

CENTRAL SUSSEX CORPORATION

Minutes of a meeting of the Audit Committee held at 5.00 p.m. on Thursday, 2nd October 2008 in T11, Crawley Campus

Membership: Mark Froud (Chair)*, Dorothy Hatfield*, Zoë Richardson*, Janak Shah*

Also present: Suri Araniyasundaran, Maureen Kilminster, Helen Tracey, Nick Whitley (Clerk), David Kimber (KPMG), Dorianne Pavia (Tenon) and for part of the meeting, Alan Hynes.

* = present

APOLOGIES FOR ABSENCE

1. There were no apologies for absence.

DECLARATION OF INTERESTS

2. Mark Froud declared an interest because Sussex Enterprise had contracted with Central Sussex College with respect to a brokerage service for Train to Gain and other training opportunities for the College (among others).

MINUTES OF A MEETING HELD ON 9TH JULY, 2008

3. The minutes were signed as a correct record.

MATTERS ARISING

4. **Review of governance arrangements for monitoring capital development projects/28:** Dorianne Pavia advised that the nature of the proposed review required the direct involvement of high level audit staff and as such the cost would be in the region of £2500-£3000. She confirmed that all Tenon Managers/Directors at that level had the appropriate experience and qualifications to carry out such a review.
5. Suri Araniyasundaran advised the Committee that, in his opinion, the review would be appropriate, given the value of the developments involved (in aggregate some £100m) and within that context, the fees were not disproportionate.
6. **It was agreed to recommend to the Corporation that the review be carried out in accordance with the proposed scope and at a cost of £2500-£3000.**
7. **Review of outstanding recommendations/22:** The report had not been received by members of the Committee in time for it to be fully scrutinised. **It was therefore agreed that it should be reviewed outside the meeting and that any questions or comments Members may have should be e-mailed to the Clerk, who would circulate all responses to the Members of the Committee.**

REVIEW OF TRAIN TO GAIN CONTRACT

8. The Chair of the Committee introduced this item by reminding the Committee of the context in which it had been raised. There had been considerable concern about the complexity

and volume of paperwork required by the Learning and Skills Council (LSC), under the Train to Gain contract in particular. **It was agreed to withdraw the previously circulated consultant's report for shredding as it was a confidential management report that did not address governance or audit issues.**

9. Maureen Kilminster drew attention to the College's success in managing the Train to Gain consortium, consisting of 22 partners. The College had achieved 376 starts within its own share of the delivery. This was the highest number achieved by any of the Colleges within the consortium; the next highest ranking College had achieved 260. All the partners within the consortium fell within the College's audit remit during 2007/2008; however the LSC had now moved away from commissioning contracts with consortia and the partners had their own contracts for 2008/2009.
10. All Government contracts for Work Based Learning involved onerous paperwork. The College had stream-lined its requirements: an employer was now required to sign only two documents and there were a further five key documents that were essential for claiming funding.
11. The LSC had relaxed some of the regulations for 2008/2009; this included greater flexibility in who was eligible: voluntary organisations and the self-employed were included, as were second Level 2 qualifications within priority sectors and Level 3 qualifications.
12. This flexibility however led to greater complexity and Maureen Kilminster laid round copies of an eligibility matrix to demonstrate this. She stressed that the College would welcome any lobbying to have this simplified.
13. **The Chair of the Committee agreed to include the matrix within his report to the Corporation.**
14. **The report was received.**

AUDIT PLAN FOR 2007/2008

15. David Kimber introduced the report, advising the Committee that it represented a formal summary of the planning discussions held between the Auditors and the Executive earlier in the year. He reminded the Committee that the audit was in two parts: the financial statements audit, which was designed to assess whether the final accounts for the year gave a true and fair view; and the regularity audit, which addressed whether public money paid to the College had been spent in accordance with the stated intentions of Government.
16. He confirmed that KPMG had not received fees for any other work for the College, apart from the Teachers Pension Scheme review carried out earlier in the year.
17. Audit materiality for 2007/2008 was of the order of £230k; however, the auditors would be reviewing all audit differences and would comment on any that exceeded £15k, the proposed de minimus level, if that was acceptable to the Committee.
18. **The Committee confirmed that a de minimus level of £15k was acceptable.**
19. David Kimber then turned to the Audit risks. He highlighted two in particular: capital developments, which represented a significant risk because of the high value of the sums

involved, and income recognition, which was linked to the regularity audit. There were two principal aspects to the latter risk: the timing of the recognition of income and whether there was any clawback of income.

20. David Kimber's attention was drawn to a question that had been raised at the recent Special Corporation meeting, concerning the change in the way the LSC was treating growth in learner numbers. Although growth in the number of 16-18 year old learners was no longer funded initially, it did result in additional funding in the following year; should this not be included in the initial year's accounts?
21. David Kimber confirmed that under the new demand-led funding rules, even if growth may have been "earned" in year one, and was therefore translated into growth in funding for year two, it should be recorded in the accounts for year 2 only.
22. Suri Araniyasundaran stressed that the LSC were not paying for the growth retrospectively; the LSC would look at the College's bid for growth the following year, and, to the extent that it was replicated would consolidate it into the funding baseline for that following year. The reverse applied also in that any reduction in enrolment numbers (below the funding target) would result in a subsequent reduction in the baseline.
23. Maureen Kilminster drew attention to a difference of treatment for Work Based Learning and Train to Gain income; the amounts were subject to monthly reconciliation in year; there should therefore be no clawback at a subsequent date.
24. The risks in relation to tax compliance were raised, particularly with respect to the complexities of VAT. David Kimber responded that the audit team would discuss these with management and review any areas deemed to be high risk, drawing on VAT experts if required.
25. **The report and audit plan were accepted.**

David Kimber left the meeting at 5.35 p.m.

ANNUAL INTERNAL AUDITORS' REPORT

26. Dorianne Pavia introduced the report and took the meeting through the main points. She stressed that the majority of the reports had been very positive and the Corporation could be pleased; the two areas that were not assessed as being good were "procurement and payments", which was assessed as adequate and "Train to Gain", which was assessed as weak.
27. As far as the latter was concerned, it had led to a qualification of the operational assurance; however the auditors' overall assurance confirmed that Central Sussex College had adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.
28. Dorianne Pavia confirmed that the auditors' qualification referred specifically to the management of the 22 partner consortium for Train to Gain. As had been stated earlier, this consortium had now been disbanded. Furthermore, the auditors' report could only take account of the review findings from January 2008. The management actions that had been taken following that report could not be validated until a follow up review had been carried out.

29. Those management actions that had been tested in a follow up review were identified in the annual report; the majority of them had been actioned.
30. Suri Araniyasundaran pointed out that staff utilisation reports (the one outstanding Grade 1 recommendation) were useful for retrospective review and future planning, but were not appropriate for in year use.
31. **The report was noted.**

Alan Hynes joined the meeting.
It was agreed to take the review of complaints next.

REVIEW OF COMPLAINTS

32. Alan Hynes introduced the report and took the meeting through its summary. He drew attention to the fact that this was a record of formal complaints; there were naturally many grumbles and concerns that were dealt with satisfactorily without leading to any formal action. In the majority of cases there was substance to the complaints, either in whole or in part, but all the complaints had been resolved. There were a number of improvements to student life that had been made as a result of complaints; several of these had been listed on page 4 of the report.
33. Complaints had been dealt with promptly at an average of 12 working days against a standard time limit of 15 working days (previous reports had treated the 15 day time limit as including weekends, rather than the intended measure of working days).
34. It was noted that, given the total number of students, the number of complaints was very low: Alan Hynes advised that anecdotally, this appeared to be in line with other Further Education Colleges; benchmarking data was difficult to obtain.
35. It was confirmed that every effort was made to facilitate the complaints process for students and other customers, including electronically; it was recognised that hearing complaints gave valuable feedback about the quality of the student experience.
36. **The report was received and it was agreed that it should be presented to the Corporation at its next meeting.**

REGULARITY AUDIT SELF ASSESSMENT QUESTIONNAIRE RESPONSE

37. The Clerk introduced the report drawing attention to the fact that, other than specific updating for activity in 2007/2008, the responses to the questions were the same as in the previous year, as reported to the Committee in December 2007.
38. **The report was noted.**

Dorianne Pavia and Alan Hynes left the meeting at 5.45 p.m.

EVALUATION OF INTERNAL AUDITORS' PERFORMANCE

39. The Internal Audit Performance Indicators were reviewed.

40. It was confirmed that the internal audit teams had included some less experienced auditors, who were clearly learning on the job, but they had been well supervised and managed. Because of this, as in the previous year, the knowledge and expertise was graded 2, although it was not considered to be a weakness. The Train to Gain auditor was singled out for special praise.
41. In all other respects the auditors were assessed as grade 1.

FINANCIAL WAIVERS

42. **The report was noted.**

REVIEW OF SENIOR POSTHOLDERS' EXPENSES

43. The expenses were reviewed.

REVIEW OF ANY IRREGULARITIES, FRAUD, CORRUPTION OR IMPROPRIETY

44. It was confirmed that no instances of irregularity, fraud, corruption or impropriety had occurred to the best knowledge of the Executive.

REVIEW OF ACADEMIC YEAR 2007/2008 AND ASSESSMENT OF COMMITTEE PERFORMANCE

45. The Chair of the Audit Committee congratulated the Members of the Audit Committee on their high attendance level.
46. **It was agreed that the Clerk should collect the individual questionnaires for the next meeting. It was confirmed that no significant issues or areas for improvement had been identified.**

REVIEW OF THE TERMS OF REFERENCE FOR THE COMMITTEE

47. It was noted that item 1.1 referred to the Finance & Operations Committee.
48. It was also noted that item 2.8 referred to the audited accounts of the Student Association. The Students Association's financial transactions were now accounted for as a Restricted Reserve within the College's accounts.
49. **It was agreed to amend the fourth bullet point in 1.1 to read:**
- "members of the Resources Committee"**
- and to amend 2.8 to read:**
- "To review annually as part of the College's annual accounts the accounts of the Student Association/Student Union."**

ANY OTHER BUSINESS

50. There being no other business the meeting closed at 6.15 p.m.