



## CORPORATION AUDIT COMMITTEE

### MINUTES OF THE MEETING OF THE CORPORATION AUDIT COMMITTEE HELD ON FRIDAY 4 MARCH 2011

**PRESENT :** Mrs A Thomson                      Chair  
                  Mr M Barden  
                  Mr J Green  
                  Mr N O'Brien

**IN ATTENDANCE :**

Mrs P Connell	Clerk to the Corporation
Mr J Fitzpatrick	Director of Finance and Estates - items 2/11 to 12/11
Ms W Wright	Principal - items 2/11 to 12/11
Ms K Musgrave	RSM Tenon
Mr D McIntyre	PKF (UK) LLP
Mr T A Simpson	PKF (UK) LLP

### ACTION

**1/11 APOLOGIES FOR ABSENCE**

An apology was received from Mr M Garrity. There were no matters which Members wished to raise in separate session. The Principal and the Director of Finance and Estates were, therefore, invited to join the meeting at this stage.

**2/11 MINUTES**

The minutes of the meeting held on 8 November 2010 were received and confirmed as a correct record.

**3/11 MATTERS ARISING**

**39/10 Financial Statements / Regularity Audit (Year Ended 31 July 2010).** It was noted that all actions recorded under this item had been completed.

**42/10 Annual Report of the Audit Committee to the Corporation.** The Clerk advised that the requested amendments had been made before the document had been submitted to the Corporation meeting of 14 December 2010.

**44/10 Financial Management and Control Evaluation (FMCE) Annual Return.** It was noted that the document had been submitted to the SFA following amendment, as requested, by Members of the Committee.

**4/11 OUTCOME OF HEFCE APPEAL**

**The Committee received a written report from the Principal, which was contained within appendix A.**

The Principal spoke on her report, apprising Members of developments in

relation to the HEFCE appeal since the last meeting of the Audit Committee in November 2010. The Appeal Panel had met in January and HEFCE had dealt jointly with the proposed audit clawback for the HE Consortium and the separate Student Number Control (SNC) penalty. The outcome was positive. The audit clawback had been reduced significantly, but not eliminated. The SNC penalty had also been substantially reduced and the Consortium had been given a further twenty two funded students for 2011/12. The net result was that the College owed £107,499.25 for its share of the overall sum owed by the Consortium in relation to 2008/09, 2009/10 and 2010/11. Since the SNC penalty had, in fact, already been deducted from the College's 2010/11 funding profile, the actual sum owed to HEFCE was £82,197. The Principal had been informed that this would be reclaimed in four equal payments between April and July 2011. It was noted that the twenty two additional students for 2011-12 represented additional income of around £80,000 for the Consortium.

Work was ongoing to provide additional evidence in relation to improved completion rates for HEIFES10. The MIS Managers from the three Consortium colleges had met to ensure a consistent approach in the collection and presentation of the data. Progress was being made and initial feedback from HEFCE suggested that the Council had growing confidence in the robust nature of the data held by the Consortium. **It was agreed that** a further progress report on this subject would be made by the Principal to the next meeting of the Committee in June 2011.

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**In conclusion, the Committee noted the significant work which had been undertaken by the Consortium to resolve the issues identified in the HEIFES08 audit and the substantial progress which had been made and acknowledged by HEFCE. Members also noted the outcome of the audit appeal and the final financial settlement.**

## 5/11 SCHEDULE OF OUTSTANDING RECOMMENDATIONS

**The Committee received and reviewed the above document, which was contained within appendix B. The following actions were agreed:**

### **Learner Records (tabled 7 June 2010 Audit Committee).**

R1. Parts i and ii of this recommendation should be deleted. Part iii should stand and the completion date of April 2011 should remain unaltered.

### **Non-Core Income Strategy (tabled 7 June 2010 Audit Committee)**

R1. This item should stand. The completion date of May 2011 should remain unaltered.

### **Audit of HEIFES08 by HEFCE (tabled 4 October 2010 Audit Committee)**

R1. Part a should be deleted. Part b should stand, with a revised completion date of May 2011. It was noted that the three colleges concerned had separate proprietary databases. The possibility of setting up a separate single database for HE students had been explored but had been judged to be too expensive. The auditors concurred with the recommendation from the three MIS Managers that the process should be regularly reviewed and documented appropriately. **It was resolved that** time should be allocated in the Internal Audit Plan for 2011/12 for the internal auditors to review the future operation of the process.

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R2. This item should be deleted.

## 6/11 PROGRAMME OF AUDIT ACTIVITIES 2010/11

**The Committee received a written report from the Director of Finance and Estates, which was contained within appendix C.**

It was noted that no further amendments to the approved plan for year were being proposed. However, the audit of strategic business areas had been rescheduled from the autumn term 2010/11 to the two weeks commencing 21 March 2011. This decision had been taken since clarification had been awaited concerning government funding policy in the autumn term following the Comprehensive Spending Review. The three contingency days remained unallocated and would be the subject of separate discussion under the following agenda item. Members noted that it was possible that the SFA / YPLA might select the College for a regularity audit over the next twelve months, although, at the current time, the College had received no notification of any further audits from the funding agencies.

## 7/11 INTERNAL AUDIT

**The Committee received and considered the internal audit reports from PKF (UK) LLP, which were contained within appendix Di.** Members noted the up-dated response to the recommendations contained within the audit reports which had been approved by the Senior Management Team. This was contained within the same appendix. The audit reports were as follows:

- i **Governance and Risk Management (January 2011).** It was noted that the assurance level given at the conclusion of this audit was 'sound' ie the highest category in the framework adopted by the internal auditors. As part of their work, the auditors had conducted a benchmarking exercise which had confirmed that the College had an approach to risk management which compared favourably with its peer group. It was noted that a separate Risk Register would be prepared to cover the ongoing developments in relation to Macclesfield High School. The auditors concurred with this approach. Discussion ensued concerning the recommendation which had been made as an enhancement opportunity. **It was agreed** that this should be implemented as detailed in recommendation 1 of the up-dated response provided by the Senior Management Team. **It was further resolved that** the other two actions contained in this response would not need to be added to the Schedule of Outstanding Recommendations since they had already been completed. Members felt it was encouraging to note that, following considerable focus on this area over the last twelve months, risk management was now fully embedded throughout the College and much progress had been made in the adoption of best practice.
- ii **Fixed Assets and General Ledger (January 2011).** The level of assurance given, following completion of this audit was, again, sound. Only one recommendation had been made as a possible enhancement opportunity. This had been accepted by College management and had been implemented.

**The Committee received and considered a written recommendation from the Director of Finance and Estates, which was contained within appendix Dii.** The recommendation concerned the allocation of the three days contingency provision, which was contained within the Internal Audit Plan for 2010/11, which had been approved by the Corporation (Corporation minute 35/10 referred). Two possible areas for utilising this provision had been

identified within the original plan ie timetabling and ICT Strategy and arrangements. It was now felt that the latter could be more usefully reviewed at a later date, owing to staff changes. Timetabling continued to be a critical component in overall resource management, but it was felt by the Senior Management Team that, at the current time, it would be more useful for the auditors to review this area, on a consultancy basis, with a view to making recommendations as to how the approach could be improved, rather than as part of the audit programme for the year. The internal auditors supported this approach. In conclusion, therefore, **it was agreed that a formal recommendation should be made to the Corporation meeting of 29 March 2011** that the total number of audit days allocated within the plan for the current academic year should be reduced by three, with a corresponding reduction in cost, and the internal auditors should conduct a review, as consultants, and as described within appendix Dii.

## **8/11 RISK MANAGEMENT**

**The Committee received a written report from the Director of Finance and Estates, together with an up-dated copy of the Risk Management Register (Key Risks).** The documents were contained within appendices Ei and Eii.

Members noted that, since their last meeting, the Risk Management Register had been comprehensively reviewed and up-dated as necessary. A separate new section of the Register had been introduced, which referred to potential future risks. There had also been increased emphasis on ensuring that risks were as clearly defined as possible and correctly assessed. The number of risks contained within the Register remained rather large and attempts were being made to combine some of the risks to reduce the register to more manageable proportions.

Members thanked the Director of Finance and Estates for his report and looked forward to receiving a further up-date at their next meeting.

## **9/11 SKILLS FUNDING AGENCY ESF AUDIT REPORTS**

**The Committee received the audit reports received from the Skills Funding Agency dated 1 November 2010 and 22 December 2010.** These were contained within appendices Fi and Fii. Members commended staff for their efforts in achieving an excellent outcome for the College. A considerable amount of detailed testing had been carried out and no payment errors had been identified as a result of the audit. The College had received a clean bill of health and a 'satisfactory' opinion (the highest grade available) had been given for both audits.

## **10/11 CHESHIRE SOLUTIONS – MEMORANDUM OF UNDERSTANDING**

Members noted that, in accordance with the terms of the Memorandum of Understanding approved by the Corporation, the governing body would not be requested to review the document at its next meeting, since the company remained dormant and no changes to the Memorandum were being proposed.

## **11/10 ECAT – MEMORANDUM OF UNDERSTANDING**

Members noted that, in accordance with the terms of the Memorandum of Understanding approved by the Corporation, the governing body would not be

requested to review the document at its next meeting, since the company remained dormant and no changes to the Memorandum were being proposed.

**12/11 DATE OF NEXT MEETING**

This would be held on 13 June 2011, at 9.30 am.

Pamela J Connell  
Clerk to the Corporation  
9 March 2011

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