



MINUTES OF THE MEETING OF AUDIT COMMITTEE

Held on Monday 9th February 2009 at 12:30pm in the Boardroom, Lakes College

PRESENT: Steve Bradley, Andrew Oldham, Clare Walker.

Paul Pharaoh was unable to attend the meeting in person due to severe weather conditions but participated via speaker phone.

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

APOLOGIES: Norma Boyes.

DECLARATION OF INTERESTS: Steve Bradley declared his interests at West Lakes Research Ltd.

01/09 APPOINTMENT OF CHAIR:

Steve Bradley was appointed to chair this meeting with Paul Pharaoh, Vice Chair of the Corporation, being appointed to Chair this committee under the Standing Order requiring a biennial election.

02/09 CONFIRMATION OF MINUTES

The Committee received the minutes of its meeting held on 17th November 2008. Lisa Healey undertook to ensure that the apparent anomaly referred to at 23/08 (with reference to the annual report) had been dealt with satisfactorily.

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

The Committee received the minutes of its meeting held on 11th December 2008. Members were agreed that the time allocated for this meeting had been too short. It was agreed that prior to the next year's cycle of business being formalised there should be discussion with Dodd and Co regarding the possibility of the final accounts being ready for consideration and approval at an earlier date.

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

03/09 IMAGEPROOF LIMITED DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

Martin Ward, Dodd and Co, presented this report on which there were no queries. Members did enquire why the company was continuing in existence when in fact it had been dormant for some time. There followed a discussion about the merits of retaining this company or formally closing it down. It had been set up in connection with activities during the building of the present College premises. It would be possible to establish a new company should one be needed in the future. Members heard that there was a review of various College practices being carried out at present. In the light of this it was agreed that the company be left in existence at present with a view to reconsidering the position at a later stage.

RESOLVED that the Report and Financial Statements be approved.

04/09 INTERNAL AUDIT REPORT

Strategic Development – Corporate Systems

Lisa Healey (RSM Bentley Jennison) reported on this audit. She took the committee through the report, and confirmed that they had given an opinion of “Substantial Assurance”. One recommendation meriting attention related to the further development of the “traffic light” and “direction” scoring for Key performance Indicators (KPIs). She identified a number of areas of good practice and confirmed in summary that this was a very healthy report which reflected well on the College.

The Director of Finance and Corporate Services confirmed that steps had been undertaken to follow up the KPI recommendation, including working on improving the targeting for the next year so that the scoring progress would be more straightforward.

RESOLVED that the Internal Auditor's Report be received and noted.

05/09 FE THEMATIC REVIEW ON GOVERNANCE

Lisa Healey (RSM Bentley Jennison) took members through this review. The individual report for Lakes College had been presented at the November meeting. Her company had collated the results from a review of well over 100 colleges nationally and this report reflected that review. As the original piece of work had been advisory only there were no specific actions required.

In response to queries of where Lakes College stood in the national cohort, she undertook to forward benchmarking data. It was agreed that the findings would assist in the development of a new cycle of business / calendar for the Corporation and committees. The Clerk undertook to forward the report with its linked documents to the Chair.

RESOLVED that the Internal Auditor's Review be received and noted.

06/09 INTERNAL AUDITORS PROGRESS REPORT

Lisa Healey (RSM Bentley Jennison) outlined the purpose of this report which tracked work in progress and work planned for the rest of this year.

The next audit, on budgetary control and asset management, would be carried out in the week commencing 30 March. All items in the year's plan should be completed by the final visit on 20 April and her final report for the year would be presented to the Audit committee meeting in November/December 2009.

RESOLVED that the Internal Auditor's Report be received and noted.

06/09 AUDIT RECOMMENDATIONS TRACKING REPORT

The Director of Finance and Corporate Services presented her report and explained that where there had been audit recommendations and the timescales had slipped on the implementation dates for those recommendations then this report aimed to provide members with information of progress on them.

The Student Charter would be reviewed in relation to the VLE (Virtual Learning Environment) at the next print run, ready to be issued in August / September. This review could in future be incorporated into the business cycle of the new Learner Experience Committee.

On payment of invoices, the Director of Finance and Corporate Services reminded members of the LSC payment targets and reported pleasing progress on this.

The recommendation regarding Employer Engagement (completion of all required documentation in a timely manner) had been followed up and new procedures implemented. The LSC were due to carry out a check on Train to Gain and Work Based Learning files in March. The outcome of this review would be reported to members at the next committee meeting.

The thematic governance review had raised the need to carry out an information needs analysis. That had been done at the summer self-assessment session and was ongoing.

The asset register work was now largely completed. Laptop Loan Procedure was much improved and she explained to members the protections in place with regard to storage of data and to prevent misuse of equipment.

Members asked whether it would be possible to set new follow-up target dates for the recommendations to be implemented. It was agreed that this suggestion be adopted where appropriate. She confirmed that the Internal Auditors also carry out a review of all previous recommendations.

RESOLVED that the contents of the report be received and noted

07/09 RE-APPOINTMENT AND REMUNERATION OF FINANCIAL STATEMENTS AND INTERNAL AUDITORS

The Clerk presented her report. Members were required to review annually the appointment and remuneration of both firms of auditors. Dodd and Co had been appointed in the summer of 2008 for a three year period following extensive tendering. RSM Bentley Jennison had been appointed as a result of collaboration between three of the Cumbria colleges in 2005 for a five year period.

The Director of Finance and Corporate Services confirmed that efforts had been made to have a collaborative exercise for the appointment of external auditors but it had not been possible to get agreement to this. Members expressed the wish that there should if at all possible be a collaborative exercise for the appointment of both firms of auditors in the future.

RESOLVED that the appointment and remuneration of both the Financial Statements and Internal Auditors be continued in the terms previously agreed.

08/09 CUMBRIA COLLEGES LTD (CCL)

Paul Pharaoh reported on the meeting of the Audit Committee of CCL which had been held on 9 January 2009 and which he had attended. Lisa Healey (RSM Bentley Jennison) had also been present at the meeting as had a representative from Dodd and Co. While it would not always be necessary to report to this committee on the proceedings of the CCL Audit Committee, it had been felt important to raise awareness among members of a difficult situation at present. The committee considered that the position had not been satisfactory.

There were several issues within CCL to be addressed. The role of CCL was changing due to the LSC / funding changes. There had been no CEO in place for a time. The maintenance of financial records had been contracted out but not carried out satisfactorily. Dodd and Co as external auditors had therefore encountered difficulties when drawing up the annual statements and a number of recommendations for the future were made by the committee to the CCL Board as a result.

The Director of Finance and Corporate Services confirmed that she had attended the CCL Board meeting, also held on 9 January, on behalf of Lakes College. The bookkeeping contract had been cancelled and a new one put in place. The Internal audit plan had been reviewed and efforts were being made to fit the work required into the audit dates available. The Principal undertook to follow up progress on the new action plan.

In response to queries it was agreed that there could be an adverse effect on the reputation not only of CCL but also the individual member colleges should there be continuing difficulties.

Martin Ward (Dodd & Co) confirmed to members that the fundamental weaknesses described in his firm's annual financial statements and report related to the fact that the management accounts did not reflect the

accounting records and that was why an internal audit report on this issue had been sought for 2008/09.

RESOLVED that the position be noted.

09/09 RISK REGISTER REVIEW REPORT

The Director of Finance and Corporate Services presented her report and highlighted particular items of importance. The application for TQS (Training Quality Standard) had been submitted. Gradings for the Framework for Excellence, which was key to College activity, were due to be issued in May.

External advice had been sought to assist in updating college monitoring reports.

Sub-contracting and partnership working were areas of growing activity. The internal auditors would focus in April on the college systems and procedures for monitoring these areas.

In response to a query, the Director of Finance and Corporate Services set out the processes for risk management within the College – the full risk register is submitted to the Corporation meeting every June with committees and College departments carrying out interim monitoring of risk during the year. There was always risk analysis at all levels. She undertook to identify the main risks for each committee to consider.

RESOLVED that the contents of the report be noted.

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.*