

AUDIT COMMITTEE CHAIR'S ANNUAL REPORT 2008/2009

1. Introduction:

The Annual Report to Corporation, which complies with the requirements of the Audit Code of Practice, deals with audit activity relevant to the year 1 August 2008 to 31 July 2009 and reviews the work of the Audit Committee in relation to this period. It also incorporates a review of the Annual Internal Audit Report from RSM Bentley Jennison, the College's internal auditors.

2. Committee Membership and attendance – 1 August 2008 to 31 July 2009:

Jane Hore	:	Chair – Member of Corporation (Attendance 100%)
John Eade	:	Co-opted Member of the Audit Committee (Attendance 100%)
Ken Applegate	:	Member of Corporation (Attendance 50%, to November 2008)
Bob Russell	:	Member of Corporation (Attendance 50%, resigned July 2009)
David Matthews	:	Member of Corporation (Attendance 0%, from February 2009)
Anne Swietlik	:	Member of Corporation (Attendance 100%)

In attendance:

Teresa Miller	:	Vice-Principal Corporate Services
Ruth Harrison	:	Head of Quality and Workforce Development
Mark Jones	:	RSM Bentley Jennison Internal Auditors
Dan Harris	:	RSM Bentley Jennison Internal Auditors
Bill Lumsden)	Financial Statements and Regularity
Stephen Clark)	Auditor KPMG.
Charles Reynolds	:	Clerk to the Corporation

3. Meetings Scheduled for the Period

Audit Committee met on eight occasions to consider work relating to the period 1 August 2008 to 31 July 2009 namely:

- Monday 30 June 2008
- Monday 8 October 2008
- Monday 9 January 2009
- Monday 23 March 2009
- Monday 11 May 2009
- Monday 29 June 2009
- Monday 21 September 2009
- Monday 7 December 2009

4. Internal Audit Service Reports Reviewed

- Internal audit plan 2008/2009 30 June 2008
- Progress Report 29 September 2008
- Human Resources 24 November 2008

• Examinations Advisory Review	24 November 2008
• Further Education Thematic Review	24 November 2008
• Progress Report	24 November 2008
• Commercial Activities	9 February 2009
• Data Security Advisory Review	9 February 2009
• Progress Report	9 February 2009
• Follow-up Report	27 April 2009
• Progress Report	27 April 2009
• Income and Debtors	22 June 2009
• General Ledger	22 June 2009
• Payment and Creditors	22 June 2009
• Key Financial Controls	22 June 2009
• Governance	22 June 2009
• Risk Maturity Advisory Report	22 June 2009
• Progress Report	22 June 2009
• Capital Projects	21 September 2009
• Draft Annual Internal Audit Report 2008/09	21 September 2009

This was the sixth year that RSM Bentley Jennison provided the internal audit service to the College. The programme of internal audit work reviewed covered the plan agreed for the period 1 August 2008 to 31 July 2009 and reflected the importance of the audit of 'risk'. During that time, a total of 51.5 actual days (56 planned) of activity took place. The Audit Committee reviewed and recommended a detailed Annual Internal Audit Report to Corporation at the meeting held on 7 December 2009. It is pleasing to report that the programme of internal audit activity was delivered against the plan and on time.

All seven internal audit reports reviewed during the year, (which assessed the levels of risk material to the achievement of each system's objectives and judged whether they were adequately managed and controlled), were found to provide either substantial (6) or adequate (1) assurance. In addition the Follow-up report indicated that good progress had been made in implementing the recommendations made, and accepted by management, within the internal audit report during the year. This is a pleasing outcome and when measured against the benchmark performance in 2007/08 it reflects an increase in performance in terms of levels of assurance with 87% of outcomes seen as substantial compared with 67%. The number of recommendations made seen as 'significant' has also gone down from 20% in 2007/08 to 13% in 2008/09.

On the theme of appropriate enforcement and follow up, the Audit Committee continues to applaud the use of an audit action plan to systematically monitor and review performance as well as the efforts of the Quality and Workforce Development Manager and their team in ensuring that the College meets the dates for action close outs. This systematic approach, which is monitored at each meeting, needs continued support from within the College, as timely closure of actions is crucial in maintaining control of identified risks.

Audit Committee also reviews and monitors College management of risk at each meeting and sees this as an essential requirement in providing assurance on audit activity to Corporation. Indeed the system used for this process, which was again devised by the Vice-Principal Corporate Services, has been identified by the internal auditors as a model of good practice. It is pleasing to note that as a result of the national Risk Maturity audit carried out of all RSM Bentley Jennison clients the

College was approach to Risk Management was assessed as 'Managed' which was the second highest category.

The cost to the Corporation for providing the internal audit service for the year to 31 July 2009 referred to above, and as reported in the Report and Financial Accounts, was £24,421.00 inclusive of VAT.

In addition to the above, and at the request of the Chair of Audit, the internal auditors carried out a specific review of work in the maritime section of the College. The outcome of this work has been the subject of a confidential report to Corporation. The additional cost for this work was £9,145.00.

5. Review of the work of the Financial Statements and Regularity Auditor

The Financial Statements and Regularity Auditor for the year to 31 July 2009, KPMG, presented the Management Letter and Financial Reports relating to that period to the Audit Committee held on 7 December 2009 and subsequently to Corporation at the scheduled meeting to be held on 14 December 2009. At the time of producing this report it was the view of the auditor that there would be 'unqualified opinions' on both the financial statements and regularity audits. A final regularity report was also provided.

The cost of providing this audit service to the Corporation, including for LOWESTOFT AND WAVENEY EDUCATION SERVICES LIMITED, for the year to 31 July 2009 and as reported in the Report and Financial Accounts was £22,396.25 inclusive of VAT. In addition to this KPMG also provided additional services to the College with reference to the property development regarding VAT. The cost of this additional work was £26,703.00 inclusive of VAT.

Total fees inclusive of VAT paid to auditors for all work provided in the year as detailed in sections 4 and 5 above were therefore £82,662.25. The provision of audit service was determined following a rigorous tendering process in 2007 to ensure that the College received value for money from its auditors.

6. Other Relevant Matters

6.1 Risk Management:

Within the Annual Internal Audit Report 2008/09 RSM Bentley Jennison observes that

“the College continues to enhance their Risk Management arrangements and in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage these risks, as currently laid down and operated, are effective ”.

In addition to this positive statement KPMG also state the following in Section Four, page 16, of the Management Letter which deals with Corporate Governance:

“The College has made a fully compliant corporate governance statement. We are required to review this to assess whether the description of the process adopted by the College in reviewing the effectiveness of the system of internal control is consistent with our understanding of the process and report any inconsistencies in our opinion..... We have reviewed the corporate governance statement and consider

it consistent with our understanding of the processes followed by the College during the year”.

It is therefore pleasing to note that the College continues to be fully Turnbull compliant.

6.2 Audit Committee Opinions

The Audit Committee has reviewed thoroughly the work carried out by the College Auditors and, in particular, RSM Bentley Jennison. Based upon this we endorse the ‘Internal Audit Assurance Statement’ contained in Section 2.2 of the Internal Audit Annual Report:

“For the 12 months ended 31 July 2009, based upon the work we have undertaken, our opinion regarding the adequacy and effectiveness of Lowestoft College’s arrangements is as follows:

Governance: The College’s governance processes were adequate and effective.

Risk Management: The College’s risk management processes were adequate and effective.

Control: With the exception of the areas of Data Security and Commercial Activity (Maritime and Offshore) the College’s control processes were adequate and effective.”

Audit Committee is pleased to advise that the concerns raised regarding controls in Data Security and Commercial Activity continue to be addressed. It is also confident that effective systems are in place to ensure all actions resulting from audit reports are implemented within the agreed time scale. It will continue to vigorously monitor and review performance accordingly. To this end I believe the Annual Internal Audit Report received by the Corporation to be a fair assessment of the state of the College’s internal control systems and the extent to which they could be relied upon at the time of audit.

Jane Hore
Chair – Audit Committee
1 August 2008 to 31 July 2009