



MINUTES OF THE MEETING OF AUDIT COMMITTEE

Held on Monday 19th November 2007 at 12:30pm in the Boardroom, Lakes College

PRESENT: Howard Beanland, Norma Boyes (from Minute 02/07), Carole Carre, Mike Davidson and Paul Pharaoh (from Minute 02/07)

IN ATTENDANCE: Cath Richardson (Principal), Karen Wilson (Director of Finance and Corporate Services), David Whatley (RSM Bentley Jennison), Martin Ward and Mike Kirsop (Dodd& Co.), Hilary Hemm (Clerk to the Governors), Jennifer Foote (Mentor to the Clerk)

APOLOGIES: There were no apologies

DECLARATION OF INTERESTS: None

Carole Carre in the Chair

01/07 CONFIRMATION OF MINUTES

The Committee received the minutes of its meeting held on 14 May 2007. In respect of Minute No. 123 it was agreed that the annual pre-agenda discussion between Audit Committee and representatives of the College's internal and external auditors should take place prior to the meeting in February and thereafter annually at the February meeting.

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

Paul Pharaoh in the Chair

The Committee welcomed Mike Davidson as a new member of the Committee and Hilary Hemm as the new Clerk to the Governors

02/07 INTERNAL AUDIT REPORTS

David Whatley (RSM Bentley Jennison) tabled a new report to replace that originally circulated for agenda item 4(i).

The Committee then received internal audit reports on the following areas:

- Student Records – Additional Learning Support
- Corporate Systems
- Follow Up Review
- Student Records – Health check

1. Student Records – Additional Learning Support (ALS)

David Whatley took the Committee through the findings of the report. The overall conclusion of the report was that the control framework for this area as

currently laid down and operated provided adequate assurance that risks were adequately managed and controlled. The report set out a number of recommendations to deal with recommended actions. Four recommendations had been made which were classed as “significant”. These related to adequate evidence for ALS costs, estimates for ALS costs in 2006/07, ensuring that costs claimed for franchised provision comply with LSC regulations and ensuring that salary and administration costs claimed comply with LSC regulations. The College had addressed these since the draft report was issued, with the majority of recommendations being taken forward by the formation of a formal working group for this area. The Committee queried whether the staffing issues and the problems of transfer to a new system identified in the report had since been resolved. The Director of Finance and Corporate Services reported that following the lengthy absence due to ill health and subsequent resignation of a member of staff, a new staff member had been appointed and was now implementing the action plan as drawn up by the working group. By the end of this academic term there would be a clear picture of whether the new systems were working. David Whatley explained that the auditors’ opinion had been expressed as adequate assurance since the College itself had flagged this area up as one of concern and in doing so had acted in a constructive manner, which was to be commended.

RESOLVED that the Committee receive an update from the Director of Finance and Corporate Services at the next meeting, with RSM Bentley Jennison to carry out a follow up check, as part of the regular audit cycle, later in the year.

2 Corporate Systems

David Whatley talked the Committee through the findings of the report which focussed on the risk management process in place in relation to the risk profile of the College. The report stated that the system provided substantial assurance that risks material to the achievement of the organisation’s objectives for this area were adequately managed and controlled.

Two recommendations, classified as “merits attention”, were made and had been accepted for action in 2007/08. The committee raised the fact that a Risk Management Group had not been formed recently because there had been a view that aspects of risk should be considered by all key stakeholders including Audit and Resources Committees and Corporation. The Director of Finance and Corporate Services reported that the College had been seeking feedback on good practice and in accepting the recommendation a Group had been set up, whose work would be complementary to other activity. Risk management had been accepted by all managers throughout the College. Howard Beanland was seconded to the group.

RESOLVED that the contents of the report be noted.

3. Follow Up Review

David Whatley took the Committee through the findings of the report, which had covered payroll, income payments and creditors, student records, HR recruitment and retention, Governance SARQ and follow up. The report’s finding was that the rate of implementation of recommendations was good. The Director of Finance and Corporate Services reported on certain items:- petty cash authority had been increased, there was ongoing work to minimise

non-compliance by staff on student records, the SARQ was completed annually and the submission for 2007/08 was to be considered later on the agenda.

The Principal requested that it would be helpful to have the students' five steps compliance system tracked. David Whatley agreed that this could be looked at in the testing to be done in 2008.

RESOLVED that the contents of the report be noted.

4. Student Records – Health check

David Whatley took the Committee through the findings of the report which had an overall conclusion that the control framework for this area provides substantial assurance that risks were adequately managed and controlled. Four recommendations were made which merited attention. The Principal reported that College was piloting an electronic register next term in two curriculum areas, Hair and IT. The Director of Finance and Corporate Services reported that the College had sophisticated electronic systems in place which were of great benefit and for that reason had opted out of collaboration with other Cumbrian Colleges on any change to the present system. It was considered that the College was getting sufficient support from the present system and there was no need to change at this stage.

The committee noted that when collaboration was discussed at the Corporation meeting in December, this item should be borne in mind regarding the advantages / disadvantages of working together.

RESOLVED that the contents of the report be noted.

03/07. INTERNAL CONTROLS OVER COLLEGE ASSETS

The Director of Finance and Corporate Services outlined the internal controls in place to safeguard the physical security of College assets. Loss of valuable equipment at College was not considered a high risk. Security measures in College included the presence of a Security Guard and CCTV. The Duty Manager now carried out a regular check of all rooms. It was felt that there were sufficient measures in place and a good tracking record of assets. A policy had been drafted covering security of assets in classrooms which had been circulated to the Committee. For these reasons it was not felt necessary to implement any other controls. The Committee was of the opinion that such measures constituted sufficient assurance against the risk identified by the Internal Auditor.

RESOLVED that

1. The contents of the report be noted.
2. The Security of Assets in Classrooms procedure be recommended to Resources Committee for adoption
3. The situation be monitored and the Committee be made aware of any incident that may require the policy to be reviewed.

04/07. INTERNAL AUDIT ANNUAL REPORT

David Whatley presented the Internal Audit Annual Report, which gave an overall opinion for the year to 31 July 2007 that the College had adequate and effective risk management processes, control processes and governance processes in place to manage the achievement of the College's objectives. The Operational Assurance evaluations were all good with the exception of one which was adequate. The benchmarking data showed the College's performance to be improved with better levels of assurance attained.

Howard Beanland left the meeting

The Committee asked whether it would be possible to receive comparative data with other colleges. David Whatley confirmed this could be provided for the next meeting.

Bentley Jennison were thanked for their good and useful service over the year.

05/07. AUDIT RECOMMENDATIONS TRACKING REPORT (FOLLOW UP) – 9 NOVEMBER 2007

The Committee received the report on the summary of progress of actions to date against the Internal Audit recommendations for 2006/07. Both actions were on-going.

RESOLVED that the contents of the report be noted.

06/07. LEARNER EXISTENCE AND ELIGIBILITY AUDIT

The Director of Finance and Corporate Services presented the report prepared by RSM Robson Rhodes. The LSC required assurance in high risk areas that learners exist and were eligible for funding. The report's two findings and recommendations were low and medium. The College had been able to respond to particular instances highlighted regarding the residency question and also with regard to offsite provision and that provided by franchised providers. The overall grading was satisfactory.

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

07/07. PROVIDER ASSURANCE (PFA) AUDIT

1 The Committee received the Monitoring Report of the Director of Finance and Corporate Services on the progress of the PFA Action Plan. An updated action plan had been circulated and it was anticipated that the LSC PFA Audit team would review the action plan shortly with an update being provided to the next Committee meeting.

RESOLVED that the contents of the report be noted.

2 Self-Assessment Review Questionnaire (SARQ)

The Committee received for information a copy of the completed Self-Assessment Review Questionnaire (SARQ) for 2007/08. It was noted that it was considered best practice to complete the questionnaire on an annual basis. The self assessment for the soundness and effectiveness of governance and financial frameworks was grade 2. The Committee welcomed the clearer information contained in the SARQ.

08/07. CUMBRIA COLLEGES LTD AUDIT REPORT “TRAIN TO GAIN”, 2006-07

The Director of Finance and Corporate Services took the Committee through this report, whose findings were that satisfactory use had been made of LSC funds and that the internal controls for LSC funds were generally satisfactory. There were recommendations for improvement of controls in some areas. The informal feedback received had been that the auditor felt that there was good practice at Lakes College which could be shared with other colleges. She confirmed that most of the work done on the Train to Gain contract was done at individual colleges and then forwarded to Cumbria Colleges Ltd, which in turn sent it on to the LSC. The Committee queried whether use had been made of the feedback request contained in the report in view of the wording of the summary which it was felt was unduly severe given the satisfactory opinions. The Director agreed to follow this up.

RESOLVED that the contents of the report be noted with any opportunity for feedback to be followed up.

9/07. RISK REGISTER REVIEW

The Committee received the report of the Director of Finance and Corporate Services on a review of the College's risk register detailing identified changes to the current risk register and also that a Risk Management Group has been established, meeting termly. There was a great deal of work ongoing as reflected in the Update on Actions.

RESOLVED that the contents of the report be noted.

10/07 DRAFT MANAGEMENT LETTER AND REGULATORY AUDIT AND UPDATE

Martin Ward, Dodd and Co, reported verbally that the audit has been substantially completed and there were no significant issues to report to this committee. The Director of Finance and Business Development reported that a set of accounts should be presented to the Resources Committee on 29 November and thereafter to this Committee meeting in advance of the Corporation in December. The Management Letter will be received in December.

RESOLVED that the position be noted and that a special meeting of the Audit Committee be called prior to the Corporation Board meeting on 13 December in order to give the assurance of the Committee on the accounts prior to their consideration by the full Corporation.

11/07. ANNUAL REPORT OF AUDIT COMMITTEE

The Chair presented the Committee's Annual Report which was drawn up in accordance with the guidance contained in the LSC Audit Code of Practice. There were no comments on the report itself, but there was some discussion regarding the period covered by the report, which was not linked to the College financial year. The guidance simply required an annual report but did not specify a particular period which it should cover. There did not appear to be any common practice on this.

RESOLVED that the contents of the report be noted and that the report be referred to the Corporation Board for consideration.

The meeting closed at 1:55pm