



**HUDDERSFIELD NEW COLLEGE  
FURTHER EDUCATION CORPORATION**

**MINUTES OF THE AUDIT COMMITTEE  
HELD ON WEDNESDAY 2 DECEMBER 2009**

<u>Present</u>	Mr G Craik (Chair), Ms T Murphy
<u>In attendance</u>	Mr A Shaw, Ms J France, Mr C Dyson, Mr C Teigh
<u>Clerk</u>	Ms C Coupland

1. Apologies for absence

Councillor M Sokhal did not attend the meeting. No apologies were received.

2. Minutes of the meeting held on 23<sup>rd</sup> June 2009

**Resolved**

- **That these be accepted as a correct record.**

3. Matters arising

- *Level of membership:* Members reiterated their concern with regards to the low numbers on this committee. The clerk advised that new members are being sought with consideration given to suitable candidates for this Committee. It was agreed that financial/audit background is more of a pre-requisite and that members with an enquiring mind and a logical approach in thinking are equally desirable traits. Further consideration was also given to the possibility of recruiting other staff governors from similar colleges as a form of co-option. The clerk is to review the Instruments and Articles of Governance for guidance and to also approach the Principal to discuss this further.
- *E-Learning Blackboard:* Mr Craik enquired as to the outcome of action plans implemented across the college to promote use of this system. Ms France advised the Committee that the relaunch of blackboard commenced at the start of this academic year. A further internal review is to take place at the end of this year in order to monitor the success of the action plans agreed.

4. Internal audit annual report 2007/08

As provider of the internal audit service to HNC, Bentley Jennison are required to provide an opinion on the adequacy and effectiveness of the College's governance, risk management and control arrangements. No major areas of concerns were brought to the committee's attention by Mr Dyson who presented the report, given that all areas were awarded 'green' status. The basis of the opinion and assurances were outlined. The report also summarises the conclusions and recommendations during the year, provides benchmarking data, and the overall opinion on each assignment completed (3 with substantial assurance, 1 with good and 1 with adequate).

Bentley Jennison are required by LSC's Audit Code of Practice to provide operational assurances in addition to the main annual opinion. All conclusions

with regards to policies, procedures and operations were assessed as 'good'. HNC management are to be commended for this.

**Resolved**

- **That the report be received**

5. **Review of action points**

This report details action points raised in previous audit reports, and what level of progress is being made against the outstanding recommendations. The main areas to be addressed are Governor training, Elearning and risk maturity.

Mr Craik was of the view that it would be beneficial for the Committee to have sight of an annual over view of every finding proposed by the internal auditors, with a clear record of all outstanding or implemented recommendations. Mr Shaw agreed to consider this.

**Resolved:**

- **That the report be received.**

6. **Members' report, annual accounts and management letter 2007/8**

Mr Shaw presented the financial statements and members report, which has also been considered by the Finance and General Purposes Committee. The College assesses itself as category A 'Outstanding' financial health with a score of 330 under the new Framework for Excellence methodology. This is just above the minimum for this grade.

Mr Craik sought clarification with regards to student numbers (page 4) and means of funding. Mr Shaw confirmed that there are 'no non LSC funded students', rather the college during 2008-09 had 2073 LSC funded students and that 100 students were 'other funded' to that of LSC. This is to be clarified within the report.

Within the section 'Principal Risks and Uncertainties', the report makes reference to a risk management training programme to raise awareness of risk throughout the college. The Committee was of the view that this training opportunity should also extend to Governors.

Mr Craik also identified that the Audit Committee was incorrectly recorded as comprising of the Chair of the committee and *four* other members of the Corporation, rather than *three*. Mr Shaw to amend the figures in the final edition of the report.

Mr Shaw also advised the committee members that the outstanding figures for history of experience gains or losses data had since been included in the final document.

KPMG representatives presented the audit highlights memorandum and management letter. All adjustments proposed during the audit have been incorporated into the accounts.

The management letter has given an unqualified opinion on the accounts and confirms that the college has a fully compliant corporate governance statement. The principal matters deemed as outstanding within the management letter (page6) have all since been addressed.

KPMG Representatives drew attention to the observation arising from the audit: use of subsidiary company. It was agreed within the meeting that should the Senior Management Team decide to 'wind up' HNC Associates Limited, the F&GP Committee are to consider this matter and make recommendation to the Corporation. KPMG are to be advised of this decision once approved by the Corporation.

An observation made from the regularity audit was based upon the Treasury Management Policy. The recommendation made by KPMG was for the college to review the policy should HNC deem it appropriate to determine the risk profile of a bank based upon the parent/group credit ratings. Mr Shaw advised the Committee that the Treasury Management Policy was reviewed at the Finance and General Purposes Meeting held on 30<sup>th</sup> November 2009.

#### **Resolved**

- **That the members' report, annual accounts and management letter be recommended for approval by the Corporation, once amendments made.**
- **For Ms France and the Clerk to liaise with regards to organising 'risk management training for Governors'.**
- **The Chair wished to commend Mr Shaw and SMT, on behalf of the Corporation, for the positive report.**

#### 7. Letter of representation, 2007/8 annual accounts

This standard letter is required by KPMG, signed on behalf of the college by the Chair and Clerk.

#### **Resolved**

- **That the letter of representation be recommended for approval by the Corporation.**

#### 8. Review of risk register and Risk management Policy.

##### a) Risk register:

Ms France advised the committee that In March 2009 Bentley Jennison had conducted an audit of risk maturity at the college. Their report included a number of recommendations; the most significant recommendation made was in relation to the format of the risk register and for it to include both inherent and residual risk.

Ms France also acknowledged that the risk register is still to be cross-referenced with the colleges' strategic objectives. This delay has been caused due to the different format of the strategy map. This will be addressed in time for the next review.

The current position of the most significant risks was discussed. The Schools for the Future initiative in North Kirklees remains to be the most significant risk at present.

Committee members commented upon the new format and described the in-depth 'current position' as being useful. It was agreed however that it would be beneficial for the action points to be highlighted within this column. Furthermore, it was also agreed that the register, presented to the Audit Committee, should be reduced to identify the 'top 10' inherent risks only. These suggestions are to be considered at the next SMT meeting.

KPMG also recommended the inclusion of risks associated with the Machinery of Government; namely i) data quality from LSC and ii) How to manage such changes from 2010 with regards to funding. It was agreed that these are to be included in the revised document.

Ms France informed the committee that the SMT recommend that the college's 'risk appetite' be 'low risk'.

b) The Risk Management Policy:

Ms France advised the Committee that the risk management policy has also been reviewed and updated to make the roles and responsibilities more explicit.

Mr Craik was of the opinion that it still does not explicitly state the role of the college SMT or give recognition to the Risk Management Group. It was agreed that a further draft would be brought back to the next meeting for review and that consideration was to be given to incorporating Governors into the Risk Management Group.

**Resolved:**

- **For the identified inherent risks to be reduced in numbers within the risk register.**
- **To include the risks identified with the Machinery of Government changes, as recommended by KPMG, within the risk register.**

9. Financial Management and Control Evaluation 2009-10 (FMCE)

The FMCE is a tool that has been used to self assess the financial management and control arrangements at HNC for the period from 1 August 2008 to 31 July 2009. Overall HNC self-assessed itself as 'good'.

The report contains an improvement plan where areas of weakness have been identified and proposed actions highlighted for the following areas:

- Accountability
- Financial management
- Internal control
- Financial control.

The planned completion date for all areas highlighted is July 2010.

The report was discussed and the following suggestions were considered; at present the improvement plan only considers areas of weaknesses. The Committee considered the usefulness of an alternative action plan used by the college to identify action points to improve grades from good to outstanding. Members also agreed that this Committee, along with F&GP,

should also have sight of the 'financial regulations' in line with the Audit Committee Terms of Reference.

**Resolved:**

- **That the Financial Management and Control Evaluation be recommended to the Corporation for approval.**

10. Strategy for Internal Audit, Update for 2009/2010

In negotiation with the College's senior management team, a cycle of audit work has been proposed, as detailed within this report.

The detailed Internal Audit Plan 2009-2010 was therefore considered. Ms Murphy proposed that the college's safeguarding responsibilities should also be incorporated into the Audit titles 'learner journey' or 'HR management Health check' given that it is identified within the equality and diversity section of the Leadership and Management ; structure for grades. This is to be considered and implemented further by Bentley Jennison.

Mr Craik aired concerns that the internal audit plan does not include the issues flagged up by KPMG, namely the Machinery of Government changes. The Committee was assured by Mr Dyson that these had been adequately considered when formulating the report.

**Resolved:**

- **That the strategy for internal audit update for 2009/2010 be approved.**

11. Performance Indicators for auditors.

(KPMG and Bentley Jennison representatives left the meeting at this point)

Mr Shaw advised the Committee that Bentley Jennison are on their last year of the 5 year term for the role of internal auditors. Committee members therefore need to review this and (re)appoint the internal auditors by June 2010.

The performance indicators were considered for the internal auditors: Bentley Jennison. 'Good' grades were achieved on all sections, however it was viewed prudent by the Committee to undertake a market test of costings prior to reappointment.

Mr Shaw also advised the committee that the annual re-appointment of KPMG as Financial Statements and Regularity Auditors, was also to be considered. The Performance review form was completed. The Committee awarded the grade 'outstanding'.

**Resolved:**

- **To review the performance measures and ensure that they are appropriate for the service setting.**
- **To apply consistent performance measures for both internal and external auditors**
- **To review appointment of internal auditors once comparative data received on rates.**

12. Audit Committee Self-Assessment

The Committee reviewed its level of compliance in working within the parameters of the terms of reference. In addition members considered the good practice checklist.

Members were of the view that all terms were adhered to. Mr Craik noted however that the good practice check list made reference to the audit committee being satisfied that internal audit work is carried out according to standards set out in the HM Treasury; Government Internal Audit Manual. It was confirmed that members to date, have not had sight of this document and are therefore unable to confirm that this is happening.

**Resolved:**

- **For the Clerk to provide members with access to / copy of the HM Treasury: Government Internal Audit Manual.**

13. Audit Committee annual report 2008-09

This report summarises the work of the committee during the year. Some minor amendments were proposed and agreed.

**Resolved**

- **To recommend the Audit Committee annual report to the Corporation.**

14. Review of terms of reference

The terms of reference were considered and there were no recommendations for change.

15. Any other business

*The Agenda:* It was considered by the committee essential for the agenda to be condensed next year. It was therefore agreed appropriate to schedule an additional meeting in October 2010 to address agenda items 10 – 14.

*VAT Issue:* The Clerk brought to the Committee's attention the previous VAT issue on the new Art Building and subsequent resolutions of this matter.

16. Determination of confidentiality.

No items were determined as confidential

17. Date of next meeting

17<sup>th</sup> March 2010 at 4.30pm