

AU(09)M3

Audit Committee

**Minutes of the Forty-Ninth Meeting of the
Audit Committee
held on Wednesday, 18th November 2009 at 18.00hrs**

- Members present: Ms H Oliver (Chair)
Mr W Archibald
Dr M Bateman
Ms J Dann
- By invitation: Ms G Livingstone (Bentley Jennison) (up to minute 13 inclusive only)
Ms J Burns (Baker Tilly) (up to minute 13 inclusive only)
- In attendance: Mrs B Billings (Clerk to the Corporation)
Mr G Blagdon (Director of Finance and Corporate Services)

1-09/10 Election of Chair

Ms H Oliver was elected the Chair of the Committee for the session 2009/10.

2-09/10 Apologies for Absence

There were no apologies for absence.

3-09/10 Committee Membership

- (a) It was noted that Ms Jill Dann had agreed to join the Committee and she was welcomed her first meeting.
- (b) It was noted that Ms Sandy Hopkins had stepped down from the Committee and joined the Finance and General Purposes Committee instead. The Committee agreed to record a vote of thanks to Ms Hopkins for her service and stated that she would be missed.

4-09/10 Minutes

The minutes of the meeting held on 17 June 2009 (AU(09)M2) were approved and signed as a correct record.

5-09/10 Actions Taken or Outstanding

The Committee noted a report on actions taken or outstanding since the last meeting (AU(09)26). With reference to minute 33-08/09 (i) of AU(09)M2, it was

reported that Bentley Jennsion intended to submit a risk maturity review report to the next meeting of the Committee.

Action: Ms Livingstone

6-09/10 Internal Audit Reports

- (a) Ms G Livingstone introduced and the Committee noted a follow up internal audit report (AU(09)27). During the ensuing discussion the following points were made:
- (i) The report had concluded that "...Havant College has demonstrated reasonable progress in implementing actions agreed to address internal audit recommendations", also "There are no fundamental or significant recommendations that we consider to be not receiving adequate management attention"; and
 - (ii) Significant progress had now been made with regard to improving controls and cash handling within the College's catering services and the internal auditors would be reviewing this area again during the session. The College had investigated the possibility of implementing a cashless system but at the moment this had been ruled out on the grounds that it would be costly to introduce. Catering equipment did get written off within the accounting system and replaced when required.
- (b) It was agreed that the College management should produce a report, for submission to the Committee at each of its meetings, which tracked progress with regard to implementation of the recommendations made by the internal auditors. Ms Livingstone undertook to provide the Director of Finance with examples of the types of report produced by other colleges.

**Action: The Director of Finance
Ms Livingstone**

- (c) The Committee agreed to recommend the report to the Corporation for approval.

Action: The Clerk

- (d) Ms G Livingstone introduced and the Committee noted an internal audit report on data security (AU(09)28). During the ensuing discussion the following points were made:
- (i) The report had concluded that "Taking account of the issues identified, in our opinion the Board can take limited assurance that the controls upon which the organisation relies to manage the risk area, as currently laid down and operated, are adequate";
 - (ii) The report had made six "significant" recommendations and three "merits attention" recommendations. The College management had

not accepted three of these recommendations and audit comments about this appeared in the report;

- (iii) Various areas of good practice at the College had been identified during the audit; and
 - (iv) Members expressed some concern at the fact the report had spoken of only limited assurance. Ms Livingstone stated that many similar bodies had also been classified in the same manner. The Director of Finance outlined some of the controls in place, such as the fact that staff and students entered into an agreement not to abuse the College's IT systems, the fact that only certain authorised people had access to certain data on the system and the use of passwords. He also reported on the work being undertaken to implement some of the internal auditor's recommendations.
- (e) The Committee agreed to recommend the report to the Corporation for approval.

Action: The Clerk

7-09/10 Annual Internal Audit Report 2008/09

- (a) Ms G Livingstone introduced and the Committee noted the Annual Internal Audit Report for the Year Ended 31 July 2009 (AU(09)29). It was noted that, with regard to overall assurance, the report concluded that sufficient internal audit work had been undertaken to allow the auditors to draw a reasonable conclusion and that the College had adequate and effective risk management, control and governance processes, to manage the achievement of the organisation's objectives. During the ensuing discussion the following points were made:
- (i) The term "adequate" represented the highest level of assurance;
 - (ii) Of the seven reports issued (five of which required an opinion) four resulted in "substantial assurance" being given, with the data security internal audit providing only "limited assurance". Ms Livingstone suggested that the latter was an area on which the College should perhaps focus;
 - (iii) On page 8 of the report there was a typographical error "Sis significant category recommendations...." should read "Six significant category recommendations...."; and
 - (iv) Ms Livingstone thanked the Director of Finance and other College staff for their assistance during the audit visits.
- (b) The Report was accepted and recommended to the Corporation for approval.

Action: The Clerk

- (c) The Committee thanked Ms Livingstone for the report and her attendance at the meeting.

8-09/10 Reports and Financial Statements for the Year End 2008/09

The Director of Finance introduced and the Committee noted the Report and Financial Statements for the Year Ended 31 July 2009 which included the final Regularity Audit Opinion (AU(09)30). During the ensuing discussion the following points were made:

- (a) The Report and Statements had not contained any qualifications;
- (b) The Financial Statements showed the College had generated an operating deficit in the year of £88k (2007/08 – operating surplus of £261k) prior to incurring costs of £616k (2007/2008 £763k) in respect of an Application In Principle for the campus redevelopment and the creation of a new Skills Centre;
- (c) There was a typographical error on page 21, the cash outflow from operating activities in 2009 should be a positive figure (of £25k) not a negative sum; and
- (d) The Finance and General Purposes Committee was to consider the Financial Statements on 1 December 2009 (its meeting having been rearranged from 12 November 2009).

9-09/10 Key Findings Regarding the Audit of the Financial Statements for the Year Ended 31 July 2009

- (a) Ms Burns introduced and the Committee noted a report on the key findings of the audit of the Financial Statements for the Year Ended 31 July 2009 which included the Regularity Audit (AU(09)31). Ms Burns took the Committee through the audit and accounting issues identified at the planning stage (funding, going concern, teaching costs and regularity review); audit and accounting issues identified (financial statements and regularity); internal control issues (bank reconciliations) and the unadjusted/adjusted misstatements. During the ensuing discussion the following points were made:
- (i) From September 2009 the criteria set by the College had been amended to try to ensure that only genuine hardship cases were funded for travel assistance;
- (ii) A full review of the College fixed asset register was to be undertaken during 2009/10 and where relevant adjustments would be made to the register;
- (iii) In future a reconciliation would be undertaken with regard to the current account held with the Clydesdale Bank and the Director of Finance would seek the Corporation's approval to close the account with the Yorkshire Building Society; and

Action: The Director of Finance

- (iv) This had been a good audit for the College.
- (b) The Committee agreed the draft Audit Findings Year Ended 31 July 2009 be accepted and recommended to the Corporation for approval.

Action: The Clerk

- (c) The Committee noted the Letters of Representation regarding the Financial Audit and Regularity Audit and agreed the Letters be accepted and recommended to the Corporation for approval and signature.

Action: The Clerk

- (d) The Director of Finance introduced and the Committee noted a report on learning and skills sector emerging issues (AU(09)32). It was reported that this document highlighted issues that could impact on the College in the not too distant future. With regard to MoG changes it was commented that the likely impact of the new funding regime on the College remained unclear.
- (e) The Committee thanked Ms Burns for attending the meeting.

10-09/10 Financial Management Control Evaluation (FMCE)

The Director of Finance introduced and the Committee noted the College's Financial Management Control Evaluation (AU(09)33). It was agreed to recommend the FMCE to Corporation for approval.

Action: The Clerk

11-09/10 Annual Report of the Audit Committee

The Committee noted a draft of its Annual Report to the Corporation and the Principal as Accounting Officer (AU(09)34). The Committee approved the submission of the Report to the Corporation.

Action: The Clerk

12-09/10 Risk Management Framework

- (a) The Clerk introduced and the Committee noted a report on the most recent meeting of the Risk Management Committee (AU(09)35). It was agreed to recommend to the Corporation that:
 - (i) the constitution of the Risk Management Committee be amended to comprise the members of the College Management Team and that the quorum for the revised constitution be six members; and
 - (ii) the Risk Management Framework be amended to include mention of the importance of staff training in risk management.

Action: The Clerk

- (b) The Clerk introduced and the Committee noted an annual report from the Risk Management Committee on the effectiveness of the College's system of internal control (AU(09)36). It was agreed that the report be submitted to the Corporation.

Action: The Clerk

- (c) The Committee noted the latest version of the Risk Register (AU(09)37).
- (d) The Committee noted the latest version of the Risk Action Plan 2009/10 (AU(09)38).
- (e) With reference to minute 14-02/03 (b) of AU(02)M3, no other issues raised at the Audit Committee meeting impacted on the Risk Register or Action Plan.

13-09/10 Disaster Recovery Plan

The Director of Finance introduced and the Committee noted an updated version of the College Disaster Recovery Plan (AU(09)39; tabled for inspection) which in light of the swine flu now had an updated flu pandemic section. It was commented that students could access the College's Moodle virtual learning environment from home and that some provision had been made to use this to continue students studies should the College be badly hit with swine flu.

14-09/10 Review of the Work of the Auditors

- (a) The Committee reviewed the work of the Financial Auditors, Baker Tilly, using its previously agreed performance indicators (AU(09)40). It was noted that performance against all the indicators had been either good or very good and the Director of Finance reported that he believed they had delivered a good service.
- (b) The Committee reviewed the work of the Internal Auditors, using its previously agreed performance indicators (AU(09)41 & 42). The Director of Finance reported that he had been disappointed by the fact that after the data security audit there had been no follow up meeting at which the College management could have discussed the recommendations prior to the publication of the relevant report.

15-09/10 Appointment of Financial (External) Auditors

The Committee gave consideration to the recommendation it wished to make to the Corporation regarding the appointment of Financial (External) Auditors for the session 2009/10. The Committee reviewed its previous decision to undertake a retendering process during 2010. It was agreed to discuss the matter further at the Committee's next meeting and the Director of Finance and Clerk were asked to clarify the exact rules regarding the appointment and length of service of financial auditors.

**Action: The Director of Finance
 The Clerk**

16-09/10 Committee Priorities for the Forthcoming Year

It was agreed that the Committee's priorities for the forthcoming year should be:

- Ensuring that the risks associated with any new capital project proposals were managed appropriately;
- Deciding the recommendation to make to Corporation regarding the appointment of the external/financial auditors for 2009/10;
- The introduction of a management tracking report regarding any recommendations from the internal auditors;
- Ensuring that any training/development needs of the Committee were met; and
- Helping any new members to settle into their role on the Committee.

17-09/10 Date of Next Meeting

Tuesday, 23 February 2010 at 18.00hrs.

Action: The Clerk

3(b)
BB/BB
G:Audit/agend&mins/AU(09)M3