

## SOUTH CHESHIRE COLLEGE

### MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE CENTRE, ROOM 1 ON THURSDAY 5 OCTOBER 2006 AT 4.50 PM

#### **Present:**

I Carruthers  
B Dean  
G Fyffe (until the point shown)  
S Utting (Chair)

#### **In Attendance:**

N Peet (Director of Curriculum Support) (until the point shown)  
G Bebbington (Director of Finance and Administration) (withdrawing as shown)  
J Dowell (Deputy Director of Finance and Administration) (withdrawing as shown)  
L Randall (Bentley Jennison, Internal Auditors) (until the point shown)  
S Welsh (Bentley Jennison, Internal Auditors) (until the point shown)  
E Davies-Jones (Clerk to the Corporation)

The Clerk advised that the meeting was quorate.

Agenda  
Item:

#### **A 28/06 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Graham Martin.

#### **A 29/06 DECLARATIONS OF INTEREST**

At this point in the meeting the Chair asked the members attending this meeting to declare any personal or prejudicial interests and the nature of that interest, in any item of business on the agenda and, if necessary, to leave the meeting prior to discussion of that item.

No declarations of interest were made by members attending this meeting.

#### **A 30/06 MINUTES OF THE LAST MEETING OF THE AUDIT COMMITTEE AND MATTERS ARISING**

The minutes of the meeting of the Corporation Audit Committee ("the Committee") held on 29 June 2006, reported to the Corporation on 20 July 2006, were considered.

***IT WAS RESOLVED that they be approved as a true and accurate record to be signed by the Chair.***

#### **Matter arising:**

Minute No. A23/06 : Members reviewed the Committee's self assessment checklist which was appended to the minutes and ***IT WAS RESOLVED to approve the comments and responses as set out without further amendment.***

**A****31/06 INTERNAL AUDIT ASSIGNMENT REPORTS 2005/6**

Sandra Welsh presented the remaining two internal audit assignment reports carried out in 2005/6 on Internet Access and Franchising Spot Checks Review. The reports showed the following:

Assignment	Level of Assurance	RECOMMENDATIONS				
		Merits attention	Significant	Fundamental	Total number	Number accepted
Internet Access (09.05/06)	Substantial	4	0	0	4	4
Franchising (10.2005/06)	N/A	3	1	0	4	4

The Director of Curriculum Support informed members that the two “merits attention” recommendations made in the Internet Access report had been implemented. He went on to inform members of the systems and filtering systems in place to protect the e-mail and web servers. Sandra Welsh informed members that the findings gave a high level of assurance which is exceptionally good for an audit of this particular area.

**The Director of Curriculum Support left the meeting at this point.**

Sandra Welsh went on to inform members of the findings of the franchise spot check audit and the recommendations made which have been agreed by management for implementation. She informed members that the nature of the report was such that no levels of assurance were given.

***IT WAS RESOLVED to recommend to the Committee that the Committee should receive the reports, the scope and objectives of which had been met.***

**A****32/06 INTERNAL AUDIT ANNUAL REPORT 2005/6**

Lisa Randall presented the annual report of the internal audit service for the year ending 31 July 2006. She advised as follows –

- the audit opinion is that the College had adequate and effective risk management, control and governance processes to manage the achievement of the College’s objectives;
- the report is in prescriptive wording required by the LSC Audit Code of Practice which does not allow for the making of judgements other than adequate/inadequate;
- the statements of operational assurance on page 4 are also required. Operational assurance was ‘good’ in all areas;
- benchmarking with other colleges (180 colleges) shows the following:

Assurance levels

Assurance	Substantial	Adequate	Limited
South Cheshire College 2005/6	100%		
South Cheshire College 2004/5	66.67%	33.33%	
Average across FE client base 2004/5	66.8%	26.8%	6.4%

Number of recommendations

Recommendations	Fundamental	Significant	Merits attention
South Cheshire College 2005/6		0.13	2.50
South Cheshire College 2004/5		0.67	3.67
Average across FE client base 2004/5	0.02	1.04	2.64

***IT WAS RESOLVED to receive the internal audit annual report for 2005/6, recommend to the Corporation that a copy of the report should be sent to the Learning and Skills Council***

**A**

**33/06 MONITORING OF OUTSTANDING RECOMMENDATIONS**

The Clerk presented the Committee's rolling schedule of outstanding recommendations. All but one of the recommendations were shown either to have been 'implemented' or were 'being implemented'. Lisa Randall informed members that she will be contacting to the Marketing Services Manager in order to clarify the requirements to meet the recommendation made in the audit report 02:2005/06 concerning the costing of marketing events to support the annual budget allocation.

***IT WAS RESOLVED to review the Monitoring Schedule as updated and presented at the next meeting on 23<sup>rd</sup> November 2006***

**A**

**34/06 INTERNAL AUDIT OPERATIONAL PLAN 2006/7**

Lisa Randall advised members that the Committee had approved the proposed strategy for internal audit for 2006/7 at the last meeting on 29<sup>th</sup> June 2006. She presented the internal audit service's proposed detailed plan designed to implement the strategy for 2006/7 with the dates of proposed visits now included. The extent of the audit of Corporate Governance scheduled to be carried between 18 and 22 December 2006, is to be determined and presented to the Committee at its next meeting.

***IT WAS RESOLVED to recommend to the Committee that the Audit Needs Assessment Update and Periodic Plan for 2006/7 be approved and to receive the details of the remit of the Corporate Governance audit at the next meeting of the Committee on 23 November 2006.***

**A**

**35/06 TIMELY SUBMISSION OF RETURNS**

The Director of Finance advised the meeting that all LSC returns in 2005/6 were submitted on time and error free.

***IT WAS RESOLVED to receive the report and to advise the Corporation accordingly in the Committee's annual report***

**A**

**36/06 ARRANGEMENTS FOR FINANCIAL STATEMENTS AUDIT 2005/06**

The Director of Finance informed members of arrangements for the financial statements audit to 31 July 2006, which will commence on 9 October 2006, with the management letter being issued for submission to the Audit Committee meeting on 23 November and approval of the accounts by the Corporation at its meeting on 8 December 2006. He went on to inform members that the Regularity Audit was being undertaken between 9 and 20 October 2006.

***IT WAS RESOLVED to note the arrangements for the audit of the financial statements for the year ended 31 July 2006***

**A**

**37/06 BEST VALUE/VALUE FOR MONEY ANNUAL REPORT 2005/6**

The Director of Finance presented a report detailing evidence on the adequacy and effectiveness of the College's controls for securing economy, efficiency and effectiveness.

***IT WAS RESOLVED to receive the report and note the College's arrangements for securing value for money and to advise the Corporation that the controls for securing value for money are effective.***

**A**

**38/06 FRAUD POLICY AND RESPONSE PLAN ANNUAL REPORT 2005/6**

The Director of Finance presented a report pursuant to the College's fraud policy and response plan, which provides for the logging of details of occurrences of all reported suspicions of fraud (including those dismissed as minor or otherwise not investigated), by the Director of Finance.

The Director of Finance confirmed that during 2005/6 there had been no such suspicions of any fraud internal to the College being reported and accordingly none were logged. The Director of Finance went on to inform members that there had been a reoccurrence of cheque fraud external to the College. He advised the members that two new bank accounts had been opened to replace the current account which was being targeted. This action had been taken in order to add further protection against potential fraudulent acts relating to the use of cheques.

***IT WAS RESOLVED to receive the report be received and that the Corporation be advised accordingly in the Committee's annual report.***

**A**

**39/06 WHISTLEBLOWING CODE (SCCPOL 23)**

Members considered the requirement following the change in chairmanship of the Committee, to amend the last page of the Code and they noted that no further changes to the code were proposed. The Clerk informed members that no incidents of whistleblowing had arisen. The inclusion of the Chair's personal address and telephone number in the code is to be further investigated before making any recommendation to the Corporation concerning the amendments.

***IT WAS RESOLVED to receive further information concerning requirements to include personal addresses and telephone numbers within the code at the next***

*meeting of the Committee on 23 November prior to making any recommendation to the Corporation.*

**Gordon Fyffe left the meeting at this point**

**A**

**40/06 AUDIT COMMITTEE ANNUAL REPORT 2005/6**

**Corporate Governance and Self Assessment Advice**

Members considered the results of the self assessment of governance processes received to date by members for 2005/6

Members went on to consider the assessments of each governance process, trends and members' comments.

***IT WAS RESOLVED to recommend to the Committee that the Corporation should be advised to consider the results of the self assessment review, discuss and determine what action should be taken, as an agenda item at the next full meeting of the Corporation Board on 8<sup>th</sup> December 2006.***

**Draft Annual Report under Terms of Reference**

Members considered the first draft of the Committee's ninth report to be delivered to the Corporation pursuant to paragraph 10 of its terms of reference. Members considered the further material and modifications required to be made as a result of internal audit reports presented at this meeting and the outcomes at the next meeting of the Committee on 23<sup>rd</sup> November 2006. Members discussed the areas for development which may be considered for inclusion within the Governance Development Plan including the approaches and methods which may be developed for identifying potential new governors.

***IT WAS RESOLVED to recommend that the Committee should receive the final draft at the next meeting***

**A**

**41/06 RISK MANAGEMENT 2005/6**

The Clerk presented the College's complete risk register for the current year, updated to correspond with the Strategic Plan approved by the Corporation at its meeting on 20 July 2006. Members considered the current position in respect of the chief risks.

***IT WAS RESOLVED to note the current position in respect of management of the risks in the risk register 2005/6 and advise the Corporation accordingly.***

**The Director of Finance and the Deputy Director of Finance withdrew from the meeting at this point.**

**A**  
**42/06 CONFIDENTIAL BUSINESS**

Members and auditors had before them a list of questions which might be put to internal auditors in the absence of management as recommended by CIPFA and a list of questions suggested by the Chartered Institute for Public Finance and Accountancy in their *Handbook for Audit Committee Members in Further and Higher Education* as suitable to be asked by audit committees in the absence of management. The internal auditors informed members of the process and protocol use for undertaking the internal audit work and they confirmed that there were no matters to which they wished to draw the attention of the Committee in management's absence.

**The Director of Finance and the Deputy Director of Finance rejoined the meeting at this point.**

**Lisa Randall and Sandra Welsh left the meeting at this point.**

**A**  
**43/06 MONITORING PERFORMANCE OF INTERNAL AUDITORS**

The Director of Finance presented the report summarising internal audit performance in 2005/6. Members noted the following:

- results were achieved in relation to objectives;
- cost of internal audit work was £11,618 for 36.68 days against a budgeted cost of £10,101 for 32 days;
- every audit in the plan had been completed; and staff continuity had been high.

The Director of Finance informed members that the letter of engagement had been received from the internal auditors and recommended to members that the proposed fees be accepted.

***IT WAS RESOLVED to note that internal audit performance in 2005/6 had been satisfactory and recommend to the Corporation the reappointment of the Internal Auditors.***

**A**  
**44/06 DATE OF NEXT MEETING OF THE AUDIT COMMITTEE:**

Thursday 23<sup>rd</sup> November 2006 at 4.00 pm

***IT WAS RESOLVED that the audit training session should follow on rather than precede the audit committee meeting on 23 November 2006.***

There being no further business, the meeting concluded at 6.55pm.

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(Chair)

Production: 6 October 2006  
Chair's Approval: 9 October 2006

Committee's Approval: 23 November 2006  
Reported to Corporation: 30 November 2006