

# CORPORATE GOVERNING BODY OF GODALMING COLLEGE

## Minutes of a meeting of the Audit Committee of Godalming College held at the College on Tuesday 30<sup>th</sup> November 2010 at 6.00pm

**Present:** Philip Knights (Chair)  
Clive Morton  
Chris Kirton (Co-opted member)

**In Attendance:** Jonathan Ericson (Baker Tilly)  
Shaneel Shajpal (College Accountant)  
Stella Halloran (Clerk to the Corporation)

### ACTION

1. **Apologies for absence**  
Apologies were received from Helen Kay (Co-opted member) and Robin Galliver. Adrian Rutter of Tenon did not arrive. The weather conditions were very bad.

2. **Declaration of Interests**  
No member had any interests to declare on items on the agenda.

3. **Minutes**  
The minutes of the meeting held on 15<sup>th</sup> June 2010 were approved and signed.

4. **Matters arising from the minutes**

- The reply from Tenon concerning the College budgeting for a deficit was discussed; the deficit being due to capital depreciation. It was agreed that as the Cash position of the College was strong and the buildings were relatively new, there was no current problem. However, should the College need to borrow large sums prospective lenders might be uncomfortable with a policy of indefinite deficit financing..
- New Finance System – Shaneel Shajpal reported that the College was continuing to roll out functionality of the system with electronic ordering currently being piloted. Governors were reassured by him that sufficient controls were in place to avoid departments over-running their budgets.

5. **Internal Audit Strategy and Annual Plan for 2010-11**

Although no representative of Tenon had been able to get to this meeting, the committee considered the following:

- The opinion of the auditors was that the College had adequate and effective risk management, control and governance processes to

manage its achievement of the College's objectives.

- Was it satisfactory for auditors not to be looking at IT systems in the coming year? This led to a general discussion on how the days available for the discretionary elements of the audit were allocated. As part of the process prior to presenting their plan, Tenon had looked at the College Risk Register and discussed their approach with the Senior Management Team.

As a result of their discussions the days allocated to the discretionary elements had been reduced from 7 to 3. The committee accepted this for the coming year and agreed that the increase in number of these days identified for future years should be kept as in the plan. Having noted the low probability of risk given by the College to failure of IT systems, and the resources spent recently in upgrading the accounts system, it was acknowledged that not auditing IT in the current academic year would be warranted.

***The Committee therefore agreed the Audit Plan for 2010/11 as proposed by Tenon.***

**6. Accounts for the Year to 31<sup>st</sup> July 2010**

Philip Knights explained that the Finance and Estates Committee was responsible for the accuracy and presentation of the accounts; they were presented here in order to make sense of the Audit report.

In order that governors better understood the presentation of the accounts, they asked for clarifications of:

- What 'Other Income' comprised – this was explained.
- Pensions – who sets the employers rate, whether there would be a rise in contribution rate and the treatment of the pension credit due to the government change of calculation from RPI to CPI. Jonathan Ericson explained that although a Task Force was currently deliberating on the correct way to account for this, they were not due to report until early in 2011. Baker Tilly were happy with the College decision to account for it in the I & E account.

The actuarial assumptions made for the FRS17 figures were discussed.

Shaneel Shajpal and Jonathan Ericson were thanked for their help with understanding these elements of the accounts.

**7. Financial Statements Audit Findings Report**

Jonathan Ericson of Baker Tilly presented their report, which was considered alongside the accounts to 31 July 2010.

Jonathan highlighted the following:

- The underlying result was a £178,000 deficit
- There was no expected clawback on funding – this risk had greatly diminished with the College no longer providing adult education.
- The overdraft facility had not been used and was no longer in place. Cash flow was monitored month by month and should there be a risk of insufficient funding being in place, an overdraft facility could again be put in place.
- The regularity audit had identified a procedural gap – that there were no written procedures covering a situation where the Clerk to the Corporation

**CLERK**

felt that the Corporation was acting outside its remit. The Clerk was investigating procedures to rectify this.

- Jonathan Ericson requested that it be minuted that the only adjustments made by them to the accounts were very minor. The audit had gone very well and he wished to thank Shaneel Shajpal and the finance team.

***The committee accepted the report*** and thanked Jonathan Ericson for attending the meeting and for his input.

*At this point Jonathan Ericson left the meeting.*

## 8. **Review of Draft Performance Indicators**

The Internal and External Audit Performance Indicators were proposals from SMT1, and Shaneel Shajpal explained the reasoning behind the grades.

Discussion centred on the value that Internal Audit could add. It was understood that there was a minimum specification of internal audit that Colleges were required to have undertaken.

***The performance Indicators as presented were accepted.***

## 9. **Appointment of Internal and External auditors for 2011 – 2014**

The clerk informed the committee that the length of time that auditors could be in place before a re-tendering exercise was required was no longer five years and that therefore the current auditors could be re-appointed for a further year if felt desirable.

Since the performance indicators showed satisfaction with Baker Tilly as external auditors, it was unanimously agreed to recommend to the Corporation that they be re-appointed for the end of 2011 financial year audit.

However, as the Performance Indicators had shown a slight drop in performance from Tenon, it was agreed that a re-tendering exercise for Internal Audit should be proposed to the Corporation.

The protocol and timescale for undertaking this was discussed and it was agreed that assuming Corporation agreed with this approach at their Dec 7<sup>th</sup> meeting, :

- Clive Morton and Chris Kirton would liaise with Shaneel Shajpal to agree tender documents to be brought to the Audit Committee meeting on 1<sup>st</sup> March.
- Those to be invited to tender would be Tenon plus two or three others drawn from the 'Crescent Purchasing Consortium' list in conjunction with knowledge of those who audited other S7 Colleges.
- The decision on who to appoint as Internal auditors for the 2011/12 year would be made at the June Corporation meeting.

***The Committee requested agreement from the Corporation at their December 7<sup>th</sup> meeting for the all the above proposals.***

## 10. **FMCE report**

This year SMT recommended to the committee that a short report be submitted, as there were no substantial changes in assessment from last year.

***The report was agreed for recommendation to the Corporation.***

**11. Annual Risk Management Report**

The Committee considered the College's Risk Management Report and the Risk Register.

The Committee was confident that the process was robust..

**12. Monitoring of Audit Recommendations**

Shaneel Shajpal reported on progress with recommendations raised by the auditors:

- Signing Admission forms – further checks had been put in place to ensure all forms were signed and a significant improvement had been observed.
- The gap in dates between starting College and starting teaching – the start date for last year had been changed to 13-09-10, the first day of teaching.
- Completion of registers – Management had instituted a system of automated monitoring and the incidence of unmarked registers had halved.
- Recruitment – the protocol for interviewing and appointment had been reviewed in order to overcome minor discrepancies.
- Completion of appraisals – Management did not accept this recommendation as their statistics on incomplete appraisals did not accord with the auditors'. The appraisal process had been monitored and no issues found.
- New Accounting system – the month end procedures had been tidied up and the management accounts now included a full balance sheet.

**13. Letters of Representation year ended 31<sup>st</sup> July 2010**

These were agreed.

**13. Audit Committee – Annual Report to Governors**

In light of discussions earlier in the meeting, small amendments were made to the Chair's Annual report.

Members of the Audit Committee agreed that, with these amendments, the CLERK report should be presented to the Corporation at their December meeting.

**13. Whistleblowing**

There was a nil return on this.

**14. Date of next meeting:**

**Tuesday 1 March 2011 at 6pm**

The meeting ended at 8.25pm.

Signed: .....

Date: .....