

**Minutes of the Audit Committee held on Wednesday 9 June 2010 at 5.30 pm in the Principal's Room, Science Park Campus, Cambridge.**

**MINUTES**

**Present** Vernice Key [Chair]  
 Vicky Parrett

**In attendance** Chris Lang  
 Charlotte Skinner  
 Paul Foreman [PricewaterhouseCoopers LLP]  
 Andrew Strickland [Scrutton Bland]  
 Paul Goddard [Scrutton Bland]  
 David Hoose [Tenon]

**Clerk** Julia Kennedy

			Action	By
1.	<b>Matters that are Confidential</b> There were no confidential matters that the Committee wished to discuss with the Auditors.			
2.	Apologies for absence	Apologies were received from Anne Kent and Ros Francis.		
3.	Minutes of the meeting held on 10 March 2010	The Minutes were agreed to be a true record and signed by the Chair. All actions had been completed, training arranged for Anne Kent, and there were no matters arising.	Clerk	

			Action	By
4.	Declaration of Interest	Vicky Parrett declared her interest as a finance department employee in areas that were subject to internal audit.		
5.	<b>AUD/18/09-10</b> Review of College Risk Register	<p>Andrea Chilton presented the updated College Risk and Opportunity Register 2009/10 and explained that there had been no material movement in the headline risks.</p> <p>Governors asked about risks that were flagged red, and particularly 1.1 [Failure to attract students], and 6.6 [Failure to capitalise on and effectively implement opportunities from the international market]. Governors noted that 6.6 was consistently red but the contributory factors varied: it is an uncertain market, recruitment is dependant on one individual, and the College cannot mitigate against the risk of losing her. The value of the College's WBL contract would not be achieved [5.1] but it would not affect the College's overall financial position. The long term risks were flagged predominately red and reflected the frequency of changes in the sector.</p> <p>The Committee <b>received</b> and <b>noted</b> the Review of the College Risk Register.</p> <p><i>Andrea Chilton left the meeting at the end of this agenda item at 5.40 pm.</i></p>		
6.	<b>AUD/19/09-10</b> <b>Progress Report on</b> <b>Actions Arising from</b> <b>Internal Audit Reports</b>	<p>In order to allow the Audit Committee to exercise their role in monitoring progress on actions arising from internal audit reports, a status report on recommendations is provided at each meeting.</p> <p>The number of outstanding actions had been reduced to 7 [8 at the March 2010 meeting], with a further two close to completion. Governors asked about dates and dependencies, particularly in relation to recommendations involving HR. The Committee agreed that if HR matters had not cleared by the next meeting, Andrea Chilton would be asked to update on these items.</p>		

		The Committee <b>received</b> and <b>noted</b> the Progress Report on Actions Arising from Internal Audit Reports.		
7.	<b>AUD/20/09-10</b> Internal Audit Reports 2009/10 i. Bids for External Funding ii. Employer Responsive Provision iii. Recruitment iv. Key Financial Controls v. Ordering, Goods Received and Payment vi. Virtual Learning Environment	<p>Paul Foreman highlighted the key findings of the reports and the recommendations and explained that the Follow-up report would follow.</p> <p><u>Bids for External Funding</u>: Moderate assurance was provided and seven recommendations made. Remedial action, designed to improve the robustness of systems and processes, included greater clarity around sign-off, and amending the format of reports to the SMT to ensure risks were clearly identified. Governors asked about management response to the recommendations.</p> <p><u>Employer Responsive Provision</u>: Moderate assurance was provided and two recommendations made. This was a sizable team with its own accounts focus. In relation to the proper maintenance of learner and employer files, it was a timing issue – nearly 2000 learners had been signed up in April and not all records were tidy by the time of the audit. Governors noted that at the time of PFA Funding Audit there was less than 1% error rate on Train to Gain and nil on WBL.</p> <p><u>Recruitment processes</u>: High assurance was provided with five low-priority recommendations. The review had been deferred to allow new process to be implemented. Chris Lang commented that HR management was making excellent progress and had benefitted from a dedicated recruitment manager. The Chair offered congratulations to HR staff for the high level of assurance.</p> <p><u>Key Financial Controls</u>: Moderate assurance provided with four recommendations. This was an annual review and recommendations related to duties around the sales administrator role but the volume of sales ledger transactions is very small and not a major risk. A revised bank mandate would be brought to Corporation at its next meeting and Governors discussed risk management around bank signatories.</p>		

		<p><u>Ordering Goods Received and payments</u>: High assurance provided with one low priority recommendation. Governors noted that the new procedures were generating financial savings.</p> <p><u>Virtual Learning Environment</u>: Moderate assurance provided with six recommendations. The VLE has an important core role in the College on the learner side. A key concern was access and the need for a balance between simplicity and security. Chris Lang explained that external hosting had been chosen to facilitate off-site access. Paul Foreman identified that some system functionality was not being used by the College. Governors noted that management had responded positively to all the recommendations.</p> <p>The Committee <b>received</b> and <b>noted</b> the six internal audit reports and thanked Paul Foreman.</p> <p><i>Paul Foreman left at the end of this agenda item at 6.25 pm.</i></p>		
8.	<p><b>AUD/21/09-10 Audit Risk Assessment and Strategic Internal Audit Plan 2010/11 to 2012/13 [and Annual Internal Audit Plan 2010/11]</b></p>	<p>Andrew Strickland and Paul Goddard from Scrutton Bland presented the risk assessment and audit plan and explained the context of the former LSC's Audit Code of Practice. The plan responded to their view of the College's risk and was based on a positive meeting with management, where the risk register was reviewed.</p> <p>Appendix B set out the audit risk assessment scoring. Governors would be interested to see how their view of risks would change over the year. Mandatory audits include risk management processes and governance. A total of 40 days was required.</p> <p>Governors noted that—</p> <ul style="list-style-type: none"> <li>• scope of the audit of corporate governance was not yet agreed</li> <li>• MIS audit was standard for Scrutton Bland clients</li> </ul>		

		<ul style="list-style-type: none"> <li>• the audit of risk management would be aligned with college risks</li> <li>• other operational and value for money audits would provide the opportunity for auditors to act as “devil’s advocate”</li> <li>• on student records auditors would give appropriate focus on international.</li> </ul> <p>The Committee <b>approved</b> the Audit Risk Assessment and Strategic Internal Audit Plan 2010/11 to 2012/13 and <b>recommended</b> it to Corporation.</p> <p><i>Clerk’s note: the auditors’ briefing note on risks associated with governance would be circulated to Committee Members and the Chair and Vice Chair of Corporation for their input on the governance audit plan.</i></p>	Clerk	21 July 2010
9.	<b>AUD/22/09-10 Re-appointment of Financial Statements and Regulatory Auditor for 2009/10</b>	<p><i>David Hoose left the room for this item.</i></p> <p>In April 2009, the Corporation appointed Tenon to provide financial statements auditing for a five year period, 2008/09 to 2012/13, with annual review of the appointment.</p> <p>The Committee <b>recommended</b> the re-appointment of the Financial Statements and Regulatory Auditor to the Corporation.</p>	Clerk	21 July 2010
10.	<b>AUD/23/09-10 Audit Planning Memorandum for Financial Statements 2009/10</b>	<p>David Hoose presented the audit planning memorandum. Governors discussed the impact of machinery of government changes and who would provide the verification of income in the absence of the LSC. See outline on page 2.</p> <p>The Committee <b>approved</b> the Audit Planning Memorandum for the Financial Statements for 2010, and <b>noted</b> the reduction in the fee.</p>	Head of Finance	Immediate effect

11.	<b>Self Assessment of Governors' Performance</b>	<p>In order to evaluate the meeting and identify any changes necessary to maintain the effectiveness of the Committee, the Chair asked the following questions—</p> <ul style="list-style-type: none"> <li>• Were the agenda and papers clearly presented?</li> <li>• Was there time for sufficient debate and critical review of each item?</li> <li>• Do members consider that they were able to participate fully?</li> </ul> <p>Governors provided a positive response to each question. Governors confirmed that receipt of late papers by email had been satisfactory.</p>		
12.	<b>Any other business</b>	There was no other business.		
13.	<b>Date of next meeting</b>	The date of the next meeting was agreed as 24 November 2010.		
<p>The meeting closed at 7.10 pm.</p> <p>Julia Kennedy Clerk to the Corporation</p> <p>Signed .....Chair</p> <p>Date.....</p>				