

## AUDIT COMMITTEE CHAIR'S ANNUAL REPORT 2009/2010

### 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 2009 to 31 July 2010 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 Tenon (formerly RSM Bentley Jennison), the College's internal auditors.

### 2. Committee Membership and attendance – 1 August 2009 to 31 July 2010:

Jane Hore	:	Chair – Member of Corporation (First meeting only. Ceased as chair in October 2009 and subsequently resigned from Corporation. Attendance 100%)
John Eade	:	Co-opted Member of the Audit Committee (Attendance 75%)
Alan Debenham	:	Member of Corporation (Attendance 50%, from December 2009)
Sarah Smith	:	Member of Corporation (Attendance 100%, from December 2009)
David Matthews	:	Member of Corporation (Attendance 0%, first meeting only)
Anne Swietlik	:	Chair from October 2009 - Member of Corporation (Attendance 100%)

#### **In attendance:**

Teresa Miller	:	Vice-Principal Corporate Services and Acting Principal from April 2010 to end of August 2010.
Ruth Harrison	:	Assistant Principal Quality Improvement and Learner Services
Gwen Parsons	:	Principal (February 2010 meeting only)
Mark Jones	:	RSM Tenon (formerly RSM Bentley Jennison) Internal Auditors
Dan Harris	:	RSM Tenon (formerly RSM Bentley Jennison) Internal Auditors
Bill Lumsden	:	Financial Statements and Regularity Auditor KPMG.
Charles Reynolds	:	Clerk to the Corporation

### 3. Meetings Scheduled for the Period

Audit Committee met on seven occasions to consider work relating to the period 1 August 2009 to 31 July 2010 namely:

- Monday 22 June 2009
- Monday 21 September 2009
- Monday 7 December 2009
- Monday 8 February 2010
- Monday 21 June 2010
- Monday 20 September 2010
- Monday 29 November 2010

A meeting scheduled for 26 April 2010 was cancelled for operational reasons.

#### 4. Internal Audit Service Reports Reviewed

• Internal audit plan 2009/2010	22 June 2009
• Progress Report	21 September 2009
• Internal audit plan update	21 September 2009
• Safeguarding	7 December 2009
• Progress Report	7 December 2009
• The Student Journey	8 February 2010
• Progress Report	8 February 2010
• Follow-up Report	8 February 2010
• Equality and Diversity	21 June 2010
• Payroll	21 June 2010
• Governance	21 June 2010
• Train to Gain	21 June 2010
• Follow-up	21 June 2010
• Progress Report	21 June 2010
• Risk Management	20 September 2010
• Human Resources	20 September 2010
• Draft Annual Internal Audit Report 2009/10	29 September 2010
• Commercial Activities	29 November 2010

This was the seventh year that RSM Tenon provided the internal audit service to the College. The programme of internal audit work reviewed covered the plan agreed for the period 1 August 2009 to 31 July 2010 and reflected the importance of the audit of 'risk'. During that time, a total of 43.1 actual days (57 planned) of activity took place. The Audit Committee reviewed and recommended a detailed Annual Internal Audit Report to Corporation at the meeting held on 29 November 2010.

All nine 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 (7) or adequate (2) 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 78% 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 17% in 2009/10.

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 Colleges own quality team in ensuring that those responsible for carrying out agreed recommendations meet 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 by RSM Tenon the College approach to Risk Management was assessed as 'Managed'.

The cost to the Corporation for providing the internal audit service for the year to 31 July 2010 referred to above, and as reported in the Report and Financial Accounts, was £22,577.64 inclusive of VAT.

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

The Financial Statements and Regularity Auditor for the year to 31 July 2010, KPMG, presented the Management Letter and Financial Reports relating to that period to the Audit Committee on 29 November 2010 and subsequently to Corporation at the scheduled meeting to be held on 13 December 2010. 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 2010 and as reported in the Report and Financial Accounts was £23,035.00 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 £45,612.64. This compares with £46,817.25 for the provision of the same service for the previous year.

## **6. Other Relevant Matters**

### **6.1 Risk Management:**

Within the Annual Internal Audit Report 2009/10 RSM Tenon observes that

“the College had developed a Risk Management Policy that defined risk, explained the College’s underlying approach to risk management and the roles and responsibilities of the Senior Management Team and the Corporation Board. Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective”.

In addition to this positive statement KPMG also state the following in Section Four, page 17, 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.

In terms of Corporation members understanding and involvement regarding the management of risk the strategic planning event in March 2010 enabled governors to receive refresher training in risk management. At the same time it provided an opportunity to engage with the college senior management team in reassessing and reaffirming the college's strategic risks in light of the various changes affecting the FE sector. This is of course an ongoing process and reflects a commitment to continuous improvement with respect to risk management.

## 6.2 Audit Committee Opinions

The Audit Committee has reviewed thoroughly the work carried out by the College Auditors and, in particular, RSM Tenon. 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 2010, based upon the work we have undertaken, our opinion regarding the adequacy and effectiveness of Lowestoft College's governance, risk management and control arrangements is as follows:

- Governance: The College's governance processes were adequate and effective (significant assurance).
- Risk Management: The College's risk management processes were adequate and effective (significant assurance).
- Control: The College's control processes were adequate and effective. We issued seven assurance reports of which five provided significant and two adequate assurance. This Annual Report for 2009/10 presents the College with an unqualified internal audit opinion."

Audit Committee is pleased to advise Corporation of the maintenance of high standards as evidenced by the number of internal audit reports with an outcome of 'Substantial Assurance'. It was especially pleasing to include Human Resources within that group. The committee is also confident that effective systems are in place to ensure all actions resulting from audit reports, whether internal or external, 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.

**Anne Swietlik**  
**Chair – Audit Committee**  
**1 August 2009 to 31 July 2010**