

Audit Committee

Minutes for Approval at the next meeting of the Audit Committee

Minutes of the Meeting held on Tuesday 9 September 2008

Present: Mr D O'Halloran (Chairman)
Ms R Klass
Mr L Privett
Mr P Stafford

In Attendance: Mr A McGarel (Director of Finance and Corporate Services)
Mr P Goddard (Scrutton Bland, IAS)
Mr R I Millea FCA (Clerk to the Corporation)
Mr J Cope (MacIntyre Hudson, external auditors)

The Clerk took the chair for the first three items on the agenda.

1. Apologies for Absence

Apologies for absence were received from Mr Y Goolamali. Apologies were also received from Mr A Strickland (Scrutton Bland) and Ms L Waghorn (MacIntyre Hudson).

2. Standing Orders

The Clerk asked Members if there were any declarations of interest to be made – there were none. The Clerk asked Scrutton Bland and MacIntyre Hudson, internal and external auditors respectively, if they wished to speak privately with the Committee without management being present – they did not.

3. Election of Chairman

Mr D O'Halloran was unanimously elected Chairman for the academic year 2008-09.

The Chairman then resumed the chair.

4. Urgent Business

The Clerk noted that all members of the committee had been provided with a copy of a recently issued publication from the National Audit Office – Renewing the physical infrastructure of English FE Colleges – in which the College featured prominently on the front cover. It also sets the scene for future building projects in which the College may soon be engaged.

5. Minutes of the Meeting held on Thursday 22 May 2008

The Minutes of the Meeting held on Thursday 22 May 2008 were **APPROVED** and **SIGNED** by the Chairman, after being amended to record the absence of Mr L Privett.

6. Matters Arising from the Minutes

- (a) The Committee noted that, following the tender process, Messrs Scrutton Bland, Ipswich had been recommended for re-appointment as Internal Auditors to the College for 2008-09 by the sub-committee of this committee convened for that purpose and that this appointment had been ratified by the Corporation at its meeting on 7 July 2008.
- (b) The Clerk reported that Messrs Chaplin Frobisher Welling Limited had been re-appointed by the Corporation at its meeting on 7 July 2008 as providers of the Clerking Service to the College for the next four years.
- (c) The Director of Finance and Corporate Services provided an update on the proposal to upgrade the College payroll system and advised that this matter is on hold pending further progress in connection with the proposed merger with Thurrock & Basildon College, which College coincidentally uses the same software as this College. It was agreed that it could be premature to upgrade in advance of that.
- (d) The Director of Finance and Corporate Services also updated the Committee regarding the acquisition of a new finance system for the College and that this had become operational with effect from 1 August 2008.

7. Performance Review – Internal Audit Service (Paper AU.08.09)

Scrutton Bland and Macintyre Hudson left the meeting for consideration of this item.

Committee members returned to the Clerk completed performance review documentation in respect of Scrutton Bland's service to the Committee and the College during 2007-08. No issues arose. The Committee expressed itself satisfied with the internal audit service provided during 2007-08 by Scrutton Bland.

The Committee noted the Corporation decision recorded in item 6(a) above.

The Committee noted the advice of the Clerk that, should the proposed merger with Thurrock & Basildon College take place with effect from 1 August 2009, it is desirable that both the internal audit service and the external audit service be subject to formal re-tendering, given the substantial effect that the merger will have on the organisation.

The Committee noted that Scrutton Bland, the providers of the Internal Audit Service, are also the external auditors of Thurrock & Basildon College, and, given this potential conflict of interest, the Clerk was asked to write to Scrutton Bland to clarify how they are managing this potential conflict and seeking assurances in that connection. The Committee was aware that the same engagement partner acted for Thurrock & Basildon College as for this College. Paul Goddard indicated that he, Paul, has no involvement whatsoever in the external audit of Thurrock & Basildon College. The Clerk was also asked to confirm to Scrutton Bland that no re-appointment will be made for 2009-10 Internal Audit Service at this stage until clarity regarding the merger process is reached, after which it is likely that a re-tendering for the internal audit service may well take place. The Committee also observed that a similar re-tendering may be considered with regard to external audit also.

8. Internal Audit (Paper AU.08.10)

8.1 Internal Audit Report

The Committee considered an IAS Report on Lecturer Deployment, which was presented by Paul Goddard of Scrutton Bland.

Lecturer Deployment

The report made one low risk recommendation regarding the process for updating contract, remission and sickness data by the HR Department.

Two best practice points were made regarding the quality of the College policy on Deployment of Academic Staff and the robustness of the processes to monitor lecturer deployment.

Two value added points were made – one relating to the rolling over of under-utilised hours for individual lecturers into the following academic year and one suggesting a review on the current minimum lecturer target hours which, in comparison with other FE Colleges, might be seen to be low. IAS suggested that management might like to consider this issue in future lecturer deployment considerations especially given that a merged College is possible.

Members discussed the value added points in some detail given the planning aspects which flow from those points regarding lecturer deployment policy and decisions.

The Committee **RECEIVED** this report.

8.2 Annual Internal Audit Report 2007-08

Paul Goddard then presented the Internal Audit Annual Report for the year ending 31 July 2008 which concluded that, in their opinion, the College has adequate and effective management, control and governance processes to manage its achievement of the College's objectives. The wording of the opinion follows LSC guidance and is an 'unqualified' opinion. The Report included a summary of recommendations made during the year.

Paul Goddard presented an outturn statement showing that actual audit days were 47 as against 46 planned. He noted that the IAS had provided two additional services during the year, which had been billed separately – a briefing session to Audit Committee members on the Audit Code of Practice and an Independent Management Report on behalf of the NOVA Partnership in connection with capital funding in Grays.

The Committee **RECEIVED** the Internal Audit Annual Report for 2007-08 and **RECOMMENDED** that the Report be submitted to the Corporation for approval at its meeting on 6 October 2008.

8.3 Audit Needs Assessment and Strategic Internal Audit Plan 2008/09 to 2010/11 and Annual IAS Plan for 2008/09

Paul Goddard presented the Draft Audit Needs Assessment and Strategic Internal Audit Plan 2008/09 to 2010/11, together with the Annual IAS Plan for 2008/09. He referred to the mechanism used in constructing the assessment and plan and the build up of the detailed proposals. The assessment and plan is focused on the needs of the College, using their experience over last few years, and also, where required, includes areas for audit under LSC guidelines. He noted that the draft plan had been prepared in consultation with the Chairman of the Committee and the Director of Finance & Corporate Services.

Jonathan Cope explained how the IAS assessment would be used by the external auditors in the consideration of their opinion, especially the fundamental going concern question.

He noted that the risk assessment at Appendix B of the report reflects the identified risks of the College as noted in the College Risk Register, weighted to have regard to past experience in the particular area. The particular importance of developing Capital Projects was noted and the need for them to be examined as part of the internal audit plan in 2008-09. Also, additional emphasis in the plan is being placed on Health and Safety and the operation of the NOVA and Train to Gain consortia.

Members agreed that this was a solid basis on which to base internal audit work for the forthcoming year and beyond, but noted that a merged College would pose additional issues that almost certainly would require a rethink from 1 August 2009.

The Committee, having considered the assessment and plan, **RECOMMENDED** that it be put to the full Corporation for approval at their meeting on 6 October 2008.

9. Implementation of Previous Audit Recommendations (Paper AU.08.11)

The Committee **NOTED** the status report provided by the Director of Finance and Corporate Services on the implementation of previous audit recommendations.

10. Review of College Financial Regulations (Paper AU.08.12)

The Director of Finance and Corporate Services presented amended Financial Regulations to the Committee, with a summary sheet noting the proposed changes, all of which were minor.

The Committee **CONSIDERED** the proposed changes and **AGREED** to recommend that the amended Regulations be approved by the Policy & Resources Committee at their next meeting on 3 November 2008.

11. Corporate and Risk Management (Paper AU.08.13)

The Committee **NOTED** the Risk Management Plan for 2008-09, which was approved by the Corporation at its meeting in July 2008 and progress against the plan, which had been updated to 28 August 2008. The Committee noted that the final Risk Management Annual Report for 2007-08 will come to the next meeting of this Committee.

12. Committee Matters (PaperAU.08.14)

- (a) The Clerk presented a draft Annual Report of the Audit Committee for 2007-08, which was **NOTED**. The final report will be presented to the next meeting of the Committee on 7 November 2008, once the external audit has been completed. No points arose at this stage.
- (b) The Committee **REVIEWED** the Terms of Reference for the Committee and recommended no changes.
- (c) Committee Members **REVIEWED** their current declaration of interests and informed the Clerk accordingly.

13. Date of Next Meeting

Friday 7 November 2008.

There being no further business, the meeting concluded at 10.10 am.