confirmed that, in summary, the College was in excellent financial health with good systems and reporting procedures in place.

The Committee noted, received and agreed to recommend the Financial Statements Auditor Management Letter and Regularity Auditors (Opinion) Management Report, paper LMC/A/34/08.

8. ANY OTHER BUSINESS

There were no other items of business.

9. PRIVATE DISCUSSION – CORPORATION MEMBERS AND AUDITORS ONLY

Although this item was postponed, there was an informal discussion between the auditors and the Audit Committee members and this is minuted separately.

10. DATE AND TIME OF NEXT MEETING

Monday 2nd March 2009 at 6pm

The Committee agrees that these minutes are an accurate record of the meeting.

SIGNED:

NAME: (Chair)

DATE: