



Minutes of a meeting of the Audit Committee held on Tuesday 24 November 2009 at 5.00pm in room 3F099, York College

Present: Sarah Ashton
Jim Clark (Chair)
David Jackson
David King
Andy Mendus

In Attendance: Trevor Armer, Director of Finance
Richard Hinde, Clerk to the Governing Body
Carl Teigh (KPMG) – Financial Statements /Regularity Auditor
Anne Tyrrell, Deputy Principal Resources
Ian Wallace (RSM Bentley Jennison) – Internal Audit Service

The meeting started at 5.00pm.

Action

09.28 Apologies for Absence / Declarations of Interest

Apologies were received from Trevor Rees and Kate Robinson of KPMG and Susan Turner of Bentley Jennison. No declarations of interest were made.

09.29 Minutes of Previous Meeting – 7 July 2009

The minutes of the meeting held on 7 July 2009 were approved as an accurate record and signed by the Chair.

09.30 Matters Arising

a) Action Summary Sheet

The Committee considered the action summary detailing actions taken, and noted that all points had been actioned. There were no other matters arising.

09.31 Terms of Reference and Schedule of Business 2009/10

The Clerk to the Governing Body presented the report with the Terms of Reference for the Audit Committee. It was explained that they had been revised and presented in a new format as previously requested by the Search & Governance Committee. The Audit Committee's proposed schedule of business for 2009/10 was also presented and it was stressed that this schedule of business was not fixed and other items would be presented to the Committee as necessary during the course of the year.

The Audit Committee resolved to approve the schedule of business for the Audit Committee for 2009/10. The Audit Committee further resolved to recommend the Governing Body to approve the Committee's Terms of Reference as presented.

09.32 LSC Provider Financial Assurance (PFA) and Other Audit Reports

a) 2008/09 – ESF Co-Financing – Initial Monitoring Visit

The Director of Finance presented the report produced by the LSC Provider Financial Assurance (PFA) team following their recent initial monitoring visit associated with the College's Co-Financed European Social Fund (ESF) funded Skills For Life work on behalf of the LSC.

It was reported that on the basis of this visit, the LSC had concluded that the College had "sound systems of internal control in operation" for the management of this contract.

The Audit Committee resolved to note the report.

b) 2009 LSC PFA Review – Apprenticeship Assurance

The Director of Finance presented the report with feedback provided by the LSC PFA team following their recent assurance visit associated with the College's Apprenticeship Contract.

It was reported that the final feedback had yet to be received but that on the basis of this visit the LSC had provided provisional "Unqualified" (i.e. Satisfactory) opinions in relation to both the College's Internal Controls and Use of Funds. Based on the sample of records reviewed, the LSC PFA team had provisionally confirmed a 0% error rate.

The Audit Committee resolved to note the report.

09.33 Internal Audit Reviews

a) 2008/09 Annual Internal Audit Report

Ian Wallace of Bentley Jennison presented the report summarising the findings and conclusions of the work undertaken by Bentley Jennison as the College's internal audit service providers during 2008/09.

The annual opinion on internal audit assurance contained in the Annual Internal Audit Report stated:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of York College's arrangements." It continued by saying that for the 12 months ended 31 July 2009, based on the work undertaken, their opinion regarding the adequacy and effectiveness of York College's arrangements rated Governance, Risk Management and Control as "Green" (the highest level of assurance on a three point traffic light system).

The Committee noted that improvements had been made on the previous year and acknowledged that the report was very positive.

The Audit Committee resolved to recommend the Governing Body to approve the 2008/09 Internal Audit Annual Report for the College.

b) 2008/09 Internal Audit Recommendations Implementation

The report summary indicated that as at 17 November 2009 43% of all recommendations had been fully implemented with a further 20% partially completed. Action was planned in relation 13% of recommendations. 16% were not yet due, 4% were overdue and 4% had been suspended as they were no longer applicable. It was noted that as well as the College itself monitoring the implementation of audit recommendations, Bentley Jennison also carried out their own Follow Up audit review. A further updated report would be provided at the next meeting of the Committee.

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The Audit Committee resolved to note the report.

c) 2009/10 Internal Audit Progress Report

Members considered the report outlining the work undertaken by Bentley Jennison as the College's internal audit service providers in the current academic year. It was noted that as at 17 November 2009, no internal audit reports had been produced. The work undertaken to date had concentrated on preparations for the first three audit reviews which took place in the week commencing 9 November 2009.

The Audit Committee resolved to note the report.

09.34 2008/09 Financial Statements Audit

a) 2008/09 Final Management letter

Carl Teigh of KPMG presented the report summarising the findings and recommendations of the College's 2008/09 Financial Statements Audit. The Audit Committee noted that, subject to the approval of the accounts by the Governing Body, KPMG anticipated issuing an unqualified audit opinion for the year ended 31 July 2009. It was explained that KPMG were required to report all material misstatements that management had corrected in the financial statements, and it was noted that the overall effect of such adjustments had been to decrease the operating surplus and net assets by £164,000. KPMG had confirmed that there weren't any unadjusted audit differences to report.

The Audit Committee resolved to recommend the Governing Body to approve the 2008/09 Financial Statements Final Management Letter.

(David Jackson left the meeting at 5.35pm.)

b) 2008/09 Financial Statements Audit -York College

The Director of Finance presented the report. It was noted that recommendation of approval of the financial statements to the

Governing Body was a role of the Finance and General Purposes Committee. However, the College had undertaken to ensure that the Audit Committee was aware of the opinions and the statements made by auditors, particularly the statement on corporate governance and internal control.

In summarising the financial performance of the College in the year to 31 July 2009. It was noted that the reported surplus of £185,000 was after the impact of FRS 17 pension charges (£708,000) and that if these were excluded the College's reported surplus would be £893,000. This surplus of £893,000 was £640,000 better than was forecast in July 2009. It was also £799,000 better than the College's 2008/09 Mid Year Forecast and £1,491,000 better than originally budgeted for 2008/09.

The Audit Committee resolved to note the report.

c) 2008/09 Financial Statements Audit - Pure Business Solutions Limited

The Director of Finance reported that the Financial Statements had been approved at the Company's Annual General Meeting held the previous day. It was also noted that the Company's financial statements had been incorporated into the College's financial statements. Specific attention was drawn to KPMG's stated opinion based on their audit review of these financial statements.

The Audit Committee resolved to note the report.

09.35 Disclosures of Breaches of Law and Regulations, Fraud and Related Party Transactions

a) Fraud Risk Self Assessment 2008/09

The Director of Finance presented the report providing details of the College's third fraud risk self assessment, which had been prepared on the recommendation of KPMG as the College's financial statements auditors, and which was in a format consistent with recommended good practice in this area. It was explained that this assessment had been reviewed by KPMG as part of their 2008/09 audit work and no comment had been made about its content in their 2008/09 Audit Management Letter.

It was noted that no suspected or actual fraud had been reported in the last twelve months and that the College's risk score was low. No concerns were identified which might prevent the Committee from recommending that the Governing Body approve the signing of the Letter of Representation to the College's financial statements auditors.

It was acknowledged that it would be beneficial for cross references to be made to the College's Whistleblowing and Fraud Policy and noted that the Fraud Policy was scheduled to be presented to the

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Committee at its next meeting.

The Audit Committee resolved to note the report.

b) Letter of Representation

The Director of Finance explained that the College was required to provide the financial statements auditors with a Letter of Representation before the auditors' report could be finalised. The purpose of the letter was to provide reassurance to the financial statements auditor on a number of material accounting issues; potential breaches of law and regulations; fraud; and related party transactions. Members considered the proposed letter with approval.

The Audit Committee resolved to recommend the Governing Body approve the signing of the College's Letter of representation.

(It was agreed that consideration of agenda items 9a) and c) should be deferred to the end of the meeting).

09.36 Review of Financial Statements and Regularity Auditors

b) External Audit Fees Benchmarking

The Director of Finance presented the report with data provided by the LSC to compare its external audit fees, in absolute terms and as a percentage of income, with those of colleges of a similar size.

It was noted that, based on this information, the College's external audit fees as a percentage of income were not untypical for a college of its size. The fees charged by KPMG as a percentage of income were marginally below those charged to other clients of a similar size.

The Audit Committee resolved to note the report.

09.37 Risk Management

a) 2008/09 Annual Risk Management Report

The Director of Finance presented the report on the College's Risk Management activity during the 2008/09 financial year. It was noted that this report had been developed from the format recommended by the LSC. It provided a summary of activity in the previous year and conclusions reached which would inform the recommendation to the Governing Body on the statement of corporate governance and internal control in the College's 2008/09 financial statements.

The Audit Committee resolved to recommend the Governing Body to approve the 2008/09 Risk Management Annual Report.

b) Review of Risk Maturity in Further Education

Ian Wallace of Bentley Jennison presented the report which had been published by RSM Bentley Jennison following the conclusion

of their thematic review of Risk Management in the FE Sector in 2008/09. It was acknowledged that the report provided a useful position statement on the "Risk Maturity" of the FE sector in England and Wales.

The Audit Committee resolved to note the report.

09.38 Draft Audit Committee Annual Report 2008/09

The Clerk to the Governing Body presented the draft Audit Committee Annual Report for 2008/09 which was considered by Members. It was explained that the report was a review of the Audit Committee's activity and the service of the internal and external auditors during the course of the year. A small number of revisions were agreed and it was noted that the agreed report should be presented to the Governing Body prior to the signing of the College's financial statements on 9 December 2009.

Clerk

The Audit Committee resolved to approve the Audit Committee Annual Report 2008/09, subject to inclusion of the agreed amendments, and to authorise the Chair of the Audit Committee to sign the final amended report for presentation to the Governing Body.

09.39 Framework for Excellence

a) Financial Management Control Evaluation (FMCE)

The Director of Finance presented the College's proposed FMCE return for 2009/10 which was considered by Members. It was explained that the College had opted to submit a Short FMCE return for 2009/10 as most of the information submitted in 2008/09 was still relevant and valid. It was noted that the FMCE had to be approved by the Governing Body and returned to the LSC by 31 December 2009.

The Audit Committee resolved to recommend the Governing Body to approve the College's FMCE return for 2009/10 for submission to the LSC.

(Carl Teigh and Ian Wallace left the meeting at 6.30pm.)

09.40 Additional Services with Audit Service providers

The Director of Finance presented the report showing that in 2008/09 no fees had been paid to either Bentley Jennison or KPMG for services additional to their audit work. It was agreed that, in future, a report of this nature only needed to be presented to the Committee if additional services had actually been provided.

The Audit Committee resolved to note the report.

09.41 Any Other Business

None.

09.42 Date of Next Meeting

Tuesday 16 March 2010 to commence at 4.45pm.

**09.36 Review of Financial Statements and Regularity Auditors
(cont)**

a) 2008/09 Review of Performance

The Director of Finance presented the report summarising the performance of KPMG as the College's financial statements and regularity auditors for 2008/09. Members agreed that the overall assessment of the service provided by KPMG was satisfactory.

The Audit Committee resolved to note the report.

c) Re-appointment as External Auditors for 2009/10

The Audit Committee resolved to recommend the Governing Body to re-appoint KPMG as the College's External Auditors for 2009/10.

The meeting closed at 6.40pm.

Signed(Chair):

Name:

Date: