



MINUTES OF THE MEETING OF AUDIT COMMITTEE

Held on Monday 17th November 2008 at 12:30pm in the Boardroom, Lakes College

PRESENT: Damian McSweeney, Mike Davidson and Norma Boyes.

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).

APOLOGIES: None.

Neil Smart had resigned from the Board (and therefore also from this committee) the previous week.

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

APPOINTMENT OF CHAIR: Damian McSweeney, Vice Chair of the Corporation, was appointed to Chair this committee under the Standing Order requiring a biennial election.

21/08 CONFIRMATION OF MINUTES

The Committee received the minutes of its meeting held on 12th May 2008.

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

22/08 INTERNAL AUDIT REPORTS

(i) Student Records – Tuition Fees

David Whatley (RSM Bentley Jennison) reported on this audit. He took the committee through the report, and confirmed that they had given an opinion of "Substantial Assurance". The two recommendations meriting attention related to collection of unpaid fees from students and the updating of financial procedures. Both had been followed up with remedial action implemented.

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

(ii) Thematic Governance – Information to the Board

David Whatley (RSM Bentley Jennison) reported on this first stage report which was for information only. A second stage report setting out the central benchmarking results from the review carried out across the sector would be issued shortly. The conclusion of the review was advisory only and he noted

that while no formal assurance was provided, there was only one area where it had been recommended that consideration could be given to improving College systems currently in place. This related to the carrying out of an information needs analysis.

Mr Whatley confirmed that the second report would be available shortly. It was agreed that it would be useful for the report to be circulated to all governors at the next Corporation meeting and then to the next Audit committee meeting for formal approval.

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

(iii) 2007/08 Follow-Up review

David Whatley (RSM Bentley Jennison) took members through this report. He highlighted particularly the status of items to be followed up, commending College on the implementation rate of more than 80%, which was classed as "Good" and was significantly better than many other colleges which his firm audited. The Action Plan showed that all actions recommended had been accepted and acted upon.

In answer to a committee query, the Director of Finance and Corporate Services explained that a timescale would be allotted for each action and that she used internal tracking procedures to monitor progress on all actions.

In response to a further query regarding the implementation of asset management procedures, the Director of Finance and Corporate Services set out the processes which had been gone through in order to obtain and then implement a fixed asset register and inventory, with all physical assets being bar-coded. Some work was still required in order to have the completed inventory and the fixed asset register working together more effectively. She also set out for members the loan procedures for lap-tops and how they fit with asset management.

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

(iv) E-Learning

David Whatley (RSM Bentley Jennison) reported that an opinion of "Adequate Assurance" had been provided on this audit with 1 significant recommendation and 5 recommendations meriting attention. It was pleasing that his firm had been asked to carry out an audit early in the process of developing the Virtual Learning Environment (VLE). It was noted that the College's aim had been to seek external direction on this major new project at an early stage. Implementation of the recommendations had fallen behind schedule and was reported on in the Tracking Report.

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

23/08 INTERNAL AUDITORS ANNUAL REPORT

David Whatley (RSM Bentley Jennison) presented his annual report and highlighted several aspects. He confirmed that the audits had been carried out in accordance with the standards set by the LSC and GIAS and that in

their opinion the College had adequate and effective risk management processes, control processes and governance processes in place. In all cases the operational assurance had been graded as Good. All audits had been carried out to plan and budget with only one significant recommendation. There was a high level of substantial assurance and the number of recommendations had reduced.

In response to a query, he undertook to deal with and correct if required an apparent anomaly in the report on Operational Assurance where a reference to an "adequate" opinion appeared to be incorrect.

There followed a discussion regarding the benchmarking data on performance which appeared to indicate a reduction in the percentage of "Substantial Assurance" levels in the past year. Mr Whatley confirmed that in fact the past year had produced better and stronger results than previously, and that the percentages simply reflected statistically how the levels of performance were spread across all areas audited.

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

24/08 AUDIT RECOMMENDATIONS TRACKING REPORT

The Director of Finance and Corporate Services presented her report and reported that the timescales had slipped on some items but that the very detailed monthly tracking procedures enabled both her and the manager responsible to be aware of progress and of any further action required.

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

25/08 SELF-ASSESSMENT REPORT QUESTIONNAIRE (SARQ)

The Director of Finance and Corporate Services presented the completed SARQ. She explained that historically the College had only fully updated its SARQ when an Inspection was due but that advice received in 2007 from the then acting Clerk had been that it was good practice to complete it each year. The paper before members was therefore the completed form for 2007/08. However no further action was required and in fact it was likely that the SARQ would be phased out by the FMCE (reported on later) in the next year.

RESOLVED that the contents of the SARQ be noted.

26/08 CUMBRIA COLLEGES LTD (CCL)

The Chair reported on the first meeting of the Audit Committee of CCL which had been held on 7th November 2008. Mr David Whatley (RSM Bentley Jennison) had also been present at the meeting. His firm had presented three audit reports on financial health check, governance and risk management and Train to Gain. The firm of Armstrong Watson had been appointed to deal with the CCL management accounts and an internal audit plan had been approved subject to ensuring compliance with the LSC Audit Code of Practice, which was currently being checked. A further meeting had been arranged on 9th January 2009 to review improvements to CCL financial

systems. The CCL offices had been moved to Kendal College premises. Martin Ward (Dodd & Co.) confirmed that his firm were external auditors for CCL and that the external audits were being finalised at present.

RESOLVED that the contents of the report be noted.

27/08 LSC FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)

The Director of Finance and Corporate Services presented this evaluation document which feeds into the Framework for Excellence system as one of the three markers for financial health. Both the form and model guidance had been issued very late and she informed members that the model responses had been used for guidance on the amount of detail which appeared to be required when completing the form. Members were required to review the evaluation, make comments or amendments as they saw fit and then approve the evaluation in order that the Principal could sign it and submit it to the LSC by the deadline of 12th December 2008.

A small number of missing responses were dealt with and members noted that in section 2.1 long-term Financial Planning, the College had been marked as producing a financial plan in a timely and significantly accurate manner but it had not been graded as "outstanding" whereas some members felt that it should be so graded. After discussion it was agreed that this grade should be marked as "Outstanding".

There followed a discussion on the overall assessment which had been provisionally graded as "outstanding". The Director of Finance and Corporate Services informed members that it had proved difficult to grade when there was no past history and no benchmarking on this which could be used as a reference point. It was agreed that in view of the "satisfactory" assessment in one area and "Good" rather than outstanding in two others, that the overall grade should be amended to "Good". This was the first year that College had been required to grade in this way and benchmarking data would be available next year to inform the grading decision then.

RESOLVED that the evaluation responses be noted and amended in accordance with the discussion noted above and that the Principal be authorised to sign and submit the completed FMCE to the LSC.

28/08 RISK REGISTER REVIEW

The Director of Finance and Corporate Services presented her report and highlighted particular items of importance. Under corporate strategic matters, the introduction of the Framework for Excellence, the TQS (Training Quality Standard) and new funding methods all at much the same time had caused many problems for College operations, particularly financial planning and with regard to funding and student numbers. Software required to record the latter had not yet been updated and it would now be at least January 2009 before it was possible to draw up full reports. This was an issue not only for Lakes College but also for the LSC and at national level since statistics were not available.

The effect of this was to cause College considerable difficulty with its action plan with regard to funding and recruitment of more learners and it was unclear what was expected of the college. The LSC was unable to provide

guidance. Other colleges were reporting similar problems. In the Director's view this item must remain a high risk until the reporting mechanisms were sorted out and the Framework for Excellence was more firmly established so that it was possible to ensure accurate grading

The Director of Finance and Corporate Services went through the remainder of her report, noting that it was hoped to recruit a governor with accountancy qualifications shortly and that the review of Standing Orders and linked matters had been discussed at length by the Review group on 14th November. The final section referred to Sub-contracting and again, it was essential to meet the targets set.

Members expressed concern at the difficulties faced by the College in dealing with these changes when the necessary resources had not been put in place by the authorities.

RESOLVED that the contents of the report be noted.

29/08. FINANCIAL STATEMENTS, REGULARITY AUDIT UPDATE AND MANAGEMENT LETTER

Martin Ward (Dodd & Co.) reported that the financial statements were near completion. The draft accounts should be ready to be presented to the Resources Committee on 27th November 2008. Draft figures showed a surplus of £650,000. The College financial strength was good. Controls within the financial department were good. He would be making some minor recommendations but none were fundamental to financial controls. Regularity audit would receive a clear opinion.

The Director of Finance and Corporate Services confirmed that the final accounts would be presented to this Committee meeting in advance of the Corporation in December.

Martin Ward (Dodd & Co.) informed members that the Management Letter had a few minor points outstanding and would 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 11 December in order to give the assurance of the Committee on the accounts prior to their consideration by the full Corporation.

30/08 ANNUAL REPORT OF AUDIT COMMITTEE

The Chair presented his draft report, the contents of which were approved.

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

31/08 REVIEW OF FINANCIAL REGULATIONS

The Director of Finance and Corporate Services presented draft revised Financial Regulations which had been updated as part of the annual review of

Regulations. She set out the history of the preparation of the previous set of regulations and explained that the revisions were to improve them, while making no major changes. The Financial Procedures were also in the course of revision and would be submitted to the next committee meeting for approval. Audit recommendations tended to affect the Procedures more than the Regulations.

In response to a query, she confirmed that the College had in place robust regulations for the management of surplus funds and that her Treasury report would be submitted to the Resources Committee meeting on 27th November.

RESOLVED that the revised Regulations be recommended for adoption.

The Director of Finance and Corporate Services was thanked for her valuable services to the College.

The meeting closed at 1:50pm

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.*