

Minutes of the Audit Committee [AUD0708-7]
held on Wednesday 17 September 2008 in Room A102

Action

Present:

Penny James	Member	Adrian Stallard	Co-opted Member
Alison Mackenzie	Staff Member	Rob Setchell	Staff Member
Garry Charles	Member		

In attendance:

Peter Avery	Principal	Jane Scott	Clerk to the Corporation
Caroline Edwards	RSM Bentley Jennison	Karen Williams	RSM Bentley Jennison
Nathan Coughlin	PwC		

The meeting opened at 5.37 pm and was quorate throughout.

PART 1 : MEETING FORMALITIES**1. Apologies for absence**

There were apologies for absence from Marc Webb, Director of Finance. It was noted that Jef Collingwood had resigned from the Corporation in July 2008. Penny James had agreed to take over the chairing of the Committee.

2. Minutes of the meeting held on Monday 16 June 2008 (AUD0708-7)

The Minutes of 16 June 2008 were agreed as a correct record and signed.

3. Matters Arising**Minutes of the meeting held on 16 June 2008 AUD0708-7**

Reference AUD0708-7/II/4, it was noted that a revision had been made to the schedule of Internal Audit fieldwork and that a report for the substitution work (VAT) is included for consideration as part of the business of the current meeting.

Reference AUD0708-7/II/4, IT Performance Indicators are part of the discussion for the current meeting.

PART II ISSUES FOR THE MEETING**1. Internal Audit Reports for 2007-08****Health and Safety 0708-01**

Auditing of health and safety provision within the College identified three high priority findings, and five medium priority findings. It was considered overall that health and safety issues were not afforded sufficient consideration within the College. Significant progress has now been made to remedy this situation, with the establishment of a separate health and safety committee. Day and residential trips have now both been brought into line in terms of procedures, with risk assessment and

other controls being strengthened. Work will be done to ensure that all members of staff understand the importance of this aspect of their work. Work is in progress to bring the health and safety policy up to date.

The retirement of the previous Estates Manager meant that for some time the College was without a Health and Safety Officer. The recent appointment of the Assistant Estates Manager to the role of Health and Safety Officer will strengthen the health and safety function and ensure that this aspect of work is afforded an appropriate level of importance. Risk assessments and fire assessments will now be the subject of full review and improvement.

The appointment of a College nurse has reinforced first aid provision within the College and will also ensure that College trips are adequately covered in respect of first aid provision.

The College welcomed the extensive reporting in respect of health and safety matters, and found the report a most constructive basis on which to develop the health and safety function within the College.

Registry 0708-02

There was one medium priority finding and two low priority findings, representing a small number of issues in a well-controlled area of operation. To achieve a more controlled Registry function would involve significant financial investment for negligible return.

The medium priority finding related to Additional Learner Support (ALS) Funding and the requirement for the College to maintain adequate descriptions of work. There are a significant number of students on the ALS register and the College undertakes considerable ALS work which does not cross the Learning and Skills Council threshold of £4,500. The audit finding has no impact on College funding.

The low priority findings related to authorisation procedures and register completion. Both matters routinely receive attention, and will be the subject of further action in the light of the audit findings.

Payroll 0708-03

There had previously been a number of audit findings relating to Payroll provision and the College had recently changed its payroll provider to an external agency, CINTRA, in order to address a number of issues mainly related to the paper-based system formerly in operation. At the time of the Internal Audit fieldwork there were issues as follows: one high priority, six medium and two low priority findings.

The high priority finding related to segregation of duties between the Personnel and Finance functions of the College. Appropriate segregation of duties will optimise the security of the payroll and the efficiency of exception reporting. The new Director of Finance and Personnel Director will work towards formulating a new system which will ensure at minimum the recommended level of segregation of duties.

Of the medium priority findings, Financial Regulations and Procedures will be updated to ensure that all aspects of the payroll process are accurately documented. The new Director of Finance will become more proactively involved in payroll budget setting and

monitoring. Heads of Faculty will be regularly required to confirm that the entry in respect of their members of staff on the payroll is correct. Suspense accounts will be regularly monitored to ensure that they are correctly posted, and there will be a requirement for all overtime claim forms to be appropriately signed.

The move to a new payroll provider has significantly improved a number of aspects of control of payroll provision, having eliminated the weak links in the paper records required by the previous provider. Payroll provision will be reviewed after a further period of working with the current provider.

Low priority findings related to travel and subsistence claim forms and the signing of contracts by new employees. Both matters have agreed remedial action in place.

Corporate Governance and Risk Management 0708-04

There is an Audit Code of Practice requirement for corporate governance and risk management to be annually audited. There was one low priority finding arising out of fieldwork relating to the requirement of the Instruments and Articles of Government for publication of governance material on the College website. The Clerk to the Corporation reported that publication of material has been progressed, and that this progress will be maintained as further material which has been approved by the Corporation becomes available.

Follow Up of 2006-07 Projects 0708-05

There were six issues requiring follow up from the previous year's Internal Audit Service fieldwork. Of those six issues, three had been resolved. The three outstanding issues were all found to be medium risk. Financial Regulations are now the subject of significant input from the newly appointed Director of Finance; work on the inventory and fixed asset system is in progress but requires discussion with the newly appointed auditors to establish capitalisation thresholds. Management information relating to capital projects is still to be tested in the light of an active capital project.

VAT 0708-06

In the light of the College not having made sufficient progress to merit Internal Audit Service fieldwork on fixed asset tracking and monitoring, it was agreed to commission work on VAT matters. A VAT specialist undertook audit fieldwork in this respect, providing an advisory rather than an assurance report. There were four medium priority findings arising out of the fieldwork.

The College is currently close to the VAT threshold and it is considered advisable that there is a system in place which will easily monitor potential VAT rated activity. Advertising services are an area for potential claiming back of VAT; future capital projects and Sports Dome activity also need to be considered in the light of VAT regulations.

Overall, it would be prudent for the College to seek further specialist advice about VAT, especially in the light of the potential for using the Lennartz accounting method and the potential to re-claim VAT and repay it over a longer period.

2. The Annual Report of the Internal Audit Service

The annual report of the Internal Audit Service gives an annual opinion on the overall adequacy and effectiveness of risk management, control and governance processes in line with the requirements of the Audit Code of Practice. Overall, the Internal Audit Service gave a *moderate* level of assurance that the College has adequate and effective risk management control and governance processes to manage its achievement of College objectives. Health and safety matters and payroll issues have been identified as areas of significant control weaknesses, with an impact on the achievement of the College objectives. The *moderate* level of assurance is the second highest level of assurance - the level reflecting the overall number and level of audit issues during the year, especially in relation to payroll and health and safety matters. The Internal Audit Service noted that management has been proactive in addressing issues, and that the appointment of a new Director of Finance and a College Health and Safety Officer are both significant positive steps towards progressing action.

The importance of the need for good forward planning in respect of audit work was highlighted; the new Internal Audit Service providers, RSM Bentley Jennison, have already made provision to examine areas of particular importance.

Rob Setchell, seconded by Garry Charles, proposed acceptance of the Internal Audit Service Report for 2006-07. This was agreed *nem con*.

3. Review of Outstanding Audit Issues

Financial Regulations and Procedures are not up to date

The Committee was mindful that the recent appointment of a new Director of Finance had stimulated substantive work towards a full review of Financial Regulations and Procedures, and revised versions would be presented to the Committee as soon as practically possible. The item will be retained on the Outstanding Audit Issues Report.

Unique Identification of Assets

RSM Bentley Jennison will engage with College staff at an early opportunity in order to constructively progress discussion about a number of key factors in relation to implementing a new inventory and fixed asset tracking system. Two members of the Committee have agreed to be involved in the wider discussion. The item will be retained on the Outstanding Audit Issues Report.

Performance Indicators for IT Provision

The College had noted the key need for any Performance Indicators to be easily understood and not involve technical jargon, and to have a client rather than a College focus. Although no official benchmarking figures are available for the sector as a whole, the College is satisfied that its overall operation of IT systems remains at the upper end of the performance scale. Performance Indicators presented to the meeting reflect realistic targets and provide opportunity for customer satisfaction surveying and regular reporting. The Committee considered that the indicators were reasonable.

Penny James recommended that the issue of IT Performance Indicators be removed from the Outstanding Audit Issues Report. This was seconded by Garry Charles, and agreed *nem con*.

4. Work Towards Preparation of the Committee's Annual Report to the Corporation

Members noted the content of the draft report and that there is a requirement to reach opinions to include in the report. Members were invited to pass any comments/amendments to the Clerk to the Corporation by Monday 6 October in order that a re-drafted report can be presented to the next meeting of the Committee.

5. Any Other Business

- a) There was some discussion relating to Internal Audit Service planning for 2007-08. It was noted that payroll matters will be followed up sometime after the mid-financial year point, possibly March. Fixed asset tracking work will be included early in the current cycle of work, and before December.
- b) The Clerk to the Corporation alerted members to the new requirement of the Framework for Excellence and the necessity to complete an extended questionnaire in respect of financial control. There is a requirement for the completed questionnaire to be approved by the Committee and submitted to the Learning and Skills Council by 12 December 2008. The current schedule of meetings of the Committee will accommodate this requirement.

There was no other business.

6. Date of Next Meeting

The date of the next meeting is 24 November 2008, the joint meeting with the Finance and General Purposes Committee will take place on 17 November 2008.

The meeting closed at 6.56 pm.

Signed as a correct record.....

Date.....