



MINUTES OF THE MEETING OF AUDIT COMMITTEE

Held on Monday 11 May 2009 at 12:30pm in the Boardroom, Lakes College

PRESENT: Steve Bradley, Andrew Oldham, Paul Pharaoh.

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

APOLOGIES: Norma Boyes and Clare Walker.

Prior to the start of the meeting an agenda review was held between members of the committee and the internal and external auditors. No issues of concern were raised.

10/09 CONFIRMATION OF MINUTES

The Committee received the minutes of the meeting held on 9 February 2009. At Minute No. 02/09 the reference to the "apparent anomaly" was insufficiently clear to allow for a confirmation as to its correction. Further investigation would be undertaken to ensure that this assurance would be able to be given at the next meeting.

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

11/09 INTERNAL AUDIT REPORTS

Strategic Development Corporate Systems

The final report of this had been submitted to the last meeting therefore this item was not considered.

Budgetary Control

Lisa Healey (RSM Bentley Jennison) reported on this audit. She took the committee through the report and confirmed that they had given "substantial assurance". Two recommendations meriting further attention were made relating to the updating of operational budgetary procedures. Two areas of good practice were highlighted and overall the report was commended as strong. In response to a query the Director of Finance and Corporate Services explained that any budget holder unwilling to sign to confirm their agreement with their budget allocation could sign on a qualified basis, including comments of their concerns as necessary. It was confirmed that the management accounts were distributed to all governors as and when submitted to meetings and monthly to members of the Resources Committee.

Asset Management

Lisa Healey (RSM Bentley Jennison) reported on this audit. She took the committee through the report and confirmed that they had given "substantial assurance". One significant recommendation had been made in respect of a discrepancy between the accounting for depreciation of assets in the Financial Regulations and the college's capital and depreciation policy. This would be rectified at the annual review of the regulations but as an interim measure the matter was brought to the attention of this committee. Two merits attention recommendations were made in respect of the production of a rolling programme timetable for the physical checks of assets and the need to ensure that reconciliations between the nominal ledger and asset register were completed on a regular basis. The Director of Finance and Corporate Services confirmed that procedures would be developed to overcome reconciliation software limitations by August.

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

12/09 INTERNAL AUDIT PROGRESS REPORT

Lisa Healey (RSM Bentley Jennison) submitted a progress report on the internal audit work in progress together with audits planned for the rest of the year. No changes had been made to the existing schedule. Two information updates were submitted as an appendix to the report on Framework for Excellence, the Qualifications and Credit Framework and Carbon Reduction Commitment. It was confirmed that a sustainable development strategy and action plan was in place and referred to as part of the college's strategic plan. Resources Committee would be monitoring sustainable development as part of its remit.

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

13/09 INTERNAL AUDIT STRATEGY 2009/10

The Committee received the draft internal audit strategy for 2009/10 for scrutiny prior to its recommendation to Corporation for approval. Lisa Healey drew the attention of the committee to proposals to increase the number of days allocated to internal audits for 2009/10 from 33 as originally agreed in the 2005/10 strategy to 42 days. The committee voiced its deep concern over the proposals which represented a substantial increase in the internal audit fee for the final year of the contract. It was explained that the increase had been a result of the need to allow at least four days for any one audit. This would ensure that the level of audit scrutiny needed to give a reasoned assurance could be undertaken. The committee was of the opinion that more notice of such a fundamental change should have been issued in order for college management to consider a proper response and advise the committee accordingly. The committee understood that some audits due to be carried out were mandatory requirements of the Audit Code of Practice but felt that opportunities to reduce the

number of allocated days should be explored. It was agreed that further discussions between college management and Bentley Jennison would be needed before the committee could recommend the schedule for approval. The Director of Finance and Corporate Services undertook to benchmark audit days for 2009/10 with the other Cumbrian Colleges.

RESOLVED that

1. further discussions take place between the Director of Finance and Corporate Services and Bentley Jennison with a view to reducing the number of days to the original 33 agreed
2. any amendments as a result of the discussion in 1. above be submitted to the committee as part of the consideration of the draft internal audit schedule for 2009/10, such consideration to be deferred to a special meeting of the Audit Committee to be held on 2 July.

14/09 AUDIT RECOMMENDATIONS TRACKING REPORT

The Committee received the report of the Director of Finance and Corporate Services on the summary of progress of actions to date against Internal Audit recommendations. Information on key milestones and estimated timescales were included against ongoing recommendations. With reference to the recommendation relating payment of invoices the Committee was informed that no benchmark data existed for comparative practices.

RESOLVED that the contents of the report be received and noted

15/09 RISK REGISTER REVIEW REPORT

The Committee received the report of the Director of Finance and Corporate Services containing an update on any changes to the strategic risks faced by the college together with actions identified to mitigate such risks as necessary. In response to a query the Director confirmed that the risk relating to sub contracting and partnerships had been upgraded as a response to the increase in such provision. A report on sub contracting and partnerships would be submitted to the next meeting of the Audit Committee. The committee was of the opinion that a column indicating the movement of risk up or down would be a useful addition to the report. The Director was offered the opportunity to benchmark risk management practice in other organisations which was accepted.

RESOLVED that the contents of the report be received and noted

16/09 MONITORING AND ALLOCATION OF FUNDING IN FEC'S - 2007/08 STATISTICS FROM ILR DATA

The Committee received a letter of notification from the Higher Education Funding Council (Hefce) in respect of the possibility of the college being selected for an exercise on comparison of ILR data to be undertaken by the organisation. The letter had been submitted for the attention of the committee at the request of Hefce.

17/09 FMCE SUBMISSION - LSC RESPONSE

With reference to Minute No. 27/08 the Principal was able to report that confirmation of the college's self assessed grade of "good" for the Financial Management Control Evaluation (FMCE) had been concurred with by the LSC. The financial health of the college had also been confirmed as "outstanding". These findings would contribute to the colleges' grade under the Framework for excellence (FfE).

18/09 LSC PFA AUDITS - WORK BASED LEARNING AND TRAIN TO GAIN

The Committee received the report of the Director of Finance and Corporate Services on two audits undertaken by the North West LSC Provider Financial Assurance (PFA) team. The audits, undertaken in March 2009, had given a qualified (unsatisfactory) opinion in respect of Train to Gain and an unqualified (satisfactory) opinion in respect of Work Based Learning. The committee was informed, until recently, Train to Gain provision had been undertaken on behalf of the colleges by Cumbria Colleges Ltd. It was explained that the issue highlighted by the review was that, though robust assessment processes were in place, the college couldn't sufficiently evidence that learners had been adequately and properly assessed to ensure they were placed on the correct level and course. The college had undertaken to ensure that the process would be fully documented in future. It was recognised that whilst the opinion was disappointing it was a reference to the lack of paper based processes as opposed to any failure of assessment procedures. In response to a query it was confirmed that there was a funding error of £13,481 in respect of Train to Gain but this had been offset by a claim for additional higher level funding of £6,168.

RESOLVED that the contents of the report be received and noted

The meeting closed at 2:10pm