

AU(09)M2

Audit Committee

**Minutes of the Forty-Eighth meeting of the
Audit Committee
held on Wednesday, 17th June 2009 at 18.00hrs**

Members present: Ms H Oliver (Chair)
Mr W Archibald
Dr M Bateman

By invitation: Ms G Livingstone (Bentley Jennison) (Up to minute 39
inclusive only)

In attendance: Mrs B Billings (Clerk to the Corporation)
Mr G Blagdon (Director of Finance and Corporate Services)

31-08/09 Apologies for Absence

Apologies for absence were received from Ms S Hopkins.

32-08/09 Minutes

The minutes of the meeting held on 24 February 2009 (AU(09)M1) were approved and signed as a correct record.

33-08/09 Actions Taken or Outstanding

The Committee noted a report on actions taken or outstanding since the last meeting (AU(09)9). During the ensuing discussion the following points were made:

- (i) With reference to minute 23-08/09 (a) (iii) of AU(09)M1, the Director of Finance gave an oral report on the sorts of quantifiers used by other colleges in relation to how they allocated scores to the risks on their risk registers. Ms Livingstone (Bentley Jennison) reported that Bentley Jennison would shortly complete a benchmarking exercise with regard to risk matters and it was agreed to consider this topic further when the results of this exercise were available;

Action: The Clerk

- (ii) With reference to minute 25-08/09 (b) (v) of AU(09)M1, the Director of Finance gave an oral report on the role played by the Clerk to the Corporation at other colleges in terms of the risk management process. It was commented that at some colleges the Clerk had no formal role, whilst at others the Clerk

acted as Clerk to the Risk Management Committee. The Committee agreed that it was satisfied with the arrangement at Havant College whereby the Clerk to the Corporation also acted as Clerk to the Risk Management Committee.

- (iii) With reference to minute 24-08/09 (c) of AU(09)M1, the Director of Finance reported that as long as a member of staff had a valid driving license the College should not take particular note if the person had points on that license as a result of speeding offences.

34-08/09 Interim Internal Audit Report 2008/09

- (a) Ms Livingstone (Bentley Jennison) introduced and the Committee noted the Interim Internal Audit Report March 2009 – Risk Maturity (AU(09)10). During the ensuing discussion the following points were made:
 - (i) The report concluded that “based upon the work undertaken, our assessment of Havant College’s current position on the risk maturity spectrum is **Risk Defined**”. Most colleges recently assessed by Bentley Jennison had fallen into either the “Risk Defined” or “Risk Managed” categories;
 - (ii) The report contained four “significant” and two “merits attention” recommendations, which had been accepted by the College management and would be addressed; and
 - (iii) “Residual risk” was the element of risk that remained once the various controls had been put in place.
- (b) The Committee agreed to recommend the report to the Corporation for approval.

Action: The Clerk

- (c) Ms Livingstone (Bentley Jennison) introduced and the Committee noted the Interim Internal Audit Report April 2009 – Learner Numbers (AU(09)11). During the ensuing discussion the following points were made:
 - (i) The report concluded that “Taking account of the issues identified, in our opinion the Corporation can take **substantial** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective”; and
 - (ii) The report contained no recommendations and represented a very good report for the College especially since the average number of recommendations in similar audits in the sector was 5.38.
- (d) The Committee agreed to recommend the report to the Corporation for approval.

Action: The Clerk

- (e) Ms Livingstone (Bentley Jennison) introduced and the Committee noted the Interim Internal Audit Report May 2009 – Student Retention (AU(09)12). During the ensuing discussion the following points were made:
- (i) The report concluded that “Taking account of the issues identified, in our opinion the Corporation can take **substantial** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective”; and
 - (ii) The report contained no recommendations but did make mention of good practice identified during the audit concerning attendance control.
- (d) The Committee agreed to recommend the report to the Corporation for approval.

Action: The Clerk

35-08/09 Strategy for Internal Audit – Update for 2009/10

- (a) Ms Livingstone introduced and the Committee noted the proposed Strategy for Internal Audit – Update 2009/10 (AU(09)13). She highlighted the considerations required by the Audit Committee as detailed in paragraph six of the document. During the ensuing discussion it was suggested that some amendments to the strategy should be made to reflect changes at the College such as the likely further increase in 16-19 full time students; the proposed new management structure; implications of the recent Ofsted Inspection and the need to retain tight budgetary control given the likely impact of the current economic downturn on future funding.
- (b) The Committee agreed the following:
- (i) That the “Estates – Catering” Audit should be reduced from 5 to 3 days;

Action: Ms Livingstone

- (ii) That the “Key Financial Controls” Audit should be reduced from 5 to 4 days;

Action: Ms Livingstone

- (iii) That the “Payroll” Audit should be increased from 3 to 4 days and include budgetary control;

Action: Ms Livingstone

- (iv) That the “Governance” Audit should be reduced from 3 to 2 days and focus on the new management structure;

Action: Ms Livingstone

- (v) That a 3 day audit of “strategic management” should be included;

Action: Ms Livingstone

- (vi) That Ms Livingstone should provide an updated version of the strategy for tabling at the Corporation meeting on 25 June 2009;

Action: Ms Livingstone

- (vii) To recommend the amended strategy to the Corporation for approval; and

Action: The Clerk

- (viii) To advise the Corporation that the Committee was recommending that the number of audit days remain at 32 because although it would appear less audit work was now required with regard to the capital projects (these having been the catalyst for increasing the number of audit days in 2008), other changes at the College (as detailed in paragraph (a) above) meant it seemed prudent to increase audit of areas such as budgetary control and strategic management.

Action: The Chair

36-08/09 Draft Audit Strategy Year Ended 31 July 2009

- (a) The Director of Finance introduced and the Committee noted the Draft Audit Strategy Year Ended 31 July 2009 produced by Baker Tilly (Financial Auditors) (AU(09)25). It was reported that the Strategy was to a large extent in a format prescribed by the LSC. During the ensuing discussion the following points were made:

- (i) Recent events concerning the “credit crunch” meant for the first time the auditors would be looking at the viability of colleges’ as going concerns; and

- (ii) The audit fee would be £11,100.

- (b) It was agreed to recommend the Strategy to the Corporation for approval.

Action: The Clerk

37-08/09 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)14). One Committee member suggested that the results of the recent Ofsted inspection should not disproportionately impact on the College's future strategy or activities. The Committee agreed to recommend, to the Corporation for approval, that the College Risk Management Framework remain unchanged except for the updating of various job titles and committee names within the documentation.

Action: The Clerk

- (b) The Committee agreed to recommend to Corporation that the draft Risk Action Plan for 1 August 2009 to 31 July 2010 be based on an updated version of the 2008/09 Plan.

Action: The Clerk

- (f) With reference to minute 14-02/03 (b) of AU(02)M3, the Committee did not identify any other issues raised at the Audit Committee meeting which had impacted on the Risk Register or Action Plan.

38-08/09 Value for Money

The Committee undertook its annual review of the College's Value for Money Strategy and agreed that no changes were required at the present time (AU(09)15).

39-08/09 Performance Indicators for College Contracts

The Director of Finance introduced and the Committee noted a paper detailing performance indicators for the College's contracts (AU(09)16). The Committee agreed the following:

- (a) That future versions of the document should include an indication of the approximate value of the contracts detailed;

Action: The Director of Finance

- (b) It was important that regular checks were made to ensure that the professional fees paid by the College were at market rates; and

Action: The Director of Finance

- (c) It was not considered appropriate for Corporation members to make suggestions to the College management regarding suitable companies to employ.

40-08/09 The Internal Auditors

- (a) The Committee reviewed the work of the internal auditors in relation to the most recent audits (AU(09)17). The Director of Finance reported that he had been pleased with the work of Bentley Jennison.
- (b) The Committee agreed to recommend to the Corporation that Bentley Jennison be appointed the College's Internal Auditors for 2009/10.

Action: The Clerk

41-08/09 Financial Auditors

The Committee gave consideration to the appointment of the College's Financial Auditors and agreed that a retendering process should be undertaken in 2010.

Action: The Director of Finance

(Note by the Clerk: at its meeting in December 2008 the Corporation approved that Baker Tilly undertake the financial audit of the July 2009 year end accounts).

42-08/09 Publication Scheme

The Committee undertook its annual review of the Publication Scheme for the College and agreed not to recommend any changes at the present time.

43-08/09 Revised Financial Procedures, Regulations, Fees Policy and Staff Guidance

- (a) The Director of Finance introduced and the Committee noted a revised version of the College's Financial Procedures (AU(09)19). It was reported that only minor changes and no policy alterations had been made to the Procedures. It was agreed to recommend the Procedures to the Corporation for approval.

Action: The Director of Finance

- (b) The Director of Finance introduced and the Committee noted a revised version of the College's Financial Regulations (AU(09)20). It was reported that only minor changes and no policy alterations had been made to the Regulations. It was agreed to recommend the Regulations to the Corporation for approval.

Action: The Director of Finance

- (c) The Committee noted a revised version of the College's Fees Policy (AU(09)21).

- (d) The Committee noted the Financial Guidance for Staff for 2009-2010 (AU(09)22).

44-08/09 Committee Priorities – Progress

- (a) With reference to minute 14-07/08 (b) of AU(07)M3, the Committee reviewed progress with regard to its priorities for the year which were ongoing, in addition to its normal terms of reference and comprised:
- Ensuring the appropriateness of contract management and allocation in relation to the capital development projects and any other contract arrangements arising from business planning processes
 - Ensuring that the risks associated with the capital projects, particularly regarding impact on the College's usual business operations, were managed appropriately
 - Ensuring continued efforts in relation to embedding of risk management within the College
 - Ensuring appropriate activities were being undertaken to ensure business continuity at the College
 - Review of the updated Disaster Recovery Plan
 - Helping any new members to settle into their role on the Committee.
- (b) It was agreed to give consideration to the College Disaster Recovery Plan at the Committee's next meeting.

Action: The Director of Finance

45-08/09 Terms of Reference

The Committee noted its Terms of Reference and agreed not to recommend any changes (AU(09)23).

46-08/09 Review of Committee Performance

- (a) The Committee noted a paper on reviewing the Committee's performance and processes for actioning priorities (AU(09)24). During the ensuing discussion the following points were made:
- (i) Over the year the Committee had fulfilled its duties as per its terms of reference;
 - (ii) At its November 2008 meeting the Committee had set 6 priorities for the year and that these had been addressed or were ongoing; and
 - (iii) The Committee had met 3 times so far during the session and its average attendance had been 67% (50%, 75% and 75%).
- (b) The Committee agreed the following:
- (i) The performance indicators and targets detailed in AU(09)24 should again be used to assess the Committee's performance during 2009/10; and

- (ii) Its current processes for actioning priorities were satisfactory.

Action: The Clerk

- (c) Members present completed a meetings evaluation form which was tabled.

47-08/09 Ofsted Inspection

The Committee gave consideration to matters concerning the recent Ofsted Inspection of the College held on 13 and 14 May 2009. During the ensuing discussion the following points were made:

- (a) The Inspectors had thought that the areas of finance and governance at the College were good;
- (b) At the Corporation meeting on 25 June 2009 the Principal would be outlining proposals regarding the restructuring of the management at the College which it was hoped would help address some of the issues highlighted at Inspection; and
- (c) At the Corporation meeting on 25 June 2009 the Principal would be outlining proposals to change the adult provision at the College.

48-08/09 Date of Next Meeting

Wednesday, 18 November 2009 at 18.00hrs (provisional).

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