

## **SOUTH CHESHIRE COLLEGE**

### **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE CENTRE, ROOM 1 ON THURSDAY 3 JULY 2008 AT 4.30 PM**

#### **Present:**

S Utting (Chair)  
B Dean  
D Felton

#### **In Attendance:**

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

The Clerk advised that the meeting was quorate.

#### **A**

##### **15/08 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Graham Martin.

#### **A**

##### **16/08 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 those members attending this meeting.

#### **A**

##### **17/08 MINUTES OF MEETINGS HELD ON 6 MARCH & 1 MAY 2008 AND MATTERS ARISING**

The minutes of the meetings held on 6 March and 1 May 2008 were considered. Members were informed by the Director of Finance and Administration that, following the approval of the appointment of the financial statements auditors by the Corporation at its meeting held on 12 June 2008, he has recently attended a planning meeting with the financial statements auditors.

***IT WAS RESOLVED that the minutes be approved as true and accurate records and signed by the Chair.***

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

#### **A**

##### **18/08 INTERNAL AUDIT PROGRESS REPORT**

Lisa Randall presented a report showing progress against the Internal Auditor's operational plan for the year. She reported that there had been one change to the delivery of the work since last reported to members at the last

committee meeting held on 6 March 2008 namely the review of the Data Protection Act 1996 Compliance Arrangements which had been brought forward in order that the report could be delivered to this meeting rather than the meeting which is to be held in October 2008.

She informed members that there were no issues arising from the internal audit work undertaken to date which may adversely impact on the internal auditors annual opinion and that there were no common themes arising from the work completed this year.

She went on to inform members that five audit reports had been finalised since the last committee meeting. All five reports were undertaken as part of the approved internal audit periodic plan for 2007/08.

The first report on Capital Project Controls made no recommendations arising from the adequacy or the application of controls.

Members were informed that a copy of the second report on the Cleaning Contract had been provided to the Board of Directors of the subsidiary company. This audit report did not identify any fundamental or significant recommendations arising from the adequacy of the control systems but did make two “merits attention” recommendations. Members were informed that both recommendations had been agreed by the management of the subsidiary company and would be monitored by the Board of Directors of the subsidiary company, as both recommendations related to the company procedures and did not affect the delivery of the cleaning service to the College.

The third report on Partnerships – School Liaison made no fundamental or significant recommendations arising from the adequacy or the application of controls but did identify two recommendations classified as “merits attention”.

The fourth report on Procurement made no fundamental or significant recommendations arising from the adequacy or the application of controls but did identify two recommendations classified as “merits attention”.

The fifth report on Data Protection Act 1998 Compliance Arrangements did not make any fundamental or significant recommendations as a result of this review of the College’s Data Protection Act 1998 Policy and associated compliance procedures and the testing concluded that the College’s policy and procedures for ensuring compliance with the Data Protection Act are being executed in a satisfactory manner.

Lisa Randall went on to report that the work on Franchise Spot Checks Review and Follow Up had been undertaken, draft reports had been issued and the final reports would be presented to the Committee in October 2008 in accordance with the agreed delivery schedule.

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

**A**  
**19/08 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 6 March 2008 had been implemented.

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

**A**

**20/08 INTERNAL AUDIT ANNUAL PLAN 2008/09**

Lisa Randall presented members with details of the proposed internal audit annual plan for 2008/09 and the updated Internal Audit Strategy 2008/09 to 2010/11 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. The plan as presented contained an estimate of 40 days work excluding contingency. Members reviewed the proposed plan and considered that the internal audit work for the year should be limited to a maximum of 36 days.

***IT WAS RESOLVED to recommend that the Corporation approve the 36 days internal audit work for 2008/09 and that the detailed internal audit plan should be revised and presented to the next meeting of the Audit Committee in October 2008.***

**A**

**21/08 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:

2007-08 Monthly monitoring return	29 February 2008
2007-08 Monthly monitoring return	31 March 2008
2007-08 Monthly Monitoring return	30 April 2008
2007-08 Monthly Monitoring return	31 May 2008
2007-08 F03 ILR return	14 May 2008
2007-08 WBL Return (Train to Gain)	13 March 2008 W07
2007-08 WBL Return (Train to Gain)	10 April 2008 W08
2007-08 WBL Return (Train to Gain)	14 May 2008 W09
2007-08 WBL Return (Train to Gain)	13 June 2008 W10

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

**A**

**22/08 ARRANGEMENTS FOR FINANCIAL STATEMENTS AUDIT AND COMPLETION OF REGULARITY AUDIT 2007/08**

The Director of Finance and Administration provided a verbal report informing members that the interim/regularity audit had been scheduled for the week commencing 14 July 2008 and the final audit scheduled to take place in the two weeks commencing 13 October 2008.

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

**A**

**23/08 INTERNAL AUDIT – REVIEW OF PROVISION**

Members were informed that Pritchard Stone and Partners had been appointed as the College's Internal Auditors following incorporation in 1993. Pritchard Stone and Partners merged with/ joined the firm known as Bentley Jennison in 1995 and that following a tender process in April 1998 Bentley Jennison were re-appointed by the Corporation in May 1998. On 4 March 2003 the members of Audit Committee were informed that:

- the new Learning and Skills Council (LSC) Audit Code of Practice removed (with immediate effect) the requirement to tender internal audit appointments every five years replacing this with a requirement to rotate the head of internal audit every seven years; and
- Bentley Jennison could therefore continue for as long as the College was satisfied with their performance and the head of internal audit would not need to change for another seven years i.e. 2009 or 2010 and that the LSC had confirmed this was the position.

Members noted that Bentley Jennison have continued to deliver the service of internal auditors to the College with the amount of internal audit work and associated fees being agreed on an annual basis and that the current head of internal audit has been in post for three years.

***IT WAS RESOLVED to recommend to the Corporation that, although the internal audit work delivered by Bentley Jennison has been entirely satisfactory with no issues of concern arising, in the interests of competition the internal audit work should be put out to tender and that invitations to quote for the period 2009/2010 onwards should be sent out in October/November 2008.***

**A**  
**24/08 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.***

**A**  
**25/08 RISK MANAGEMENT**

Members considered the risk register for 2007/08 incorporating the updating comments. Members also considered the draft risk register for 2008/09 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 2007/08 and advise the Corporation accordingly***

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

**A**

**26/08 CONFIDENTIAL BUSINESS**

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

**A**

**27/08 DATE OF NEXT MEETING**

The date of the next meeting of this committee will be set out in the schedule which is to be approved by the Corporation at its next meeting on 18 July 2008.

There being no further business, the meeting concluded at 5.55 pm.

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(Chair)

Production: 9 July 2008

Chair's Approval: 9 July 2008

Committee's Approval: 9 October 2008

Reported to Corporation: 18 July 2008

**Reference: Minute  
No: A25/08 COMMITTEE SELF ASSESSMENT**

<b>Good Practice</b>	<b>Yes / No / N/A</b>	<b>Comments/actions</b>
<b>ESTABLISHMENT, OPERATION AND DUTIES OF THE AUDIT COMMITTEE</b>		
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. There has been an additional meeting held in Summer 2008 to review and short list the tenders received for the FSA audit
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 2008.
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	Audit committee members are independent of management. The members of the Audit Committee are not members of the Finance Committee.  S Utting serves as a member of the Quality and Standards 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 by the Corporation in January 2008
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 & 2007/08 a training session was held either before or immediately following each Committee meeting.
<b>CORPORATE GOVERNANCE</b>		
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. Members receive regular training sessions which take place before each meeting of the Committee.
Do the Corporation's financial statements include a description of the audit committee's establishment and activities?	YES	
Does the audit committee periodically assess its own effectiveness?	YES	In July using this checklist and in October/November in preparing and considering the Committee's annual

<b>Good Practice</b>	<b>Yes / No / N/A</b>	<b>Comments/actions</b>
		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.
<b>RISK MANAGEMENT</b>		
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 continues to be 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	
<b>INTERNAL AUDIT</b>		
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans?	YES	In June /July 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	This is set out in the Audit Needs Assessment methodology.
Are internal audit performance measures monitored?	YES	Reviewed on an annual basis
<b>EXTERNAL AUDIT</b>		
Do the external auditors present their audit plans and strategy to the audit committee for approval?	YES	
Does the audit committee assess the performance	YES	

<b>Good Practice</b>	<b>Yes / No / N/A</b>	<b>Comments/actions</b>
of external audit?		
Does the audit committee review the external auditor's management letter?	YES	
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	
<b>ADMINISTRATION</b>		
Does the audit committee have an independent secretary (who may be a senior officer of the Corporation)?	YES	
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.