

# Minutes of the Audit Committee of the Governing Body of Carmel College held on Tuesday, 24 November, 2008 at 10.00 am



carmel  
college

Present: Miss Kath Boullen  
Mr Brian Coxhead (Chair)  
Fr Paul Glover  
Mr Donal McCormack  
Mrs Carole Williams

College Personnel: Mr Rob Peacock  
Mrs Lenore Burgess  
Mrs Michelle Williams

In attendance: Dr Mike Benson of Murray Smith, *Finance Auditor*  
Mr John Perry, *Clerk*  
Mrs Alison Fishwick, *Minuting Clerk*

## 1. **Declarations of Interest**

None.

## 2. **Apologies**

There were no apologies.

## 3. **Minutes of the Meeting of 30<sup>th</sup> September 2008**

The Minutes were agreed as a correct record and signed accordingly.

## 4. **Matters Arising**

There were no matters arising.

## 5. **Recommendations of the Internal Auditor: Progress Report**

There are no outstanding recommendations to be implemented.

## 6. **Management Letter Arising from the Audit of the Financial Statements for Year Ended 31 July 2007**

Dr Mike Benson of Murray Smith presented the Finance Auditor's Management Letter which reflected a clean set of reports from the internal audit of the College's financial statements and regularity for the year ended 31 July 2008. Dr Benson highlighted Points 2 – 6 of the Management Letter. Murray Smith concluded that an examination of the Internal Auditor's detailed working papers was not necessary and the Management Letter did not identify any issues which should be brought to the attention of the Members of the Corporation.

An updated Members' Report and Financial Statements for the Year Ended 31 July 2008 was tabled and replaced the circulated report.

The Finance Auditor drew Governors' attention to Page 21 (Income and Expenditure) which reflects the College's continued growth. The *surplus on continuing operations* for 2008 was £258K as opposed to £308K in 2007; this reflects the consistency of previous years.

Governors noted the *Loss on disposal of assets* of £639K which is a 'write-off building' which has now been demolished. This is stated in the Income and Expenditure Account as directed by LSC ruling and the bottom line becomes negative at that point even if the building had not been demolished at that time. The Director of Resources confirmed that the value had to be accounted for within the Accounts.

The Finance Auditor drew Governors' attention to Page 23 (Balance Sheet) which shows a huge negative of £2,114m which is due to the pension liability. This relates to the Merseyside Pension Fund for Support Staff, the Teachers' Pension does not appear on the financial statements. Dr Benson added that the £2m deficit is the total at this moment in time; contributions will be increased within a tiered system to meet the deficit unless the Government agrees to place more cash in the Pension Fund.

It was noted that the Members' Report and Financial Statements for the Year Ended 31 July 2008 will be approved by the Governing Body on the *1<sup>st</sup> December, 2008* and not the 8<sup>th</sup> December, 2008 as stated in the Report.

**Governors commended the approval of the Financial Statements for the year ended 31 July 2008 to the Full Governing Body.**

## **7. Regularity Report 2007-08**

The Director of Resources explained that the Regularity Report is a requirement of the Financial Memorandum which requires the College's external financial statements auditors to give a revised opinion to the LSC and to the College on the regularity of the Colleges' expenditure. This framework sets out the LSC's expectations of colleges and their financial statements auditors, acting as regularity auditors, in giving this regularity opinion.

The Director of Resources gave a power-point presentation explaining that the framework is in two parts: a regularity self-assessment and a regularity audit programme guide recommended by the LSC.

The first section (self-assessment) relates to the college's systems and controls relating to general activities, governance and management arrangements, payments to governors, borrowing consents, regularity financial information, investment powers, redundancy payments, fraud and regularity, senior post holders, guarantees and indemnities, etc.

Governors noted that guarantees and indemnities relates to a scenario where the College promises to take on the debts of a subsidiary company (perhaps through a commercial relationship); but this is unlikely at Carmel.

The second section is a more detailed contract, the content of which has increased significantly as the LSC are having more control on what the College delivers. This section includes: governors' interest, LSC other funding, compliance with capital funding, compliance with terms of other funding e.g. funding for students with learning disabilities, non LSC funding e.g. HEFC and ESF and propriety which includes for example, mitigation against corruption, conflicts of interest (staff), whistle blowing procedure, safeguarding assets, inappropriate disposal of assets, on-going review of Governing Body and their decision making process.

**Governors noted and approved the contents of the report.**

## **8. Financial Management and Control Evaluation**

The Director of Resources gave a power-point presentation which explained that the Financial Management and Control Evaluation (FMCE) informs the grade for one of a series of performance indicators that will contribute to the overall college performance grade under the Framework for Excellence.

This document is a requirement of all further education Colleges and has to be submitted to the LSC by the 12 December 2008.

Governors noted that the FMCE covers Accountability, Financial Planning, Internal Control and Financial Monitoring.

Governors asked whether all staff were aware of the Financial Regulations. The Director of Resources responded that an all Staff Inset on Financial Regulations is planned.

In summary the College self-assessed the financial management and control arrangements for the period 1 August 2007 to 31 July 2008 using the FMCE and proposed that the overall grade should be "outstanding" as there are many outstanding areas of strength and a few minor weaknesses.

The Audit Governing Body noted the contents of the report and approved the College's proposed overall grade as "outstanding".

**9 Future Agenda Items**

The Clerk suggested that as a separate Risk Register had been established for the new build on the recommendation of the Committee, it was time it was placed on future agenda items for Governors' consideration. **The Committee agreed this proposal.**

**10 Any Other Business**

There was no other business.

The Chair thanked the College team for their contribution to the success of this area of the college.

Signed by the Chair: .....

On this day: .....