



**Minutes of the meeting of the Audit Committee  
held on Tuesday 24<sup>th</sup> November 2009**

- Membership:**           \* Mr Robin John  
                              \* Dr Anne Grant  
                              Mr Peter Hickman  
                              \* Mr Chris Johnson  
                              Mr David Lavarack  
                              \* Mrs Jo Canessa
- Also present:**       \* Mr Dan Dean – Advising Officer  
                              \* Mr Geoffrey Bowley- Advising Officer  
                              \* Mr David Morris – MacIntyre Hudson
- In attendance:**      \* Mrs Sue Gunter – Clerk to the Corporation

**1. REGISTER OF INTERESTS**

The Chair asked if anyone present had any interests to declare with regard to the agenda of the meeting. None were declared.

**2. APOLOGIES FOR ABSENCE**

Peter Hickman, David Lavarack.

**3. MINUTES OF THE LAST MEETING**

The minutes were agreed and signed as a true record.

**4. MATTERS ARISING**

These would all be covered under agenda items for the meeting.

**5. ANNUAL CYCLE OF BUSINESS**

The annual cycle of business was noted.

**6. REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2009**

Dan Dean advised that the Finance Committee had recommended the Report and Financial Statements for approval by the Corporation. It was the duty of the Audit Committee to consider the audit reports thereon.

The committee noted that the College had sustained a loss for the year to 31<sup>st</sup> July 2009. However this was small in the context of the substantial reserves carried forward and overall the College was in good financial shape. Geoff Bowley advised that in fact the loss was smaller than forecast in the LSC 3-Year Financial Forecast approved by the Corporation in the Summer largely due to timing differences in estates expenditure.

Chris Johnson asked for clarification as to who was the “Head of Internal Audit” referred to in paragraph 23 of the Statement of Corporate Governance and Internal Control. David Morris referred him to the Internal Audit Annual Report (Agenda Item 10). This was written by Clive Malcolm, lead partner of the internal auditors Horwath Clark Whitehill ‘in his capacity as Head of Internal Audit at the College’ (top of page 3 refers). Nevertheless, Chris Johnson felt that this role was ultimately the responsibility of the College and should therefore refer to a member of the College staff and could not be delegated to a third party. After some discussion, it was felt that this was an anomaly which had arisen because the internal audit function for colleges is now commonly contracted out to third parties rather than being carried out in-house. However, it was agreed that it would be useful to clarify this with the LSC.

<b>Action:</b> Geoff Bowley/Dan Dean to ask the LSC for clarification of this point.
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The committee noted that there were no items of concern in the Financial Statements Audit Report and that the audit did not raise any reason why the accounts should not be approved by the Corporation.

## **7. FINANCIAL STATEMENTS AUDIT MANAGEMENT LETTER AND LETTER OF REPRESENTATION**

David Morris reported that the audit process had been smooth and wished to record his thanks to College staff for their help.

The committee then considered the Draft Audit Management Letter. David Morris drew attention to the key risk areas identified at the planning stage of the audit (page 6) and confirmed that none of these had caused any concern during the course of the audit. Robin John felt that the key issues for the committee to consider were whether there was robust monitoring in place in terms of controlling overall expenditure and cash flow, and reducing the risk of fraud. Geoff Bowley advised that the Finance Committee had approved a new format of reporting which should make the monitoring process clearer. This replaced the current cash-based approach with a more traditional Income and Expenditure account and Balance Sheet format. There was a 24-month cash flow forecast linking into the balance sheet which would identify any potential cash flow issues at an early stage.

David Morris drew attention to the conclusion on page 10 of the letter that, overall, controls are operating satisfactorily. The committee briefly discussed the items detailed under the Internal Control Review section and Geoff Bowley confirmed that a new Fixed Asset Register was being implemented.

The committee then considered the Letter of Representation and David Morris confirmed that it was in the same standard LSC format as the previous year. There was a discussion as to how the Chair of Governors could satisfy himself that all appropriate information had been made available to the auditors and it was agreed that there should be a mechanism for the appropriate staff to confirm this to him.

<b>Action:</b> Dan Dean/Geoff Bowley to arrange for a note of confirmation of this point to the Chair of Governors.
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Subject to this, the Financial Statements Audit Management Letter and Letter of Representation were unanimously approved by the committee.

## **8. RE-APPOINTMENT OF FINANCIAL STATEMENTS AND REGULARITY AUDITOR**

The re-appointment of MacIntyre Hudson as the Financial Statements and Regularity Auditor was unanimously approved.

**9. INTERNAL AUDIT SYSTEMS REPORT 2008-09**

The committee briefly discussed the main aspects of the report and the measures which had been taken by the College in response to the recommendations made. Dan Dean reminded the committee that the report had already been considered in detail in its draft format in June and confirmed that very little had changed since then. Geoff Bowley confirmed that a new procurement policy was now being produced.

The Internal Audit Systems Report was unanimously approved by the committee.

**10 INTERNAL AUDIT ANNUAL REPORT 2008-09**

The committee considered this to be a comprehensive report and recommended it for approval by the Corporation.

**11 AUDIT COMMITTEE ANNUAL REPORT**

The Annual Report of the Audit Committee was reviewed and felt to provide a comprehensive report of the activities of the committee during the previous year. The report was recommended for approval by the Corporation.

**12 STRATEGIC RISK REGISTER**

Dan Dean advised that the Risk Register had previously been brought to this committee and the Corporation annually. However, it had been agreed at the July Corporation meeting that the Register should be updated and brought to this committee on a termly basis.

The committee agreed that this was a very valuable document which would be most useful if updated on a rolling basis. The order of the items was considered and it was agreed that items should be ranked in order of high to low risk within each section. Individual risk items were discussed and it was agreed that under "Finance and Resources" the high risk allocated should reduce by March when funding levels will be known. Under Community and Collaboration (Elmbridge 14-19 Partnership), it was agreed that the reference to "or other" (risk) in the final sentence of the Control section should be deleted.

**13 FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)**

The FMCE had been completed for the first time in 2008, and the College's self-assessment of "outstanding" had been confirmed by the LSC. In the light of this, the College had opted to complete the short form of the document this year which again gave a self- assessment grade of "outstanding". After a brief discussion, the FMCE was recommended for approval by the Corporation.

**14 ANY OTHER BUSINESS**

None.

**15 DATE OF NEXT MEETING –Tuesday 17<sup>th</sup> March 2010**

Signed.....

Date.....

