



Minutes of a meeting of the Audit Committee of Lakes College West Cumbria, held on Monday, 10 May 2010 in the Boardroom.

Present: Paul Pharaoh (Chair); Norma Boyes; Andrew Oldham; Rick Wylie

Apologies: Sarah Graham

Also present: Sue Turner (Internal Auditor Manager, RSM Tenon); Mike Kirsopp (External Auditor, Dodds & Co).

Staff present: Cath Richardson (Principal); Karen Wilson (Deputy Principal, Finance and Corporate Services); Jane Murray (Clerk to the Governors).

09/10 Minutes

The minutes of the meeting held on 8 February 2010 were agreed and signed as a correct record.

10/10 Declarations of interest

None received.

11/10 Internal Audit Report: IT/Data Management

The Internal Audit Manager presented the report, drawing attention to the adequate assurance given. There were two significant and two 'merits attention' recommendations. The significant recommendations centred around data security issues, around regular refresher training for staff of data security issues and encryption of data sent electronically. Both recommendations, and actions, had been agreed.

Governors noted the recent public sector data security breaches, involving the loss of electronic hardware containing sensitive data. They were assured that there was a security policy which was enforced and that disciplinary action had been taken recently as a result of a breach of security.

It was recognised that there had to be a balance between allowing staff to work from home on occasion and data security, and Governors were informed that any sensitive data which was to be taken home required a signature from Senior Management Team as authorisation.

The Deputy Principal also informed Governors that she intended to carry out a data mapping exercise with the intention of bringing all the current IT systems under the one umbrella, further enabling IT security.

Agreed – to note the report.

12/10 Internal Audit Report: Risk Maturity

The Internal Audit Manger noted that audit investigations had found that risk maturity was 'managed' with the outlook for getting into the top bracket of a sample of FE Colleges nationally positive.

Asked whether the College had almost achieved top bracket this time round, the Internal Audit Manager confirmed that it had not been missed by much.

There were two recommendations received - that a risk register section in the operational plans should be introduced and that Governors should define risk appetite.

While Governors noted that they considered and agreed the strategic risk register, articulating their risk appetite on a number of key issues, they probed deeper on the expectation for a general declaration of risk appetite. The example that was offered was that the Board might find that nothing less than 'good' on their financial performance might be one measure of their risk appetite on finance.

Agreed – to note the report

13/10 Internal Audit Report : Income, Debtors & Cash Management

Once again, substantial assurance had been given in this audit, with one significant and four 'merits attention' recommendations.

The significant recommendation involved the need to ensure that the reconciliation process involved a robust audit trail and new pro-formas were being introduced as a result.

Asked whether the aged debtors balance (over 30 days) at 35% of the total was of concern, the Deputy Principal informed the Committee that this was generally due to large but reliable contracts that were traditionally slow to pay, largely owing to a need to ensure that evidence of achievement by students was supplied.

Agreed – to note the report.

14/10 Internal Audit Report: Payroll – integration with the HR System

Substantial assurance was given, with 1 significant and 2 ‘merits attention’ recommendations.

The significant recommendation, which had been agreed, was that an end date should be agreed for completion of the project, which was to integrate the College database with the company supplying payroll services.

Asked whether the audit has also taken account of integration with pension services, the Deputy Principal informed Governors that the process was subject to random sampling and that it was the same provider for both payroll and pensions.

Agreed – to note the report

15/10 Internal Audit Draft Report: Corporate Governance – Collaborative Arrangements

This was a joint exercise with the other colleges. The report was at the draft stage and was destined for the Collaboration Audit Committee.

At this stage, substantial assurance was given with 1 merits attention recommendation. Governors were reminded that this was for the wider collaboration activity and not for Cumbria Colleges Ltd, the collaboration company which had been causing some concern.

Asked whether the Principals of the College were nearer to recommending a decision on the future of CCL, the Principal felt that all options had now been examined and it looked increasingly likely that the Company would fold and that a Cumbria Colleges Group would move forward, partnering up with other NW Groups such as the Lancashire Group. Governors were reminded that the ability of the four Principals to represent one another on key groups had been a success of the project and one which would continue.

Agreed – to note the report

16/10 Internal Audit Progress Report

It was noted by the Committee that the plan had been completed to schedule, that reports for College audits had been tabled to schedule and that the half day remaining would be used in consideration of the audit planning process for 2010/11. All work carried out within the year had been tabled during the year, with the exception of the final collaboration audit of which a draft had been received.

An error on Appendix A would be rectified to show substantial assurance for 'Income, Debtors and Cash – Contract Monitoring' giving four substantial assurances, 1 good and 1 adequate assurance, with risk being categorised as 'managed'.

Agreed –

- 1) that there had been a timely issue of reports and recommendations.
- 2) that it was pleasing to note that the College was achieving this standard and that staff should be aware that it was appreciated.

17/10 Internal Audit Report – Follow Up Report

The investigations had found that there had been 'good' progress in implementing audit recommendations. It was agreed that the progress was a big plus and that this could have been brought out more strongly in the report.

Agreed – that the report be noted.

18/10 Audit Recommendations Tracking Report

The majority of the historic actions had been closed off. Those remaining were from the most recent audit reports tabled at this meeting and detailed the agreed actions.

Agreed – that the report be noted.

19/10 Audit Considerations 201/11

The Committee was invited to give their thoughts on the scope of the Audit Plan for 2010/11 which would be drawn up by the Internal Auditors in discussion with the Deputy Principal for Finance and Corporate Services.

Having considered the risk register, the Committee thought that there should be a strong resource efficiency/value for money focus for the 2010/ work plan.

A follow up to the electronic data management audit recently carried out, might be to consider wider data management issues, which might include employer responsive and partnerships, making sure that data management was able to ensure that the potential for income generation was maximised, and might include issues such as programme validation.

Data protection might be worth considering with Freedom of Information a consideration.

E-learning might also be worthy of consideration in terms of resource efficiencies, as well as performance management and student records.

With the flooding event last year, retention and disaster recovery/business continuity might be worth looking at.

With the increased focus on safeguarding, it was considered whether this area might be worthy of audit to ensure that the College was meeting expectations.

There was also some discussion around whether to bring in the Auditor's specialist team to look at increasing revenue from outside the organisation and resource efficiencies. It was asked whether this might be considered either as part of the audit plan or whether there might be merit in considering such an exercise on a self-financing basis

Agreed – that the above suggestions be considered by the Internal Auditors and the Deputy Principal in drawing up the audit plan for 2010/11.

20/10 LSC Audit – Train to Gain

The Committee received the Learning and Skills Council audit on Train to Gain, the outcome of which had been satisfactory ratings for both use of funds and internal control procedures.

The error cited in the report, £444 overclaimed, had been a case of too early a claim, and the money was to be repaid back to the College at a later date.

Asked about Direct Claims Status, the Principal explained that there had been a misunderstanding and it had been thought that the College as a whole had this status, and it had been in fact certain named members of staff. Direct Claims Status for the College was now being sought.

Agreed – to note the report.

21/10 Value for Money Review

A comprehensive report on value for money issues was tabled by the Deputy Principal, which included (best available) benchmarking data with other colleges.

It was noted that the College compared well on financial performance with a lower than average dependency on LSC funding and the achievement of a small surplus in the past year. One anomaly was that non-staff costs at the College were higher than average and this would be explored further.

Work was still continuing on room utilisation with a Head of Faculty concurring that there are rooms available and working to smarten up the process.

The efficiency savings for procurement were noted at £206,622 for the first six months of 2009/10. The contribution by the joint procurement officer to this process was noted, as was the lack of appetite from the other three colleges to continue this post beyond the current funding package.

Agreed – to note the report.

22/10 Cumbria Colleges Ltd – Audit Minutes

The minutes were received and noted by the Committee. The Principal had already given an update at minute 15/10.

23/10 Withdrawal

The internal and external auditors withdrew from the meeting.

24/10 Appointment of Internal Auditors 2010-13

The Chair fed back to the audit committee on the joint tender process. RSM Tenon had been successful given that their knowledge, experience and contacts in the sector were particularly advantageous at a time of considerable change.

It was, however, noted that best practice would suggest that there might be a limit to the length of time that a particular audit firm could be appointed to avoid the relationship becoming too cosy and that a wider field would be encouraged next time round.

Resolved – to recommend the appointment of RSM Tenon as Internal Auditors to the Board.

The meeting closed at 2.30pm.