

Minutes of a meeting of the Audit Committee held on 30 November 2009 in the Boardroom of the College.

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

Apologies: Steve Bradley; Claire Walker

Also present: Cath Richardson (Principal); Karen Wilson (Deputy Principal Finance and Corporate Services; Martin Ward, External Auditor (Partner, Dodd & Co); Susan Turner, Internal Auditor (Internal Audit Manager, RSM Bentley Jennison).

21/09 Minutes

The minutes of the meetings held on 11 May and 2 July 2009 were agreed and signed as a correct record. The query from the minutes of February remained unclear but would be followed up with the interim clerk who had been in post at that time.

22/09 Change to the Agenda

Resolved –

- 1) That item 12 be taken after item 4, and that the remaining items of business follow in order.
- 2) That item 7 be withdrawn and replaced with the Estates-Room Utilisation Audit.

23/09 Declarations of Interest

None received.

24/09 Financial Statements, Audit Opinion and Management Letter

The Chair was pleased to note that the accounts were available for scrutiny far earlier this year. The Deputy Principal felt that the process could still be smarter, but that the relevant information on pensions and from Cumbria Colleges Ltd (CCL) was not available any earlier. The External Auditor concurred that the end of November was the optimum time for finalising the year-end accounts.

The External Auditor explained that the year-end accounts follow a model prescribed by the Learning and Skills' Council (LSC). A number of comments had been received in advance of the meeting, which were

most helpful, but these were not material to the accounts and would be followed up.

It was noted that there was an operating surplus of £58,000 in 2008-09 after accounting for FRS17 pension adjustments of £294,000. The underlying operating surplus was therefore £352,000. The external auditors had given an unqualified opinion.

Attention turned to the Audit Management Letter prepared by the External Auditor, and to the unadjusted errors of £8,934.

The Deputy Principal acknowledged that she had felt that the cut offs at the year end had not been quite right. This had affected the reconciliations, and it was agreed that the external auditor would be contracted in January to ensure that staff were trained to make the best use of the software system.

New procedures were being put in place to address both old unreconciled items and wages reconciliation.

Both internal and external audit had carried out work on the fixed asset register. This had been a historical problem dating back a number of years, but the ledgers were now being tidied up with assets fully written off in the costs.

Governors also questioned petty cash reconciliation and were keen to ensure that there were stringent procedures in place. Further information was sought on why some petty cash had been reconciled to 'other investments' and it was agreed to provide further information.

Concerns were also raised about VAT returns and whether the unadjusted error would incur a penalty and it was agreed to check this.

Overall Governors concluded that the College was in robust financial health in difficult times, but there was some concern to ensure that, while the amount of money involved was small in the unadjusted errors, that the issues raised in the Management Letter did not represent a slippage in internal control procedures.

Resolved –

- 1) That the Financial Statements be recommended to Corporation.
- 2) That the cover report make note of concerns raised by the Audit Committee.

25/09 Breach of Financial Regulations

The Deputy Principal explained the action, which had been taken when it had been uncovered that a source of income had not been recorded in line with financial regulations. A fully independent enquiry had taken place. This had been an historical issue and of late, records had been kept in the department concerned. Given the historical nature of the issue, no disciplinary action could be taken against existing members of staff although letters were being kept on file.

Both the External Auditor and the Internal Auditor had been apprised of the situation and confirmed that they were content with the action which had been taken.

Agreed – to note the report.

26/09 Internal Audit Report – Train 2 Gain

The history to this audit had been that there had been a large number of sub-contractors on this work and that as it was a growth area, the Deputy Principal had sought assurance through the audit process.

The Internal Auditor noted that substantial assurance had been given. There had been one significant recommendation, which had been agreed which had called for unannounced spot checks to ensure that learners were still attending. Announced spot checks had been taking place and it had been agreed that unannounced checks would start up again in the spring term.

Agreed – to note the report.

27/09 Internal Audit Report – Student Records, Enrolment and Attendance

The internal auditor noted that substantial assurance had been given. There had been one significant recommendation which had been agreed, which was to carry out checks that the learner had been resident in the country for three years.

Agreed – to note the report.

28/09 Internal Audit Report – Estates, Room Utilisation Policy

Again, substantial assurance had been given. There was a well-structured procedure to maximise room utilisation. The significant recommendation was that this should be drawn into a formal policy in line with LSC guidance defining practice and responsibilities.

Agreed – to note the report.

29/09 Internal Audit Follow Up Report

The report showed that there had been good progress to implementing agreed actions with 92% implemented and 2 recommendations carried forward.

30/09 Internal Audit Annual Report

Governors were pleased to note that the Internal Audit Assurance statement showed green on all three indicators: Governance; Risk Management and Control.

Governors questioned why there was greater assurance in 2008-09 than the previous year, given that there were more significant recommendations, and it was felt that there had been smarter targeting of the risks by the Deputy Principal when agreeing the audit plan.

Agreed – to note the report.

31/09 Financial Management and Control Evaluation

The Deputy Principal presented the annual self-assessment return which gave an outstanding grading. The main change from the previous year was that, following the audit of sub-contracting, the grading on this had changed from satisfactory to outstanding. It was recalled this had been a growth area for the college, which had provided the assurance, which had been needed.

Resolved – that the return be agreed.

32/09 Review of Financial Regulations

It was noted that in the new financial regulations the Audit Committee had responsibility to review the procedures as this formed part of internal control.

Agreed – that the financial regulations be reviewed again in the summer term.

33/09 Audit Committee's Annual Report

This was an annual requirement providing assurance to the Board that, given the information presented to the Committee, that they were satisfied that systems were managed to a reasonable standard.

Resolved – that the annual report be agreed.

The meeting closed at 3.15pm.