

## SOUTH CHESHIRE COLLEGE

### MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE TOWER BLOCK, ROOM 302 ON THURSDAY 18 JUNE 2009 AT 4.30 PM

#### Present:

S Utting (Chair)  
F Ellison  
C Lamont

#### In Attendance:

G Bebbington (Director of Finance and Administration) (until the point shown)  
J Dowell (Deputy Director of Finance) (until the point as shown)  
G Palethorpe (Bentley Jennison, Internal Auditors)  
I Leviston (KPMG, Financial Statements Auditors)  
E Davies-Jones (Clerk to the Corporation)

The Clerk advised that the meeting was quorate.

#### A

#### 11/09 APOLOGIES FOR ABSENCE

Apologies for absence were received from Graham Martin.

#### A

#### 12/09 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.

#### A

#### 13/09 MINUTES OF THE LAST MEETING AND MATTERS ARISING

The minutes of the meeting held on 5 March 2009 and the report of the meeting held on 21 April 2009 were considered and ***IT WAS RESOLVED that they be approved as a true and accurate records of those meetings and signed by the Chair.***

There were no matters arising from the meetings held on 5 March and 21 April 2009.

#### A

#### 14/09 INTERNAL AUDIT PROGRESS & ASSIGNMENT REPORTS

Glen Palethorpe informed members that three internal audit reports for 2008/09 had been finalised since the last committee meeting. He informed members that there were no issues arising from the internal audit work completed to date which would impact on the internal auditor's annual opinion and there were no common themes arising from the review undertaken. He

went on to inform members that the internal auditor is currently on target to deliver the internal audit plan in full prior to the year end.

He presented the report containing the executive summaries and agreed action plans for the three reports:

- Procurement Capability Review;
- Financial Management – Payroll; and
- Franchise Spot Checks;

A full report from the Procurement Capability Review was provided detailing the following three capability areas: leadership; skills development and deployment; and systems and processes. Members were informed that the review had been based upon the Office of Government Commerce Procurement Capability Review scoring framework, adapted to fit the scope required by the College's Procurement Manager i.e. with particular focus on the suitability of the Procurement Strategy and procedures as controls over risks to the College in achieving its objectives, and compliance with the Policies and procedures, particularly with regard to unauthorised purchasing. Members were informed that the audit work had confirmed that the College's Procurement systems had been designated as "strong" (strong capability in all areas important to the organisation and demonstrates highest levels of performance achievement) in respect of five of the seven key indicators, "well placed" (well placed to address any gaps in capability or performance through existing actions or plans) in respect of one key indicator, and "development area" (generally fit for purpose with some remedial action required to address one or a number of important but not "critical" capability performance issues) in respect to one key indicator.

Members were informed that there were no recommendations contained in the report on Payroll and that the internal audit work undertaken provided an opinion that *"substantial assurance that the controls upon which the organisation relies to manage this are, as currently laid down and operated, are effective."*

Members were informed that there were no recommendations contained in the report on Franchise Spot Checks, which had covered six Franchise Partners. Members were informed that this audit was undertaken as part of the approved internal audit periodic plan for 2008/09, to provide the College with an independent check on the processes undertaken both by College staff and also the Franchise Partner.

Glen Palethorpe went on to present the draft reports for internal audit work undertaken in the two areas:

- Security of Data; and
- Follow Up.

Members were informed that the draft Security of Data Report included agreed management comments and that this report was due to be finalised with the inclusion of the information confirming implementation dates and the name of the manager responsible for implementing the recommendations made in the report. The report contains one "significant" and two "merits attention" recommendations. Members were informed that the recommendation identified as "significant" concerned the updating of the current security policy documentation to ensure that all key areas are appropriately incorporated and that the implementation of this

recommendation was already in the progress as part of the regular policy review process.

Members were informed that the draft Follow Up report did not contain any outstanding recommendations and would be issued as a final version to members before the next meeting.

Glen Palethorpe then referred members to client briefings which had been provided by the internal auditors for members' information, namely:

- Qualifications and Credit Framework;
- Carbon Reduction Commitment;
- Independent Safeguarding Authority; and
- Framework for Excellence – Last Minute Reminder.

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

**A**

**15/09 MONITORING OF OUTSTANDING RECOMMENDATIONS**

Members were informed that there one of the four outstanding recommendations had been implemented with three recommendations which are in the process of being implemented.

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

**A**

**16/09 INTERNAL AUDIT STRATEGY & OPERATIONAL PLAN 2009/10**

Members were informed that following the re-appointment of Bentley Jennison as internal auditor, following the competitive tender process, the discussion of the content of the Audit Strategy for 2009/10 to 2011/12 was held with College management on the morning of Thursday 18 June and the Strategy will be developed and presented to the next meeting of the Audit Committee for approval.

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

**A**

**17/09 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 all the returns due had been submitted accurately and on time. Members were provided with a list of the 7 returns which had been made since 27 November 2008.

***IT WAS RESOLVED to note the timely and accurate submission of the returns to the Learning and Skills Council.***

**A**

**18/09 ARRANGEMENTS FOR FINANCIAL STATEMENTS AUDIT AND COMPLETION OF REGULARITY AUDIT 2008/09**

The Director of Finance and Administration presented the report informing members that the interim/regularity audit had been scheduled to be undertaken over four days commencing on 2 July 2009 and the final audit scheduled to take place in the two weeks commencing 2 November 2009.

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

**A**

**19/09 FREEDOM OF INFORMATION ACT: UPDATED PUBLICATION SCHEME**

The Director of Finance and Administration presented paper. He informed members that following the recommendation made by the Audit Committee at its meeting on 9 October 2008 (ref: Minute No: A 39/08) and the approval of the Corporation that the College's initial Guide to the Publication Scheme should be published on the College's website from 1 January 2009 pending the development of the more detailed Publication Scheme (Ref: Minute No: 68/04/08). He went on to present to members the Publication Scheme which has been updated to include an appendix detailing the main classes of information available.

***IT WAS RESOLVED to recommend that the Corporation approve and adopt the updated Freedom of Information Publication Scheme for publication in line with the requirements of the Freedom of Information Act.***

**A**

**20/09 FUNDING ASSURANCE REVIEW 2008/09**

Ian Leviston, KPMG, presented the management report prepared following the Funding Assurance Review audit for 2008/09 undertaken in March 2009. He informed members of the objectives of the audit work which had been undertaken. The report contained 7 recommendations: 6 recommendations identified as "High" (matters that are considered fundamental, against which management should take action as soon as possible); and 1 recommendation identified as "medium" (matters that are considered significant, that should be addressed within three months).

***IT WAS RESOLVED to receive the report and to note that the progress in implementing the recommendations contained in the report will be reported to future meetings as part of the monitoring schedule and will be followed up by the College's internal auditors.***

**A**

**21/09 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**

**22/09 RISK MANAGEMENT 2008/09 & 2009/10**

Members reviewed the College's risk register for 2008/9, with updating comment. Members also considered the College's draft risk register for 2009/10 agreeing that the risks were sufficiently comprehensive and that no additional risks are required to be added to those listed.

Members considered the proposed new reporting arrangements and were informed that the members of the Organisation Development Committee proposed to recommend further development of the traffic light system with assistance from the College's internal auditors.

***IT WAS RESOLVED to receive the risk registers and to note the:***

- ***current position in respect of the risks described in the risk register; and***
- ***the proposed recommendation, being made by the Organisational Development Committee, that a working group, including some members of the Corporation, should be set up with assistance from the College's Internal auditors, to further develop the mechanism for the reporting/updating of the risk register.***

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

**A**

**23/09 CONFIDENTIAL BUSINESS**

The representative of the College's internal audit service and the representative of the College's financial statements audit service confirmed that there were no circumstances which they wished to draw to the attention of the Committee in the absence of management.

**A**

**24/09 DATES OF MEETINGS**

Members received details of the planned schedule of business for the Committee in line with its terms of reference for the forthcoming year. Members were informed that the scheduled meetings of the Committee are planned as follows:

- Thursday 8 October 2009
- Thursday 19 November 2009
- Thursday 4 March 2010
- Thursday 7 June 2010

There being no further business, the meeting concluded at 5.50pm.

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(Chair)

Production: 24 June 2009  
Chair's Approval: 25 June 2009  
Committee's Approval: 8 October 2009  
Reported to Corporation: 24 July 2009

DRAFT

Good Practice	Yes / No / N/A	Comments/actions
<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. An additional meeting was held on 21 April 2009 immediately following the interviews of those firms who tendered to provide internal audit services and who had been shortlisted by the Audit Committee on 5 March to be invited for interview.
Are members attending meetings on a regular basis and if not is appropriate action being taken?	YES – 4 of the 5 committee members have attended on a regular basis	The attendance of one member of the committee has been below the required level and action was taken by the clerk to remind that member of the attendance requirements.  Membership of the committee will be reviewed by Corporation in July 2009.
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, F Ellison & C Lamont also serve as a members of the Quality and Standards committee. G Fyffe (member of the Audit Committee until 21 April 2009) also served as a member of e Organisational Development Committee
Does the audit committee have written terms of reference (ToR)?	YES	A copy of the Committee's terms of reference is issued to members prior to every meeting.
Are the ToR adopted by the governing body and reviewed periodically?	YES	The Committee's terms of reference are being reviewed and updated in July 2009
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. During 2006/7, 2007/08 & 2008/09 a training session was held either before or immediately following each Committee meeting.

<b>Good Practice</b>	<b>Yes / No / N/A</b>	<b>Comments/actions</b>
<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	Bentley Jennison (Internal Auditors) provide update briefings which are circulated to members by e-mail. Relevant LSC correspondence is also circulated to members
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 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 College's 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	
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

<b>Good Practice</b>	<b>Yes / No / N/A</b>	<b>Comments/actions</b>
		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	
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 of external audit?	YES	
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.