



MINUTES OF THE MEETING OF AUDIT COMMITTEE

Held on Monday 12th May 2008 at 12:30pm in the Boardroom, Lakes College

PRESENT: Damian McSweeney, Carole Carre, Mike Davidson and Norma Boyes (from item 13/08)

IN ATTENDANCE: Cath Richardson (Principal), Karen Wilson (Director of Finance and Corporate Services), Claudius Chonzi (RSM Bentley Jennison), Martin Ward (Dodd & Co.), Hilary Hemm (Clerk to the Governors).

APOLOGIES: Neil Smart

DECLARATION OF INTERESTS: Mike Davidson, as Allerdale Borough Council representative, declared a potential interest in procurement issues.

APPOINTMENT OF CHAIR: Damian McSweeney, Vice Chair of the Corporation, was appointed to Chair this committee.

12/08 CONFIRMATION OF MINUTES

The Committee received the minutes of its meeting held on 18th February 2008.

RESOLVED that the minutes be approved as an accurate record of the proceedings and signed by the Chair.

13/08 INTERNAL AUDIT REPORTS

(i) Procurement

Claude Chonzi (RSM Bentley Jennison) reported on this audit. He took the committee through the report, setting the context that the College has a non-pay budget of approximately £3.5m and that in the view of the auditors it uses various methods of procurement effectively, including participating in purchasing consortia and collaboration with other Cumbrian colleges. There were no significant weaknesses or non-compliances. A small number of "housekeeping" issues were assessed as meriting attention: dealing with late payment of invoices, ensuring that the College Financial Regulations and working documents tally and ensuring clarification of Financial Regulations in relation to procedural matters for orders and tenders. He was pleased to be able to report that the College was awarded "Substantial Assurance" overall.

In response to a committee enquiry, the Director of Finance and Corporate Services described how the Government Procurement Card works – effectively, like a credit card. College was running a pilot scheme with some 8 cards at present. It was producing a big administrative saving, with some suppliers also offering discount when the card is used. In answer to various

committee enquiries, she confirmed that measures were in place to safeguard against fraud. Government guidelines were being followed, transactions were all logged, with accounts checked monthly. There was currently an upper limit of £1000 per transaction and an upper limit of £5000 per card.

In response to other queries, she confirmed that the late payment on invoices related mainly to departments where staff had changed and in fact the use of cards should improve this. She also confirmed that comparative data with other colleges was used as a benchmark to inform and improve practices.

RESOLVED that the Internal Auditor's Report be received and noted and that the staff should be congratulated on the auditor's finding.

(ii) Student Records

Claude Chonzi (RSM Bentley Jennison) reported on this audit which satisfied the LSC requirement for an annual audit to be carried out. All records were found to be in place, with all previous recommendations having been followed up so that a finding of "Substantial Assurance" was issued, with further no recommendations being required.

RESOLVED that the Internal Auditor's Report be received and noted and that the staff should be congratulated on the auditor's finding. The Principal confirmed that she had already congratulated staff at her regular briefing.

14/08 INTERNAL AUDIT PROGRESS REPORT

Claude Chonzi (RSM Bentley Jennison) reported that the field work for three further audits (Student records – tuition fees, Corporate Systems – thematic governance review and 2006/7 follow-up), had been done. Final reports would be presented to the next Audit Committee meeting. The Director of Finance and Corporate Services confirmed that verbal feedback had been positive. The one remaining piece of work was on IT and this was planned for August 2008.

RESOLVED that the Report be received and noted.

15/08 AUDIT RECOMMENDATIONS TRACKING REPORT

The Director of Finance and Corporate Services reported that there were three ongoing issues. Both the payroll reconciliation work and allocation of unique number to all fixed assets was progressing but needed more work to ensure regular compliance. On procedures for loan of lap-tops to staff working off site, the relevant paperwork was in place but its use needed to be tightened up. In answer to committee queries, she confirmed that while there was administrative work involved in a loan system, it was less costly than issuing lap tops to all staff, where the cost of software became prohibitive. There were measures in place to check the condition of equipment when returned, to protect data and to ensure that staff were aware of their personal responsibility when borrowing equipment. Internal and external audits would ensure that fixed asset controls were scrutinised on a regular basis.

RESOLVED that the contents of the report be received and noted.

16/08 PROVIDER FINANCIAL ASSURANCE (PFA) - FOLLOW UP REPORT

The Director of Finance and Corporate Services reported that the LSC had issued a follow-up letter on its previous recommendations, which had been categorised as meriting attention. Their assessment now was that the College had made satisfactory progress in implementing these recommendations. She confirmed that the next PFA audit would be carried out at the same time as the next Ofsted inspection, probably in 2010.

RESOLVED that the contents of the letter be noted.

17/08 STUDENT PRIOR ATTAINMENT - IMPROVING INDIVIDUAL LEARNER RECORDS (ILR)

The Director of Finance and Corporate Services reported that the LSC had commissioned Price Waterhouse to carry out a national review of the recording of student prior attainment. Proper recording was essential for correct calculation of a student's fee entitlement and funding and there had been national concern that poor recording was having an effect on college funding and fee collection. Lakes College had been selected as part of the national sample because it had shown a good improvement on recording data in recent years. She referred to one particular set of data which showed that for those full time learners, the figure for unknown prior attainment had reduced from 43% to 4%. This improvement was also reflected in the internal audit on student records discussed earlier. College had been asked to provide a case study demonstrating good practice.

In answer to a query on how students provide evidence to support their declaration on the enrolment form, she confirmed that qualification certificates were required for full time students. A national system of recording achievements was being developed and should come online in the next 12 months or so, making checks a far easier operation thereafter.

RESOLVED that the contents of the report be noted.

18/08 RISK REGISTER REVIEW

The Director of Finance and Corporate Services provided the Committee with an update on management of risk within the College. Her report highlighted three areas. The first, Machinery of Government changes, had been reported on by the Principal at the last Corporation meeting and related to the ending of LSC and transfer of its functions elsewhere. She was due to attend a conference in the near future on this.

The remaining two risks highlighted were linked and related to future methods of funding. From 2008/09 there was a move to more demand-led funding whereby colleges would not receive funding in advance but would have to prove they had students in place before receiving funding for them. The monitoring cycle for funding was changing significantly and there would be a great deal of work to do internally and in reporting to Corporation on this. As a result the LSC would have a different audit regime reflecting the true shift to demand-led funding rather than allocations for adult funding. The LSC's new audit arrangements were still under discussion at national level.

In response to queries, she confirmed that the previous arrangement (whereby if student numbers did not reach target, there had been a period of time during which colleges could build up the numbers and retain funding) was disappearing under the new funding regime. There could not be any transfer of funds. For adult funding, it was essential to have up to date student records in order to obtain funding at the correct level. As payment would now only be made once the student had been recruited, this meant that payments would be in arrears thus creating potential cashflow problems for some organisations. Fortunately Lakes College had sufficient cash reserves to deal with this.

RESOLVED that the contents of the report be noted.

19/08. INTERNAL AUDIT ANNUAL PLAN

Claude Chonzi (RSM Bentley Jennison) tabled a final version of the proposed annual audit plan for 2008/09 which had been drawn up in consultation with the Director of Finance and Corporate Services. The plan kept the same number of audit days as for the current year – 33 days. He went through the various areas of college activity to be covered as listed in the plan. It was confirmed that the plan had been drawn up in order to have audits carried out on areas relevant to current college activity and where the audit process would be of most value to College.

In answer to a committee query, it was confirmed that there were 3 days allocated as a contingency to allow for flexibility in audit activity. Any variation to the plan submitted would be put to the Audit Committee.

RESOLVED that the Internal Audit Annual plan be approved and recommended to the next Corporation meeting for acceptance.

Martin Ward left the meeting at this point.

20/08. EXTERNAL AND REGULARITY AUDIT SERVICES TENDER

The Director of Finance and Corporate Services presented her report on progress to date in dealing with the tender process. She confirmed that she had been unable to get an agreement with other Cumbria colleges to collaborate on this service and that the tender process had been started. Copy Tender papers were attached to her report and had been sent to a number of firms who either had FE links or were based locally. She had been informed that KPMG and probably also PriceWaterhouseCooper would not submit a tender – the firms had indicated that they could not submit competitive tenders for a college of this size and so (relatively) geographically distant from their offices.

The deadline for tenders to be received was midday 2nd June. Mike Davidson would be present for the opening of tenders and for any shortlisting required that day. Applicants would be required to make a presentation to a panel including Damian McSweeney, Norma Boyes and Mike Davidson (if available) on 17th June. She anticipated that the result of the panel's discussions, with a formal recommendation on the firm to be appointed, would be put to the Corporation at its meeting on 26th June.

RESOLVED that the contents of the report be noted and the tender process as outlined be adopted.

As Carole Carre had recently tendered her resignation from the Corporation and from this committee, she was thanked for all her work and support over the past few years.

The meeting closed at 1:35pm

Note: *At the pre-agenda discussion between Audit Committee and representatives of the College's internal and external auditors it was agreed that there should be an opportunity for a similar discussion to take place for **10 minutes** prior to the next meeting and thereafter as agreed.*