

Minutes of the Audit Committee Meeting held on Monday 22 June 2009 in Conference Room 2 at 3.00 pm in The Astral Centre

Members present:

John Eade: Co-opted Committee Member
 Anne Swietlik: Corporation Member
 Jane Hore: Chair/Corporation Member

In attendance:

Teresa Miller: Vice-Principal
 Ruth Harrison: Head of Quality and Workforce Development
 Mark Jones: RSM Bentley Jennison
 Bill Lumsden: KPMG
 Stephen Clark: KPMG
 Charles Reynolds: Clerk to the Corporation

The Chair extended a welcome to Stephen Clark who was accompanying Bill Lumsden and attending his first Audit Committee meeting at College.

Apologies for Absence

There had been no apologies for absence. The Clerk, however, advised the meeting that Bob Russell had tendered his resignation from membership of the Corporation and therefore the Committee. The Chair stressed the importance of raising membership of the Committee as a concern at the next Corporation meeting.

Action

Clerk to the Corporation

1. Disclosures of Interest

Anne Swietlik disclosed her role as Chair of the LSC Implementation Board.

2. Minutes of the Previous Meeting

The minutes of the Audit Committee Meeting held on 27 April 2009 were agreed to be a correct record and were signed by the Chair.

3. Matters Arising from Previous Minutes

There were no matters arising that were not agenda items.

4. Correspondence

There had been no correspondence relevant to the work of the Committee.

5. Risk Management Update

Presented by Teresa Miller. Members were informed that the number one risk faced by the College at this time remained the Capital Project and the uncertainty that still surrounded it regarding funding. It was reported that the College had been contacted on a regular basis by the LSC with requests to change plans and reduce costs etc. Examples were given. The College had been as responsive to every request that it could be. The result of the various changes made had been to reduce the overall project potential cost to approximately £20 million which in turn had reduced the required intervention rate for LSC funding support from 93% to 87%. A key risk was the speed with which changes were being requested, decisions being taken and possible

future impacts on costs. It was therefore Teresa Miller's view that, were the College bid successful, it would be sensible to construct the first two buildings and then re-assess the situation.

The Chair asked for confirmation that, with all the changes being made, all costs were being included, not just construction costs. Teresa Miller confirmed that they were. Members were also advised that if the College bid was successful this could significantly affect the 'face' of the College accounts as it could be possible to capitalise costs associated with it and incurred to date.

Having reviewed the situation regarding the capital project, Teresa Miller took members through the rest of the meeting paper and the other risks of note which included the current year's budget outturn, which it was felt was likely to show a deficit of £100,000 and the impact of the ongoing work regarding the Great Yarmouth and Lowestoft 16-19 Education and Training review. On this point, Anne Swietlik observed that it was important for the three colleges to be working together to achieve the objectives of the review.

Members thanked Teresa Miller for her very detailed report which was noted.

6. Internal Audit Reports

Presented by Dan Harris

6.1 Internal Audit 2008/2009

6.1a. Income & Debtors

The outcome of this piece of internal audit work had been 'Substantial Assurance' with one 'merits attention' recommendation for action which had been accepted. This was reviewed via the action plan.

Responding, John Eade observed the outcome to be very pleasing. Members agreed and the report was received.

6.1b. General Ledger

Again the outcome had been 'Substantial Assurance' with no recommendations for action as everything was deemed to be in 'perfect order'.

Members were again very pleased at the outcome. The report was noted.

6.1c. Payments and Creditors

Once more the outcome was that of 'Substantial Assurance'. There were three 'merits attention' recommendations for action made. These were explained by reference to, and review of, the action plan.

The report was noted.

6.1d. Governance

The outcome of this internal audit review was 'Substantial Assurance'. There had been one 'merits attention' recommendation for action which had been accepted. This was reviewed via the action plan.

Members were very pleased at the outcome. The report was noted.

6.1e. Key Financial Controls

The outcome of this review was 'Substantial Assurance' with two 'merits attention' recommendations for action which were reviewed via the action plan.

The Chair commended Teresa Miller for the effort that she had put in to ensure this positive outcome.

With reference to page 2 of the report and specifically the penultimate sentence in the final paragraph of section 13, Conclusion, it was noted there was an error. The overall opinion was 'Substantial' and not as stated 'Adequate'.

The report was noted.

Before moving on, and in the light of such positive feedback, members felt that the work of the relevant finance team should be acknowledged and the thanks of the Audit Committee for their hard work etc be passed to them.

Clerk to the Corporation

6.1f. Risk Maturity (Advisory)

Members were advised that this was the first of two reports which would review the management of risk across the whole RSM Bentley Jennison client base. The purpose of the review was to see how well risk management was embedded in organisations and also to look for examples of best practice that could be shared.

Whilst there was no 'outcome' to this first report, which effectively was part of the evidence gathering process for the second report, Dan Harris took members through the action plan which was suggesting areas of change for consideration. He did, however, report that there was clear evidence that 'Risk' was managed and that processes were in place.

One action identified was to ensure Members of the Corporation and Managers received updated Risk Management training. On this point, the Clerk advised that, in collaboration with fellow Clerks at Great Yarmouth College and East Norfolk Sixth Form College, a joint programme of training was being put together for members to consider. This included Risk Management training.

Having reviewed the report members observed that it would be helpful to receive the final report to see how well the College performed against a benchmark and also what lessons could be learned.

Teresa Miller asked Dan Harris if it was possible to give any guidance on how the College performed against others in his region. Responding, Dan Harris observed that there were no colleges that were 'Risk Naive' but some 'Risk Aware'. Lowestoft College was seen as 'Risk Managed'. Members reiterated that it would be most helpful to see how the College fared nationally.

6.1g. Progress Report

Dan Harris referred members to Appendix A of the report which indicated there was just one more report 'Capital Projects' to submit. All other work had been finalised. With the exception of Key Financial Controls all reports had been submitted as per programme.

Members noted the report with thanks

6.2. Internal Audit 2009/2010

6.2a. Strategy for Internal Audit 2009/2010

Dan Harris apologised to members for tabling the paper. Members were taken with care through the proposed plan for 2009/2010. Particular attention was given to section 3.2 which detailed the proposed changes, both removals and additions to the programme and explanations for these were given. It was noted that were the Ofsted inspection to go ahead the timings of some audit activity may need to be changed to ensure no unnecessary overlap.

In discussion it was noted that the proposed Safeguarding Children audit should more appropriately be simply listed as 'Safeguarding' as its remit should extend beyond children.

Having thoroughly reviewed the proposed plan it was proposed by Anne Swietlik and seconded by John Eade that it be recommended to Corporation for approval and adoption.

Members voted unanimously in favour.

7. Audit Strategy and Planning Memorandum

Bill Lumsden presented this item advising that the memorandum was a standard document which set out KPMG's proposed approach to its audit of Lowestoft College and its subsidiary. It also served to highlight key developments in the FE Sector that it was felt should be brought to the Audit Committee's attention.

Members were taken through the document with care. Particular attention was paid to explaining the objectives of the audit and how it would be carried out, especially with regard to the audit risks. It was clarified that Stephen Clark would lead the audit. Details of the audit fee, £19,475 + VAT, which compared with £19,000 for 2007/2008. Finally, there was a review of the key issues believed by KPMG to be relevant of note with confirmation that the College would be kept up to date of any further developments and likely impacts as was necessary.

Responding to the presentation, Anne Swietlik asked for the auditors' views on the movement away from Demand Led Funding. Responding, Stephen Clark observed that in the current economic climate where funding would be capped there would be a need to look for greater efficiencies. There would also be a need to look closely at partnership relationships to be sure they were not also compromising financial stability.

Having thoroughly reviewed the document, members noted the contents of the report. It was felt useful that it should be passed to the Estates and Finance Committee as information.

8. Customer Service Excellence Award

Ruth Harrison presented this report advising members that, following a thorough review of College systems and processes that were relevant, the College had been notified that it had achieved the Customer Service Excellence Award. Teresa Miller added that this would also help in attaining the Training Quality Standards Award. A press release would be produced and issued shortly.

Members congratulated all involved in this and ensuring such a positive outcome.

9. Audit Recommendations Update

Again presented by Ruth Harrison who took members through the meeting paper with care. Progress to date in implementing the various recommendations made was outlined. There were no areas of concern.

In reviewing the meeting paper, and for future reference, Bill Lumsden observed that the reference to 'internal audit' at point 1.1 on the executive summary should be changed to incorporate all audit activity.

In the absence of any further questions or discussion, members noted the report.

10. Review of Committee Effectiveness

Presented by the Clerk who reminded members that, as a part of the overall Corporation Self-Assessment process each committee was expected to review its performance over the previous twelve months. The results of the review would be used to inform the Corporation review.

The various sets of information available to inform the review were explained and particular reference was given to Appendix A which set out the nine questions to be used as a guide for this process. The outcome of the review was as follows:

- 10.1.** The terms of reference to be amended by adding 'audit' to 'skills' in the Membership section at point 3. Also the reference in 'Proceedings' at point 9 to 'GIAM' to be changed to 'GIAS'.
- 10.2.** Members were confident they had complied with the Terms of Reference. This was evidenced via the outcome of the internal audit of Governance.
- 10.3.** It was agreed that the annual programme should specify clearly when it is intended for members to meet with Auditors in 'private'. This should also be clearly stated on the relevant agenda. The issue of Key Performance Indicators for auditors was still to be addressed.
- 10.4.** Members agreed the number of meetings held per year to be right.
- 10.5.** There was concern that there needed to be more members recruited to the Committee to ensure quoracy.
- 10.6.** Members were satisfied with the reporting system used to inform Corporation of the work of the Committee.
- 10.7.** Members were satisfied with both the chairing and clerking of the Committee. There was a need to appoint a Vice-Chair, however.
- 10.8.** Whilst members were satisfied with the information provided there were still concerns that the co-opted member was not receiving all the information that he should. Members also felt it would be appropriate to have confirmation at each meeting that there were no issues of fraud known to the Clerk. This to be a standard agenda item to enable members to monitor the Counter Fraud Policy.
- 11.** Members were satisfied with the balance between micro and macro information received.

It was agreed the Clerk would draft out the responses as required and circulate for members' comments and agreement.

**Ruth
Harrison**

Part 2 Confidential Items

12. The Internal and External Auditors were asked to leave at this point. The minutes for this item can be found in the Confidential Minute Book.

13. Any Other Business

There were no items of any other business.

14. Date and Time of Next Meeting

The next Audit Committee meeting will be held on Monday 21 September 2009 at 3.00 pm. Venue to be advised.