

New College Corporation

Audit Committee

Tuesday 2 December 2008 Minutes

Present: Mr V Davies (Chairman)
Cllr I Fletcher (part)
Mrs J Millington
Mr J Dean
Mr P Boulter

In Attendance: Mr D Barnes (part) (Grant Thornton)
Mr M Rowley (KPMG LLP)
Mr S Islam (KPMG LLP)
Mrs B Tyley
Mr R Goodrich
Mr P Taylor (Clerk)

1 Appointment of Chairman

Mr Davies was appointed Chairman of the Committee. However he reminded the Committee that he would not be seeking re-appointment to the Corporation when his current term expires in April 2009.

2 Apologies

Mr G Clark (in attendance). The Committee were informed that Mr Barnes would be joining the meeting at his earliest opportunity.

3 Confirmation of Minutes

The minutes of the Audit Committee of 5 June 2008 were confirmed.

4 Declarations of Interest

None.

5 Internal Audit Report 2007/08 – Additional Learner Support

Mr Rowley (KPMG LLP) introduced the report (copy in minute book) for the Committee, explaining that it resulted from a request from the College to conduct an early follow up review of the implementation of recommendations arising from a review of Additional Learner Support earlier in the year. He was gratified to be able to report that the College has reacted well and speedily to the original recommendations, and he was now able to confirm that the five accepted recommendations had been fully implemented. He confirmed that there were no outstanding issues to report to the Committee and that the matter of the recommendations raised but not accepted had been resolved satisfactorily.

After commending all those concerned for reacting so speedily to the previous review's recommendations, the Committee resolved to receive the report.

6 Internal Audit Annual Report for the Year Ended 31 July 2008

Mr Rowley (KPMG LLP) introduced the updated report (copy in minute book) for the Committee. He drew the Committee's attention to the revised report's overall conclusion on assurance for 2007/08 set out at page 6 of the report, which was that 'the College has adequate and effective risk management, control and governance processes to manage its achievements of the College's objectives'. He described this as being a very positive outcome for the College. He summarised briefly the operation assurance conclusions as 'adequate' for those areas set out at page 5 of the report and the review opinions including that arising from the early follow up of Additional learner Support.

The Chairman thanked Mr Rowley for his report and congratulated all those in the College contributing to its positive conclusion.

8 Audit Committee Annual Report Year Ending 31 July 2008

(Clerk's note: with the concurrence of the Committee, the Chairman determined that in view of the fact that Mr Barnes from Grant Thornton had been delayed in his attendance, item 7 would be considered after other agenda items).

The Clerk introduced the report (copy in minute book) for the Committee explaining that its consideration by the Corporation was required by the Audit Code of Practice before accepting the Reports and Financial Statements. He explained that it set out to describe the work of the Committee for the year in question, and of necessity it referred to matters considered by the Audit Committee in the present agenda and would be finalised for signature by the Chairman in advance of the forthcoming Corporation agenda.

Members agreed it provided a fair representation of the Committee's work and the Committee resolved to accept the report subject only to the finalising amendments.

9 Internal Audit Strategy and Annual Plan 2008/09

Mr Rowley introduced the report (copy in minute book) for the Committee explaining that it covered much the same ground as the previous audit strategy and annual plan presented to the Committee, and it focussed on the reviews scheduled for 2008/09. He noted the report covered the following areas: strategy; internal audit planning process; key elements of the annual plan for 2008/09; and the audit process.

(Clerk's note: at this point in proceedings Mr Barnes joined the meeting).

Mr Rowley explained that the plan had been the subject of discussion with the College and it set out to cover all the areas required by the LSC. He noted that in comparison with last year's plan an additional day had been allocated to the crucial area of Risk Management.

Mrs Tyley, having apologised to members for the printing error in the report's production (which omitted page headings while leaving the body of the report unaffected) referred members to the scheduling of the internal audit reviews set out at page 19 of the report. She noted that she would be taking forward further discussions with the internal audit service to request a re-scheduling of some of the reviews in the light of recent staffing changes, but anticipated that there would be no undue delay in beginning the reviews.

The Committee resolved to accept the report.

10 Financial Management and Controls Evaluations

Mrs Tyley introduced the report (copy in minute book) for the Committee explaining that it was a draft copy of a document required of all colleges by the LSC. Its format was determined by the LSC and it will be used by them for assurance purposes. The document required completing and 'signing off' by the Principal according to a tight timetable. She commented that the format had been produced by the LSC somewhat later than would have been ideal and noted it was rather more cumbersome than had been anticipated.

In debate Mr Dean referred to the section on sub-contracting and questioned whether in fact, the work undertaken by the College in partnership with Newport Girls' High School constituted 'sub-contract' work and therefore warranted an entry. Mrs Tyley responded that previously the College had undertaken work for the school but since the students were not included in the College's funding claims, nor were they LSC funded, 'sub-contracting' was not involved. However she noted that with the new post-16 funding arrangements, such students might be technically LSC funded and therefore the work could be considered as sub-contracting. She undertook to investigate the matter further to secure an authoritative answer. Members also received explanation from Mrs Tyley on matters of detail raised by them. Mrs Tyley undertook to give members an oral update of progress at a future meeting of the Committee.

The Committee resolved to receive the report.

11 Insurance Renewal 2008/09

Mr Goodrich introduced the report (copy in minute book) for the Committee, explaining that it provided a summary of the insurance policies in place and the costs for 2008/09 with previous year comparisons. He described briefly the remit of each policy and noted the use of Hettle Andrews Associates as insurance brokers.

The Committee resolved to receive the report.

7 Financial Statements Auditors' Key Issues Memorandum for the Year Ended 31 July 2008

Mr Barnes (Grant Thornton) introduced the report (copy in minute book) for the Committee, explaining that it recorded the key issues arising from the audit of the financial statements for the year. He was happy to report that it had been a straightforward audit and he was now finalising matters, and that he had no matters to be brought to the attention of the Committee. He complimented staff at New College for their work in ensuring a trouble free audit. He noted in particular that in terms of the regularity audit there were no findings to identify and that an unqualified regularity opinion was anticipated. He also noted that in the review of internal control systems no areas of significant weakness were identified and consequently there were no new control findings to bring to the attention of the Corporation.

Turning to the detail of the Key Issues Memorandum, Mr Barnes drew members' attention to the Trend Analysis figures set out at paragraph 2.2 to the report and pointed to the 'pay as a percentage of income' figures which showed the New College figures (although reduced from 2006/07) at some five percentage points above the local sector average for 2006/07 and at some three percentage points above the Grant Thornton 2007/08

average, the latter figure based on Grant Thornton's FE clients across the Midlands and North West.

An examination of these figures prompted an extended debate amongst members. Mr Boulter felt that focussing on this single figure could be potentially misleading since it did not necessarily represent the most telling analysis. He cited for example that costs per student comparisons might be more appropriate to give a fuller picture of the relative costs of educating students and as a result might prove a more accurate value for money indicator. He was concerned that decisions based on movements made in this single figure might be grounded on a false premise.

Mr Barnes commented that he did not have 'cost per student' figures available for comparison purposes and readily conceded that the 'pay as a proportion of income' figures fell short of providing a full picture, since they did not encompass the issue of quality and furthermore they did not distinguish between those colleges significantly dependent on LSC income like New College, and other (mainly general FE colleges) where 'other income' was significant. Mr Rowley commented that effective management involves looking at a number of different indicators.

Mrs Tyley responded that a significant range of indicators was used by the College in management of the institution and noted that detailed reports on all College costs and student numbers were considered by the Finance and General Purposes Committee, and detailed quality figures, including benchmarking comparisons by the Student Achievement and Standards Committee. She commented further that while such figures as average class size were useful proxies for effectiveness, the main thrust of the College's management has been to secure an efficient staffing structure and improve the quality of provision. She acknowledged that 'pay as a proportion of income' could not be used as a single issue policy driver, but commented that 'value for money' indicators had proved elusive in the past and was concerned that a focus on the search for them might divert College management from the vital priority task of securing quality improvements.

Drawing the debate to a conclusion, the Chairman commended Mr Boulter for raising the matter, and noted that the Committee's decision making was not impaired by the report's focus on this particular indicator.

However he requested that Mrs Tyley keep the matter under review and consider whether there were other more informative indicators that could be brought before the Committee.

Returning to his report, Mr Barnes summarised its contents in relation to FRS17 Retirement Benefits and noted the significant increase in liabilities largely resulting from lower asset values and revised actuarial assumptions.

(Clerk's note: at this point in proceedings, Cllr Fletcher left the meeting).

In conclusion he drew members' attention to the draft Letter of Representation (set out at appendix B to the report) and noted that he did not anticipate the necessity for any changes in moving to the final version to be signed by the Chairman of the Corporation.

The Chairman thanked Mr Barnes for his report and presentation and with the fulsome support of the Committee requested that the Committee's congratulations be passed on to all New College staff involved in the work leading to the unqualified opinion.

The Committee resolved to accept the report and commend it to the Corporation for approval.

12 Date of Next Meeting

The next meeting of the Audit Committee will take place at 5.30pm on Monday 2 March 2009.

13 Additional Discussion (without Committee Resolution)

With the agreement of the Chairman, Mr Dean raised an additional matter for general discussion, not an agenda item but of current significance. He referred to the recent tragic example of the failure of child protection in relation to 'Baby P' in Hackney and noted the failure of the 'box ticking' approach to assessment and inspection. He wondered whether the furore surrounding the case and the widespread condemnation of Ofsted's assessment of the Children's Services department in Hackney might lead to a significant change in approach to assessment.

In the wide ranging debate that followed, members commented on the limitation of assessment approaches where primacy was not given to an examination of actual practice. It was noted that an over emphasis on 'form filling' and 'box ticking' could lead to expertise in completing paperwork rather than one in the practice itself. It was generally acknowledged that effective risk management in any institutional setting was important, and that in terms of New College, keeping the Risk Register as a continuously updated management tool was vital.