

## HOPWOOD HALL COLLEGE

Minutes of a meeting of the **Audit Committee** held on Wednesday 1 December 2009 at 1500hrs.

<b>Present</b>	Alun Morgan	Clive Reid (Chairman)	Clint Street
<b>In Attendance</b>	Stephen Bowyer (KPMG) Rachel Joyce (PWC) John Spindler (Interim Dir FP&HR)	Lydia Brown (PWC) David Newman (PWC)	Ralph Devereux (Clerk) OJ Rahin (ED Skills)
<b>Apologies</b>	Paul Harness		

### 11/09 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS AND APOLOGIES

The apology was accepted. No notice had been received of any member becoming ineligible to hold office. The meeting was quorate and no interests had been declared.

### 12/09 MINUTES OF THE LAST MEETING

The Minutes of the meeting held on 14 October 2009 were confirmed and signed.

### 13/09 MATTERS ARISING FROM THE MINUTES AND NOTIFICATION OF URGENT BUSINESS

- a. There were no matters arising.
- b. There was no urgent business requested.

### 14/09 EXTERNAL AUDIT MANAGEMENT LETTER

- a. The final version of the external auditors' management letter was circulated. The committee's responsibility was to consider the report (Management letter) to the Committee and to comment to the Corporation accordingly. The Members' Report in the AFS proper was also scrutinised. The auditors' report, to a standardised format, which covered both the annual financial and the regularity audit, was then discussed page by page; there were no qualifications and a schedule of adjustments required to the accounts was discussed and explained. The FRS 17 provision had doubled during the year, this was a variable number affected by external influences and the effect of this long term liability was explained. The annex to the document was a thematic review of the FE sector and was felt to be a valuable source of benchmarking data.
- b. The AFS had been circulated as background information and was noted.

**The Report was recommended to the Corporation.**

### 15/09 TTG ISSUES

As a result of comments made by LSC representatives at an unrelated meeting it had been decided to commission the internal auditors (PWC) to complete testing of whether issues surrounding franchised WBL provision with LDC (and others) were sound and honest, with particular regard to the existence and existence of learners. This issue was treated with the utmost seriousness by management and accordingly TORs were detailed (detailed in the papers) for an urgent investigation. The testing was to be in 2 elements: the first to examine LDC systems for any signs of malpractice and the second to do the same with regard the integrity of the College procedures. Extensive enquiries had been completed with regard to the first element, which had now been completed and the associated initial draft report was considered in depth and the final draft would be received within 7 days. There had been no evidence of malpractice and the committee took comfort from these findings. Work would commence on Part 2 in the near future. The committee noted and approved the fee of £15623 and welcomed the reduction by PWC to £11,100 to reflect their commitment to the college.

- a. **The information was received.**
- b. **The fees was noted and approved.**

### 16/09 WBL ISSUES

The LSC had completed an audit of apprenticeship provision and the initial feedback indicated a number of issues of concern and more detailed testing was underway. It appeared that c

£320k had been over claimed and paid and would be clawed back. The errors appeared to have originated during the changeover of the funding methodology at the start of the 08/09 financial year and could further be explained by the pressure of work associated with the rapid expansion of turnover during the transitional period. Changes to internal systems had now been introduced and all Orchard work was now administered through the central MIS system, which should pre-empt any future instances. The committee felt that this was a disappointing result, which would reflect directly on the bottom line of the account. The committee also registered some concern that this, the second issue that had surfaced from Orchard, could adversely affect customer confidence with consequent reputational damage; assurances were received and accepted that this was not so since both issues resulted from the transitional challenges. The effect on performance related pay was questioned and it appeared that there were none.

**The information was received.**

**17/09 ILR AUDIT REPORT**

An ILR Audit had now been completed as part of an LSC sponsored programme to check on validity of data reporting; there had been some reports of manipulation of results to improve apparent performance in some colleges. ILR audits would be completed where there was doubt on performance or on a random sample; reassurance had been given that the college fell into the latter category. Verbal feed back had been received and indicated that few, if any, comments would be made and that these would be financially insensitive.

**The information was received.**

**18/09 ANNUAL REPORT TO THE CORPORATION**

The committee annual report to the corporation, which would inform the Corporation's consideration of the AFS, was considered and discussed; there were corrections to some small typographic errors necessary and it was agreed to mention some future issues; the report was then recommended to the corporation.

**The Report was recommended to the Corporation.**

**19/09 FMCE**

In 2008/09 The FMCE had replaced the SARQ as the basis for external agencies such as the LSC and OfSTED to monitor self-assessed performance; the Corporation was required to scrutinise and approve the completed document before submission to the LSC. There had no substantial changes to the comprehensive document submitted last year save although some questions had changed. The overall assessment remained as "Good" and the FMCE was recommended to the corporation for approval.

**The FMCE was recommended to the Corporation.**

**20/09 FOOTBALL FOUNDATION**

The football facilities had been established in partnership with the Lancashire Football Association (LFA), which had granted £900k towards the total cost of £1.5m. The basis for the arrangement was detailed fully and was conditional (amongst other issues) on sharing the facilities with the local community. A recent monitoring and evaluation meeting with the LFA had resulted in the raising by them of several concerns, which were detailed in the letter in the supporting papers. The issues were considered and discussed and concern was expressed over the content, some of which on initial examination appeared to have substance. The committee took some comfort from the establishment of a strategy group to examine and respond to the letter and would expect an update at the next meeting.

- a. The information was noted and received.**
- b. An update would be required.**

**21/09 RM ISSUES**

The updated Risk Management Policy would be presented to the next meeting.

**22/09 URGENT BUSINESS**

There had been no urgent business requested.

**23/08 DATE OF NEXT MEETING**

The next meeting would be held on 22 April 2009.

Signed.....

Date.....