

## SOUTH CHESHIRE COLLEGE

### MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE CENTRE, ROOM 1 ON THURSDAY 4 OCTOBER 2007 AT 4.40 PM

#### Present:

B Dean  
D Felton  
S Utting (Chair)  
A Yusuf

#### In Attendance:

G Bebbington (Director of Finance and Administration) (withdrawing as shown)  
J Dowell (Deputy Director of Finance and Administration) (withdrawing as shown)  
C Lovatt (Procurement Manager) (until the point shown)  
L Randall (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 23/07 APOLOGIES FOR ABSENCE**

Apologies for absence which had been submitted by Graham Martin prior to the meeting, were received by the Clerk immediately following the meeting.

#### **A 24/07 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.

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

#### **A 25/07 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 28 June 2007, as reported to the Corporation on 19 July 2007, were considered.

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

#### **Matter arising:**

##### **Audit Committee Meeting Minute No. A18/07**

*"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”

& the **Corporation Meeting Minute No. 44/03/07:**

“the requirement that the College should go out to competitive tender for the financial statements audit in the following year” (i.e. the financial statements audit for the 2007/08 accounts)

The Director of Finance and Administration informed members that the market test would be completed by the end December 2007 and this would provide members of the Committee with data for benchmarking purposes across a broad area. He informed members that the fees agreed for the 2006/07 audit were the lowest in the sector in the local area. He expressed, to members his concern that, from a financial perspective, going out to competitive tender for the 2007/08 accounts may not be in the best interests of the Corporation. In addition, he informed members that, given that the Corporation had previously approved (Corporation Meeting Minute No: 45/03/06) that the funding assurance audit would be carried out once every three years, KPMG would be undertaking the funding assurance audit between March and May 2008 and that a competitive tender process at this time may disturb that process. Members went on to consider possible effect in the event that a new firm of auditors were appointed during a period of significant change whilst the new build programme is commencing and possible differences which may arise in interpreting which financial elements would be considered and dealt with as capital as opposed to being considered and dealt with as revenue within the accounts.

**IT WAS RESOLVED UNANIMOUSLY to make the strong recommendation to the Corporation that the resolution of the Corporation (No: 44/03/07) should be reconsidered pending the completion of the market test and that any competitive tendering process should be delayed to 2009 when the 2008/09 accounts will be subject to audit.**

**A**

**26/07 INTERNAL AUDIT ASSIGNMENT REPORTS 2006/07**

Lisa Randell presented the remaining five internal audit assignment reports carried out in 2006/07 on Risk Management, Strategic Financial Management, Capital Project Controls, and Franchising Checks. The reports showed the following:

Assignment	Level of Assurance	RECOMMENDATIONS				
		Merits attention	Significant	Fundamental	Total number	Number accepted
Risk Management-Campus Development (01.06/07)	Substantial	0	0	0	0	n/a
Strategic Financial Management (08.06/07)	Substantial	0	0	0	0	n/a
Capital Project Controls (09.06/07)	Substantial	0	0	0	0	n/a
Franchise Spot Checks (06.06/07)	N/A	0	1	0	1	1

Lisa Randell informed members that the recommendation made concerning the franchise spot check audit had been agreed by management for implementation. She informed members that the nature of that report was such that no levels of assurance were given. She went on to inform members that the Follow-Up Review had verified

that the internal recommendation tracking as undertaken by the College's management and the status of implementation of recommendations, as reported to the Audit Committee had been checked and confirmed as being accurate for the internal audits of Marketing (02.2005/06), Education Maintenance Allowance (06.2005/06), Learner Number Systems (07.2006/06) and Recommendation Tracking (08. 2005/06) and therefore the Audit Committee can place reliance on the reports received from management and the status of implementation of the points raised.

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

**A**  
**27/07 INTERNAL AUDIT ANNUAL REPORT 2006/07**

Lisa Randall presented the annual report of the internal audit service for the year ending 31 July 2007. 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 as set out on page 5 of the report, are also required. Operational assurance was 'good' in all areas;
- benchmarking against the previous year:

Assurance levels

Assurance	Substantial	Adequate	Limited
2006/07	85.72%	14.28%	0%
2005/06	100%	0%	0%

Number of Recommendations:	Fundamental	Significant	Merits Attention
Average No. per report in 2006/07	0	0.63	1.29
Average No. per report in 2005/06	0	0.13	2.50

Members were informed that the average levels of assurance had declined when compared to the previous year as a result of one report where adequate assurance was provided but from an overall perspective the report was a very good annual report and the total number of recommendations made was lower than in the previous year.

***IT WAS RESOLVED to receive the internal audit annual report for 2006/07, recommend to the Corporation that a copy of the report should be sent to the Learning and Skills Council***

**A**

**28/07 MONITORING OF OUTSTANDING RECOMMENDATIONS**

Members considered the schedule of outstanding recommendations noting that eight recommendations had been implemented, one recommendation had been superseded and four recommendations were shown as 'being implemented'.

***IT WAS RESOLVED to receive the report and to review the Monitoring Schedule as updated and presented at the next meeting on 22 November 2007***

**A**

**29/07 INTERNAL AUDIT OPERATIONAL PLAN 2007/08**

Lisa Randall referred members to the strategy for internal audit for 2007/08 as approved by the Committee at the last meeting held on 28 June 2007. She went on to present the internal audit service's proposed detailed plan designed to implement the strategy for 2007/08 with the dates of proposed visits now included.

***IT WAS RESOLVED to receive the Audit Needs Assessment Update and Periodic Plan for 2007/08.***

**A**

**30/07 TIMELY SUBMISSION OF RETURNS**

The Director of Finance and Administration informed members that all LSC returns in 2006/07 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**

**31/07 ARRANGEMENTS FOR FINANCIAL STATEMENTS AUDIT 2006/07**

The Director of Finance and Administration informed members of arrangements for the financial statements audit to 31 July 2007 and the Regularity Audit which will commence on 8 October 2007. He informed members that the audited accounts must be submitted to the Learning and Skills Council by 31 December 2007 following approval of the accounts by the Corporation at its meeting on 7 December 2007.

***IT WAS RESOLVED to note the arrangements for the audit of the financial statements for the year ended 31 July 2007.***

**A**

**32/07 BEST VALUE/VALUE FOR MONEY ANNUAL REPORT 2006/07**

The Director of Finance and Administration presented a report detailing evidence on the adequacy and effectiveness of the College's controls for securing economy, efficiency and effectiveness. He introduced members to the College's newly appointed Procurement Manager and advised them of the key objectives which this role within the College will encompass. He went on to inform members that in August 2007 colleges in the sector were asked to complete the first return of the EMMFE (Efficiency Measurement Model for Further Education). This return is to be completed on a quarterly basis in an attempt to calculate efficient and savings made towards the target set by the Gershon Report for Further Education.

***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**

**33/07 FRAUD POLICY AND RESPONSE PLAN ANNUAL REPORT 2006/07**

The Director of Finance and Administration 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).

He confirmed that during 2006/07 there had been no such suspicions of any fraud internal to the College being reported and accordingly none were logged. He went on to inform members that the current account which was being targeted in for cheque fraud would be closed in the near future. This action had been taken in order to add further protection against potential fraudulent acts relating to the use of cheques against this particular account.

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

**A**

**34/07 FREEDOM OF INFORMATION: MODEL SCHEME FOR PUBLICATION OF PAPERS**

Members considered the paper which outlined the proposal that the College should seek the formal approval of the Information Commissioner for the continuation of the current arrangements for publication of papers in accordance with the requirements of the Freedom of Information Act 2000, by continuing to adopt the model publication scheme for Further Education for a further period of 4 years as from 1 March 2008.

The approval of Information Commissioner for the current arrangements was confirmed in February 2004 and extends to 29 February 2008.

Members were reminded that the Director of Finance and Administration is responsible for the procedure for dealing with requests which are received under the procedure which was approved by the Corporation at its meeting held on 30 November 2006 (Minute No: 64/04/06). Members were informed that no requests for disclosure of information have been recorded in the period since the procedure was adopted.

***IT WAS RESOLVED to recommend that the Corporation approve the proposal that the current arrangements for publication in accordance with the requirements of the Freedom of Information Act 2000, are continued for a further 4 year period from 1 March 2008 and that the approval of the Information Commissioner is sought by the College at the relevant time.***

**A**

**35/07 AUDIT COMMITTEE ANNUAL REPORT 2006/07**

Members considered the first draft of the Committee's tenth 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 included as a result of internal audit reports presented at this meeting, the outcomes of the Regularity Audit and the results of the self assessment of governance processes.

***IT WAS RESOLVED to receive and review the final draft report at the next meeting***

**A**

**36/07 RISK MANAGEMENT 2006/07**

Members considered the College's risk register for the current year and the current position reported 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 2006/07 and advise the Corporation accordingly.***

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

**A**

**37/07 CONFIDENTIAL BUSINESS**

Members 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 representative of the internal auditors informed members of the process and protocol used for undertaking the internal audit work and confirmed that there were no matters to which she wished to draw the attention of the Committee in management's absence.

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

**Lisa Randall left the meeting at this point.**

**A**

**38/07 MONITORING PERFORMANCE OF INTERNAL AUDITORS**

The Director of Finance and Administration presented the report summarising internal audit performance in 2006/07. Members noted the following:

- results were achieved in relation to objectives;
- cost of internal audit work was £11,396 for 33.82 days against a budgeted cost of £10,689 for 31 days;
- every audit in the plan had been completed; and staff continuity had been high.

***IT WAS RESOLVED to note that internal audit performance in 2006/07 had been satisfactory.***

**A**

**39/06 ANY OTHER BUSINESS**

Stan Utting provided members with a verbal report on his attendance at the ACI Public Sector Roundtable meeting held at the offices of KPMG in Manchester on 20 September 2007. He informed members that the discussion at the meeting had covered the effects of climate change on organisations, the role of internal audit from

the perspective of the organisation undertaking its own internal audit and the plans identified by the Treasury for the introduction of IFRS (Internal Financial Reporting Standards)

***IT WAS RESOLVED to receive the report.***

**A**

**40/07 DATE OF NEXT MEETING OF THE AUDIT COMMITTEE:**

Thursday 22 November 2007 at 4.00 pm

There being no further business, the meeting concluded at 6.20pm.

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(Chair)

Production: 10 October 2007

Chair's Approval: 14 October 2007

Committee's Approval: 22 November 2007

Reported to Corporation: 29 November 2007