

SOUTH CHESHIRE COLLEGE

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE CENTRE, ROOM 1 ON THURSDAY 28 JUNE 2007 AT 4.45 PM

Present:

S Utting (Chair)
B Dean
G Fyffe
G Martin
A Yusuf

In Attendance:

G Bebbington (Director of Finance and Administration)
J Dowell (Deputy Director of Finance)
L Randall (Bentley Jennison, Internal Auditors)
S Welsh (Bentley Jennison, Internal Auditors)
E Davies-Jones (Clerk to the Corporation)

The Clerk advised that the meeting was quorate.

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11/07 APOLOGIES FOR ABSENCE

There were no apologies for absence.

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12/07 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.

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13/06 MINUTES OF THE LAST MEETING AND MATTERS ARISING

The minutes of the meeting held on 8 March 2007 were considered and it agreed that the minutes be amended to include Graham Martin as a member of the committee attending that meeting.

IT WAS RESOLVED that the amended minutes be approved as a true and accurate record and signed by the Chair.

There were no matters arising from the minutes of the last meeting.

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14/07 INTERNAL AUDIT PROGRESS REPORT

Sandra Welsh presented a report showing progress against the Internal Auditor's operational plan for the year. She reported that there were no changes to the scope of the plan as reported to members at the last committee meeting held on 8 March 2007.

Following consultation with the Director of Finance and Administration the audit review of Financial Management- Strategic and the audit review of Capital Projects were postponed due to the timing of the new build project and both reports would be completed by the year end with the reports scheduled to be presented to the Audit Committee in October 2007.

She informed members that three audit reports had been finalised since the last committee meeting. All three reports were undertaken as part of the approved internal audit periodic plan for 2006/07

Members were informed that a copy of the first report on College Company – Catering Financial Controls had been provided to the Board of Directors of the subsidiary company. The audit report did not identify any fundamental or significant recommendations arising from the adequacy of the control systems but did find that the application of established controls was not adequate identifying four “significant” and three “merits attention” recommendations.

The second report on Financial Management – Operational was also undertaken as part of the approved internal audit periodic plan for 2006/07. The report made no fundamentals or significant recommendations arising from the adequacy or the application of controls but did identify two recommendations classified as “merits attention” one of which has been confirmed as having been implemented prior to the final report being issued.

The third report on Learner Number Systems had been focused on the delivery of the Train To Gain initiative which is delivered through the College’s subsidiary company and she informed members that a copy of the report had been provided to the Board of Directors of the subsidiary company. Members were informed that there were no fundamental or significant recommendations arising from the adequacy or the application of controls and that four “merits attention” recommendations had been identified.

IT WAS RESOLVED to receive the report.

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15/07 MONITORING OF OUTSTANDING RECOMMENDATIONS

Members received a report confirming that all of the audit recommendations identified in reports received up to the date of the last committee meeting on 8 March 2007 had been implemented.

IT WAS RESOLVED to receive the report

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16/07 STRATEGY FOR INTERNAL AUDIT 2007/08

Lisa Randall presented members with details of the strategy for internal audit for 2007/08 which had been developed and was being proposed with the aim of providing the governing body with an objective evaluation of the College’s risk management, control and governance processes and opinions on their effectiveness.

IT WAS RESOLVED to recommend that the Corporation approve the strategy for internal audit for 2007/08 to 2009/10 and the Periodic Audit Plan for 2007/08 as presented.

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17/07 TIMELY SUBMISSION OF FUNDING RETURNS TO LEARNING AND SKILLS COUNCIL

Members received a report from the Director of Finance confirming that since the last meeting, the following returns had been submitted on time and error free:

2006-07 Monthly monitoring return 28 February 2007
2006-07 Monthly monitoring return 31 March 2007
2006-07 Monthly monitoring return 30 April 2007
2006-07 Monthly monitoring return 31 May 2007
2006-07 F03 ILR interim return 14 May 2007

IT WAS RESOLVED to note the timely and accurate submission of the above returns.

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18/07 ARRANGEMENTS FOR FINANCIAL STATEMENTS AUDIT AND COMPLETION OF REGULARITY AUDIT 2006/07

The Director of Finance and Administration presented the paper informing members that the arrangements for the financial statements audit had been scheduled following the committee's recommendation for the re-appointment of KPMG for the 2006/07 accounts which had been subject only to agreement of fees. The Director of Finance and Administration went on to inform members that the original level of fees as proposed by the financial statements auditors had been revised in response to observations made by him. He informed members that the interim/regularity audit had been scheduled for the current week and the final audit scheduled to take place in the two weeks commencing 8 October 2007. Members considered the requirements for the financial statements audit of the 2007/08 accounts.

IT WAS RESOLVED :

- ***to recommend that the Corporation approve the revised fees for the financial statements audit as presented; and***
- ***to require the Director of Finance and Administration to commence a market test and provide further information to the Committee at its next meeting to enable the Committee to determine whether the 2007/08 financial statements audit should be subject to a tender process.***

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19/07 COMMITTEE SELF ASSESSMENT

The Corporation's Audit Committee is required to assess its performance annually as part of the College's self assessment and members considered the self assessment checklist for audit committees as contained in the CIPFA publication "Handbook for Audit Committee Members in Further and Higher Education".

IT WAS RESOLVED to approve the comments and responses as set out in the checklist appended to these minutes.

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20/07 RISK MANAGEMENT

Members considered the risk register for 2006/07 incorporating the updating comments. Members also considered the draft risk register for 2007/08 agreeing that the risks as stated were sufficiently comprehensive and that no additional risks are required to be added to those listed.

IT WAS RESOLVED to note the current position in respect of management of the risks in the risk register 2006/7 and advise the Corporation accordingly

The Director of Finance and Administration and the Deputy Director of Finance left the meeting at this point.

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21/07 CONFIDENTIAL BUSINESS

The internal auditors confirmed that there were no circumstances which they wished to draw to the attention of the Committee in the absence of management.

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22/07 DATE OF NEXT MEETING

Members noted the date of the next meeting of the Audit Committee as:
Thursday 4 October 2007 at 4pm

There being no further business, the meeting concluded at 6.00 pm.

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(Chair)

Production: 5 July 2007
Chair's Approval: 6 July 2007
Committee's Approval: 4 October 2007
Reported to Corporation: 19 July 2007

**Reference: Minute
No: A19/07 COMMITTEE SELF ASSESSMENT**

Good Practice	Yes / No / N/A	Comments/actions
ESTABLISHMENT, OPERATION AND DUTIES OF THE AUDIT COMMITTEE		
Does at least one of the audit committee members have a financial background	YES	The co-opted member has a financial background
Does the audit committee meet regularly e.g. termly	YES	Two meetings in the Autumn term, one meeting in the Spring term & one meeting in the Summer term.
Are members attending meetings on a regular basis and if not is appropriate action being taken?	YES	Membership of the committee will be reviewed by Corporation in July 2007.
Has each member declared his/her business interests?	YES	Register of Interests is updated annually and members have a duty to inform the clerk as and when changes occur.
Are audit committee members independent of the management team and other committees?	Yes - independent of management No – not independent of other committees	Audit committee members are independent of management. S Utting and G Fyffe also serve as a members of the Quality and Standards committee. I Carruthers serves as a member of the Organisational Development committee.
Does the audit committee have written terms of reference (ToR)?	YES	A copy of the Committee's terms of reference are issued to members prior to every meeting.
Are the ToR adopted by the governing body and reviewed periodically?	YES	Reviewed annually by the Corporation
Are the new audit committee members provided with some form of induction?	YES	Each member of the Committee has been given a copy of the CIPFA handbook and during 2006/7 a training session was held either before or immediately following each Committee meeting.
CORPORATE GOVERNANCE		
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues e.g. by receiving circulars and through training	YES	Relevant LSC correspondence is circulated to members
Do the Corporation's financial statements include a description of the audit committee's establishment and activities?	YES	As set out in the Annual Report
Does the audit committee periodically assess its own effectiveness?	YES	In June using this checklist and in October/November in preparing and considering the Committee's annual report.
Do the audit committee's ToR include oversight of corporate governance arrangements	YES	An annual review is undertaken and reported to the Corporation in December each year.

Good Practice	Yes / No / N/A	Comments/actions
RISK MANAGEMENT		
Do the audit committee's ToR include oversight of the risk management process?	YES	
Does the audit committee monitor how the institution assesses its risk?	YES	
Does the audit committee have access to the Corporation's risk register?	YES	The risk register is considered at each meeting with updating comments included.
Is the committee made aware of the role of risk management in the preparation of the audit plan?	YES	This has been achieved through the training sessions provided by the Internal Auditors
Does the audit committee review the annual assurance report by the internal audit service in accordance with funding council's requirements? Is this subsequently considered by the governing body?	YES YES	
INTERNAL AUDIT		
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans?	YES	In June each year
Does internal audit have a direct reporting line to the audit committee?	YES	The agenda for each Committee meeting allows for confidential reporting by the internal audit team in the absence of College management.
Has the audit committee considered the information it wishes to receive from internal audit?	YES	
Does the audit committee receive periodic reports from internal audit service?	YES	
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of audit recommendations?	YES	The Committee receives a monitoring schedule which is updated for every meeting.
Does the audit committee hold periodic private discussions with the chief internal auditor?	YES	At each meeting of the Committee members have the opportunity to discuss matters in the absence of College management
Is there appropriate co-operation between the internal and external auditors?	YES	
Does the audit committee review the adequacy of internal audit staffing and other resources?	YES	
Has the audit committee evaluated whether its internal audit service complies with the government's internal audit standards?	YES	Internal Audit Annual Report and Audit Plan
Are internal audit performance measures monitored?	YES	Reviewed on an annual basis
EXTERNAL AUDIT		
Do the external auditors present their audit plans and strategy to the audit committee for approval?	YES	
Does the audit committee assess the performance of external audit?	YES	
Does the audit committee review the external auditor's management letter?	YES	

Good Practice	Yes / No / N/A	Comments/actions
Does the audit committee hold periodic private discussions with the external auditor?	YES	In November each year
Is the audit committee's role in the approval of annual accounts clearly defined?	YES	The Committee reviews the annual accounts prior to presentation to the Corporation.
Is an audit committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit where appropriate?	YES	
ADMINISTRATION		
Does the audit committee have an independent secretary (who may be a senior officer of the Corporation)?	YES	The Clerk to the Corporation is an independent role.
Are audit committee papers distributed in sufficient time for members to give them consideration?	YES	In accordance with the Performance Indicators set out in the Corporation Standing Orders
Are audit committee meetings scheduled prior to important decisions being made?	YES	
Is the timing of audit committee meetings discussed with all the parties involved	YES	The annual programme of meetings and schedule of business is considered by the Chair and reviewed/approved by the Corporation. The Chair reviews and approves the agenda for each meeting in advance of publication.