

Audit Committee

Minutes for Approval at the next meeting of the Audit Committee

Minutes of the Meeting held on Thursday 22 May 2008 at 8.35 am

Present: Mr D O'Halloran (Chairman)
Mr Y Goolamali
Ms R Klass
Mr P Stafford

In Attendance: Mr A McGarel (Director of Finance)
Mr P Goddard (Scrutton Bland, IAS)
Mr A Strickland (Scrutton Bland, IAS)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

There were no apologies for absence.

2. Standing Orders

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

3. Urgent Business

The Committee noted, with pleasure, that the College was awarded a grade 1 for Financial Management and Governance by the LSC PFA auditor and grade 1 for governance was also awarded by the OfSTED Inspector responsible for Leadership and Governance last week during the inspection week. Anthony and Robert were congratulated on this excellent performance. The key strengths identified by the LSC auditor were noted by the Committee.

The Clerk informed the Committee that Declarations of Interests are in the course of being prepared for Carol Anson-Higgs and Wendy Barnes, both of whom were recently appointed to the Directorate (although neither are yet senior postholders).

4. Minutes of the Meeting held on Thursday 28 February 2008

The minutes of the Meeting held on Thursday 28 February 2008 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising from the Minutes

- (a) The Director of Finance reported that a new College payroll system is being considered and it was intended that it would become operational in the Autumn. He further reported that a new College finance system is also in the process of being acquired and this will become operational with effect from 1 August 2008. The payroll system will be a stand-alone module and not directly integrated with the finance system.
- (b) The Director of Finance reported that the debit balance of £46k in connection with educational visits which existed at 31 July 2007 (and which had been built up over some years) had been thoroughly investigated and a write off will be necessary in the 2007-08 accounts. Procedures have been tightened to ensure that this situation will not recur.
- (c) The Director of Finance informed the Committee of the qualifications and experience of the College Estates team (the Head of Estates has two relevant qualifications) but they are considered to be entirely competent to judge and challenge those outside contractors and consultants who are working for the College. The Committee was content
- (d) The Committee noted the appointment of a new Director of Quality Improvement following the impending retirement of Nigel Davis at the end of this academic year. The appointee is John Hayles, who has been in a similar role at Braintree College and has recently been appointed Acting Principal of that College, and previously had worked in quality for a number of years at Colchester Institute.
- (e) The Tender process for internal audit is underway and a sub-committee of this Committee is interviewing three firms, including the current incumbent, immediately after this meeting. A recommendation as to the new Internal Audit provider will be made to the full Board meeting on 7 July 2008, following the interview process. The sub-committee will consist of the Chairman, Paul Stafford and Yusuf Goolamali, supported by the Director of Finance and the Finance Manager. The Clerk will facilitate the process.
- (f) The Director of Finance mentioned that the College is about to go to re-tender for Clerking Services under the direction of the Remuneration Committee with a view to making an appointment at the Corporation Meeting on 7 July 2008.

6. Internal Audit (Paper AU.08.05)

The Committee considered IAS Reports on Budgetary Control and Management Information, NOVA Schemes (Life Skills Solutions Limited), Franchising, corporate Governance and Risk Management and Income and Debtors, which were presented by Paul Goddard of Scrutton Bland.

Budgetary Control and Management Information

The report made no recommendations but made one best practice point and one added value point.

The best practice point noted that the budget setting approach and the budget monitoring meetings held with budget holders are robust processes and demonstrate good practice.

The added value point suggested that the annual budget setting process could be enhanced with a formal timetable, against which progress could be monitored.

In response to a question from a member, IAS explained the mechanics of the 'top down' budget approach because it is driven by Government funding, but that it is supplemented by 'bottom up' discussions and calculations from individual departments, mainly to do with expenditure. IAS also explained the phasing aspect of the budgeting process, particularly with regard to accruals and prepayments.

NOVA Partnership (Life Skills Solutions Limited)

This report covered findings and conclusions arising from a visit to Life Skills Solutions Limited by IAS representatives in March 2008. This company delivers Entry to Employment, Advanced Apprenticeship and Apprenticeship programmes under a Learning and Skills Council contract, which is managed through the NOVA Partnership run by the College.

The report noted progress made by Life Skills Solutions Limited since the last review and that it was satisfactory. No new recommendations were made but the report identified progress against a number of low risk recommendations, which had previously been made. Overall, the report concluded that adequate controls are in place surrounding the key aspects of data retention and evidence and, further, that no significant issues arose from the review.

Franchising (Collaborative Provision)

No recommendations arose – one best practice point was identified, together with one added value point.

The best practice point highlighted the robust processes in place to manage the provision and that it compared favourably with other Colleges, including the carrying out of announced and unannounced visits to partners.

The value added point related to the suggestion of creating a control schedule that can be used to identify all compliance requirements in line with LSC requirements and the College's own procedures, with it being updated as each requirement is met.

Governance and Risk Management

One low risk recommendation arose – further steps should be taken to embed Risk Management to Head of Department level.

Three added value points were made. Regarding Governance, it was suggested that the completed Register of Interest forms for Board Members could be enhanced and that a log could be introduced to record details of each Freedom of Information Act request and each Data Protection Act request and the date the information was provided. On Risk Management, the opportunity for IAS to assist management with the embedding process was explored.

In response to a question from the Committee, the Director of Finance explained that the risk register is updated annually and monitored by the Audit Committee through regular reports on Risk Management being provided by the Director of Finance. However, he assured the Committee that, where new risks arise during the year, these are noted and factored into the risk management culture of the organisation. He recognised that this is a dynamic area and the College continues to work hard to manage the College's risks.

Paul Goddard undertook to provide a Register of Interests template to the Clerk with a view for all declarations by Members of the Board and the Members of the Directorate to be typed and, if necessary, updated by the time of the Corporation meeting on 7 July 2008.

Income and Debtors

A number of low risk recommendations were made in connection with, principally, the College's cash handling procedures. IAS noted that the College is currently in the process of selecting a cash register supplier with a view to implementing an integrated cash register system across all cash handling areas.

It was noted that there is a degree of double counting of cash physically in the College – by the operating department and by the Finance Department. Also, there was concern that cash is being counted in the open in the Finance Department, although this is on a secure floor and in a staff-only environment.

The Director of Finance expressed the view that, as a long term strategy, he would like to move towards a 'cashless' College although he recognised that this would not be wholly possible.

The Committee supported the move towards a cashless College and also felt that double counting of cash takings was excessive.

One value added point was made regarding the possibility of introducing debit/credit card payments at the Wellstead Gardens Sports and Social facility.

Internal Audit Progress Report

The Committee received a progress report from Paul Goddard regarding internal audit work for 2007-08. It was noted that only one piece of work scheduled for this year (Lecturer Deployment) remains to be carried out.

The Committee **RECEIVED** the final Internal Audit Reports as described above and **NOTED** the Internal Audit Progress Report.

7. Implementation of Previous Audit Recommendations (Paper AU.08.06)

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

It was noted that the definition of a key postholder could be wide and the Director of Finance noted that this area was still be considered in the College context.

8. Financial Statements Audit (Paper AU.08.07)

The Committee received a Financial Statements Planning Memorandum from the College's external auditors, MacIntyre Hudson, in connection with the financial statements and regularity audit for the year ended 31 July 2008. This was supported by verbal comments from the Director of Finance. In particular, it was noted that an interim visit will take place before the end of the College financial year.

This Memorandum was **DISCUSSED** and **NOTED**. No points arose.

9. Corporate and Risk Management (Paper AU.08.08)

The Committee **NOTED** the report on progress against the updated Risk Management Action Plan for 2007-08, as outlined by the Director of Finance in the tabled paper on this issue.

10. Committee Matters (Paper AU.08.09)

- a. The Committee **RECEIVED** the schedule of business for the Audit Committee for 2008-09.
- b. Members returned their completed declarations of interests to the Clerk, noting that typed forms will be prepared shortly for signature by members.
- c. The Committee Members returned completed forms relating to the Self-Assessment of the Performance of the Audit Committee. No matters arose from this process.

11. Date of Next Meeting

Tuesday 9 September 2008 at 8.30 am.

There being no further business, the meeting concluded at 10.00 am.

Post meeting note

The Sub-Committee referred to in 5 above met immediately after the meeting to consider tenders for the College Internal Audit Service from Scrutton Bland, Clement Keys and Bentley Jennison. After hearing presentations from each firm and considering the matter carefully, the sub-committee resolved to recommend that Messrs. Scrutton Bland be appointed Internal Auditors to the

College for the year 2008-09 and that such recommendation be made to the full Board of the Corporation at their meeting on 7 July 2008. The Clerk was instructed to prepare a motion to this effect for that meeting.