

Action

**Minutes of the Audit Committee [AUD0809-2]**  
**and the Finance and General Purposes Committee**  
**held on Monday 24 November 2008 in Room A102**

**Present:**

<b>Audit Committee</b>			
Tim Davison	Foundation Member	Adrian Stallard	Co-opted Member
Alison Mackenzie	Staff Member	Rob Setchell	Staff Member
Garry Charles	Member		
<b>Finance and General Purposes Committee</b>			
Peter Avery	Principal	Guy Adams	Foundation Member
John Rudge	Member		

**In attendance:**

Jane Scott	Clerk to the Corporation	Marc Webb	Director of Finance
Mark Dawson	KPMG	David Taylor	RSM Bentley Jennison

The meeting opened at 5.35 pm and was quorate throughout.

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

There were apologies for absence from Penny James (Audit Committee).  
 There were apologies for absence from Dominic Lynch (Finance and General Purposes Committee FGP); Paul Grant (FGP); David Wood (FGP); and Gill Turner (FGP).  
 Tim Davison joined the Committee to chair the current meeting.  
 Members noted that the joint meeting of the Finance and General Purposes Committee and Audit Committee which had been scheduled for 17 November 2008 had been postponed until the current meeting.

**2. Minutes of the meeting of the Audit Committee held on Monday 17 September 2008 (AUD0809-1)**

The Minutes of the meeting held on Wednesday 17 September 2008 were agreed and signed as a correct record.

**3. Matters Arising**

There were no matters arising which are not dealt with under the agenda for the current meeting.

**PART II ISSUES FOR THE MEETING****1. Consideration of the Members' Report and Annual Financial Statements for year ended 31 July 2008**

Mark Dawson, KPMG, attended the meeting in order to present the Members' Report

and Financial Statements and the Management Letter of the External Audit Service/Regularity Auditors.

The Members' Report and Annual Financial Statements includes for the first time a more detailed operating and financial review, resulting in a more detailed Members' Report than previous years. A new Standard of Recommended Practice (SORP) in accounting practice has not resulted in significant change to the style of financial reporting.

There has been some investigation of actuarial assumptions, and life expectancy figures are represented as those given by the College actuaries.

Consideration of the College Financial Statements also included consideration of the Student Council accounts. There will be on-going review of how these accounts are presented to the Corporation, with the potential for a requirement for separate reporting to the Finance and General Purposes Committee in due course. Members received full details of financial transactions of the Student Council; 2008-09 demonstrated a surplus, which will be used by the students through appropriate negotiation with College management.

## **2. Consideration of the Management Letter from the External Auditor/Regularity Auditor**

The Management Letter reflects the smooth process of external and regularity auditing for the year ended 31 July 2008. There were no significant issues, and the External Audit Service was satisfied that costs are well controlled and that appropriate systems of internal control are in place and working well. The College was in a stronger position at year end than at the end of 2006-07; the most significant change was the increase in pension liability.

The scope of the main recommendations contained in the Management Letter lies in the proposals relating to the redevelopment of the College, particularly that accelerated depreciation charges will require some factoring in. Recommendations relating to fixed assets and payroll have already received significant attention within the College.

## **3. Consideration of the Letter of Representation**

The content of the Letter of Representation is largely consistent with that of the previous year. Members have once again sought assurances in respect of actuarial assumptions in order to receive on-going assurance in this respect.

Members of the Finance and General Purposes Committee left the meeting at 5.57 pm in order for the Audit Committee to give its independent consideration to the Members' Report and Financial Statements, the Management Letter of the External Audit Service; the Letter of Representation and the remaining items on the agenda.

In respect of items (1), (2) and (3) of the current agenda, recommendations for approval by the Corporation were made as follows

- Members' Report and Annual Financial Statements for year ended 31 July 2008 - proposed by Garry Charles, seconded by Rob Setchell and agreed *nem con*.
- Management Letter of the External Audit Service/Regularity Auditors - proposed by Alison Mackenzie, seconded by Garry Chalres, and agreed *nem con*.
- Letter of Representation - proposed by Rob Setchell, seconded by Rob Setchell and agreed *nem con*.

## **4. Review of Outstanding Audit Issues**

Members noted that all audit issues had been recorded in the current outstanding audit issues report, but that many of the recommendations had been addressed.

Discussion is summarised as follows:

Financial Regulations and Procedures are not up to date

The Director of Finance anticipates that work on substantive revision of the Financial Regulations and Procedures will be complete by February 2009 and that revised Regulations and Procedures will be presented to the Finance and General Purposes Committee as soon as practically possible after that time. The issue is to be retained on the report until the review is complete.

Unique Identification of Assets

Significant progress has been made towards addressing this issue. As progress against this recommendation is linked to review of Financial Regulations and Procedures, it is anticipated that significant progress will have been achieved by February 2009. The matter will be retained on the report for the time being.

Formation of Health and Safety Committee

Action in relation to the formation of a Health and Safety Committee is complete. The matter was proposed for removal from the report by Tim Davison, seconded by Adrian Stallard, and agreed *nem con*.

Management of Day Trips

Action in respect of management of day trips has been completed, with formalised procedures now embedded into all aspect of trips management. The matter was proposed for removal from the report by Adrian Stallard, seconded by Rob Setchell, and agreed *nem con*.

Day Trip Risk Assessments

Risk assessments are now completed for all field trips. No further action is required and the matter was proposed for removal from the report by Alison Mackenzie, seconded by Garry Charles, and agreed *nem con*.

Residential Field Trip Risk Assessments

Changes to the administration of residential field trips have been implemented in order to eliminate a two-system process, all co-ordinated through the Trips Manager. Only the correct administration will trigger a financial code which facilitates fee collection. It was proposed by Adrian Stallard that the matter be removed from the report. This was seconded by Alison Mackenzie, and agreed *nem con*.

Health and Safety Policy and Procedures

Work is underway on a substantive review of both the Policy and procedures. The Committee will be advised of progress via the new Health and Safety Committee. The Corporation will be asked to give its formal approval to a new Health and Safety Policy in due course.

Appointment of a Health and Safety Officer

A formal appointment of a Health and Safety Officer was made with effect from 1 September 2008. Appropriate training will be arranged in respect of fire risk assessments. It was proposed by Rob Setchell that action in respect of this matter be considered complete. This was seconded by Garry Charles, and agreed *nem con*.

Health and Safety Risk Assessments

Progress has been made in respect of student risk assessments, and the Art Department has created a policy for safe working practice for students. A similar policy is being developed in respect of dangerous chemicals. The Estates Manager is undertaking risk assessments of all buildings of the College, and it is anticipated that work will be complete by the end of the current academic year.

Fire Risk Assessments

Fire risk assessments are being prepared for all buildings of the College. This work will be given priority once the Estates Manager has received appropriate training.

First Aiders on Day Trips

The College nurse now undertakes basic first aid training for staff. All minibus and day trips are now accompanied by basically trained first aiders. The nurse co-

ordinates more advanced first aid training and manages training records. Adrian Stallard proposed that action in respect of this issue was complete and that it be removed from the report. This was seconded by Alison Mackenzie and agreed *nem con*.

#### Additional Learner Support Funding

Although there had been an audit finding relating to accuracy of time-keeping, it was considered that the College was sufficiently proactive in ensuring that records are completely accurate. Adrian proposed that the matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

#### Registry Procedures

It was considered that the College is taking every step to ensure that authorisation procedures are accurate. The College will continue to review its IT systems as the exigencies of business permit. Garry Charles proposed that action in respect of this matter is complete. This was seconded by Alison Mackenzie and agreed *nem con*.

#### Completion of Registers

Rates of non-completion of registers are now negligible, with a system of monitoring/warnings in place. It was considered that there is no further action that can be taken. Rob Setchell proposed that this matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

Payroll, Payroll Exception Reporting and Evidence of Review of Exception Reporting  
Review of Financial Regulations and Procedures will take full account of all aspects of payroll procedures. It is anticipated that the Director of Finance will complete work on Regulations by early 2009.

#### Payroll Budgets

The Personnel Director now routinely advises the Director of Finance of any anticipated variances in monthly expenditure, and these are in turn reported in monthly management accounts by the Director of Finance. Substantive review of Financial Regulations will determine the overall distribution of duties between the Personnel Director and the Director of Finance. This review should be complete by early 2009. However, no further action is required. Adrian Stallard proposed that the item be removed from the report. This was seconded by Garry Charles and agreed *nem con*.

#### Audit of Current Staff

Action is complete in respect of faculty directors and other key managers now having responsibility to verify monthly staffing reports within their area, with additional verification by the Principal. Adrian Stallard proposed that the matter be removed from the report. This was seconded by Garry Charles and agreed *nem con*.

#### Payroll Suspense Accounts

Payroll control accounts are now reconciled on a monthly basis and no further action is required. Alison Mackenzie proposed that the matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

#### Payroll - overtime

All staff have been reminded of the need for appropriate authorisation of claims for overtime. Action in respect of this matter is complete. Rob Setchell, seconded by Alison Mackenzie, and agreed *nem con* proposed that the matter be removed from the report.

#### Travel and Subsistence Claims

This matter has been addressed and all staff advised of the requirement for sufficient information. Rob Setchell proposed removal of the matter from the report. This was seconded by Adrian Stallard, and agreed *nem con*.

#### Contracts of Employment

As far as practically possible, all contracts of employment are issued and signed before commencement of employment. No further action is required. Adrian Stallard

proposed that the matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

#### Minutes of Meetings on the College Website

It is anticipated that action in respect of this issue will have been completed by December 2008. Adrian Stallard proposed that the matter be removed from the report. This was seconded by Alison Mackenzie and agreed *nem con*.

#### Authorisation limits/quotations

Review of authorisation limits will form part of the wider review of Financial Regulations and Procedures which it is anticipated will be complete by early 2009.

#### Fixed Asset Tracking

This matter is being auctioned as part of the wider issue relating to identification of assets. The Internal Audit Service is involved in discussion about the matter, and progress will be reported to the next meeting of the Committee.

#### Monitoring of Capital Projects

The College has been proactive in seeking advice about all aspects of the proposed bid for capital funding, and will continue to engage the Internal Audit Service concerning risk management elements of the project. Project accounts will be produced as work starts. Although full monitoring of any project cannot start until the project is underway, it is considered that there is currently no further action required. Adrian Stallard proposed that the matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

#### VAT liability of the College

The College will seek further advice in respect of specific items requiring monitoring for VAT purposes as it is near the current VAT threshold limit in a number of cases.

#### VAT declarations

Further advice will be sought in relation to VAT.

#### Monitoring the use of College buildings

The College is already able to monitor and identify different use of its premises. No further action is required. Alison Mackenzie proposed that the matter be removed from the report. This was seconded by Garry Charles, and agreed *nem con*.

The following issues were contained in the Regularity Auditor's Management Letter to the College:

#### Campus Redevelopment Costs

The College must ensure that fees in respect of design and cost consultants are capitalised in full compliance with FRS15.

#### Richard Huish College Foundation

The College and the Richard Huish College Foundation will continue to review their financial relationship in respect of third party transactions. It is likely that in the foreseeable future the Foundation will strengthen its independent operational control. No further action is required. Adrian Stallard proposed that the matter be removed from the report. This was seconded by Rob Setchell and agreed *nem con*.

#### Fixed Asset Physical Verification

Action against the existing Internal Audit Service recommendations in respect of Unique Identification of Assets and Fixed Asset Monitoring is underway and will ensure that full asset verification takes place annually.

#### Disposal of Fixed Assets

The review of Financial Regulations and Procedures will encompass procedures for disposal of fixed assets.

#### Payroll Controls

Further work is required to ensure that full segregation of duties between Payroll and Finance functions is achieved.

#### Learner Support Funds

It was noted that there is little action which can be taken in recognition of an element of interest in respect of funds held on account prior to distribution to students.

#### 5. Preparation of the Audit Committee Annual Report

Members had already given their input to the draft report. In consideration of the working arrangements with Internal and External Auditors, a *satisfactory* grading was given for the Internal Audit Service, PwC; a *good* grading was given in respect of the External Audit Service, KPMG. The working arrangements between the Internal and External Auditors had been led by KPMG, and were considered *good*. The adequacy of internal controls was considered *satisfactory*.

Rob Setchell, seconded by Garry Charles, recommended approval of the Report by the Corporation. This was agreed *nem con*.

#### 6. The Risk Management Action Plan

Members noted that work associated with the on-going review and development of the Risk Management Action Plan is embedded in the work of the Faculty Boards, Course Manager meetings, the Health and Safety Committee and other meetings of the College; it is firmly embedded into the management systems of the College. Work takes place annually to review risk ratings.

Members noted that the current document should be updated to include a reference to current difficulties associated with payments of Education Maintenance Allowance and the potential impact on students. Risk 13 should also be amended to include a reference about the need for a review of the management of the examinations function.

Garry Charles, seconded by Adrian Stallard, recommended approval of the Risk Management Action Plan by the Corporation. This was agreed *nem con*.

#### 7. Consideration of the Financial Control Evaluation of the Framework for Excellence

Members noted the discrepancy in grading (*outstanding v satisfactory*) between the Financial Control Evaluation (FMCE) and the Audit Committee annual report. However, it was agreed that the most recent inspection by the Provider Financial Assurance (PFA), provided the basis on which the College was assessing its financial control. Members requested that the improvement plan include provision for review of Financial Regulations and Procedures.

Adrian Stallard, seconded by Rob Setchell, approved the signing-off of the Report by the Principal for onward transmission to the Principal Auditor at the Learning and Skills Council by the deadline of 12 December 2008. This was agreed *nem con*.

#### 8. Any Other Business

There was no other business.

The meeting closed at 6.59 pm.

Signed as a correct record.....

Date.....