

Minutes of the Audit Committee held on Wednesday 16 March 2011 at 5.30 pm in the Principal's office, Science Park Campus, Cambridge

MINUTES

Present

Vernice Key [Chair]
 Anne Kent
 Vicky Parrett
 Ros Francis

In attendance

Chris Lang
 Charlotte Skinner
 Paul Goddard [Scrutton Bland]
 David Hoose [RSM Tenon]

Clerk

Julia Kennedy

			Action	By
1.	Matters that are confidential	<i>There were no confidential matters that the Committee wished to discuss with the Auditors.</i>		
2.	Apologies for absence	Apologies were received from Andrew Strickland, Scrutton Bland, and Jonathan Holmes of RSM Tenon. Anne Constantine was unable to attend this meeting.		
3.	Minutes of the meeting held on 24 November 2010 and matters arising	The Minutes were agreed to be a true record and signed by the Chair. There were no matters arising.	Clerk	
4.	Declaration of Interests	There were no declarations of interest.		

<p>5.</p>	<p>AUD/12/10-11 Internal Audit Reports 2010/11: i) Data Security ii) Human Resources iii) Financial Control iv) International Students</p>	<p><u>(i) Data Security</u> The assurance level provided was reasonable [3 of 5]. The objective of the audit was to provide assurance that the College complies with the Data Protection Act 1998 and that controls in place represent best practice. Five recommendations were made to address risks in compliance, training, and security: one medium level recommendation and four low level.</p> <p>Members noted that data security was high profile across the FE sector, and commented that there was both a compliance and a reputational aspect to insecure data.</p> <p>One challenge was the lack of clear responsibility with a separation of responsibility between data protection and data security. Chris Sherwin leads on data protection and statutory compliance because most of the issues come to student services or academies. But systems staff report to Chris Lang who leads on data security. There are also issues around local/central storage.</p> <p>Members questions and comments included—</p> <ul style="list-style-type: none"> • whether the report had been discussed with Chris Sherwin • the need for clear “ownership” by SMT and clarity between action/responsibility • the need for all staff to understand what data is and what they are protecting • staff training and the need to respond to the changing environment such as increased remote access and less use of USBs. <p><u>(ii) Human Resources</u> The assurance level provided was strong [1 of 5]. The purpose of the audit was to ensure that robust controls were in place surrounding staff turnover, staff sickness reporting, and staff sickness monitoring and that these processes are supported by robust and up-to-date policies and procedures. The assurance level demonstrated that HR was managed efficiently and well. A best practice point, a suggestion, was made regarding the sickness absence process.</p>		
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		<p>Members' comments and questions included—</p> <ul style="list-style-type: none"> the profile of staff sickness and whether it was predominately in one group? Members noted that sickness absence was reviewed regularly by SMT and HR KPIs provided to every Finance and Resources meeting. <p><u>(iii) Financial Controls</u> The assurance level provided was significant [2 of 5]. The purpose of the audit was to ensure that accurate, transparent, and accountable processes are in place surrounding cash receipts, debtors, payroll, fixed assets, procurement, and tendering. Three recommendations were made relating to cash, payroll, and fixed assets – the last at CRC request. This compared favourably to a sector average of 20 recommendations for this audit area.</p> <p>David Hoose commented that it was an excellent report from the financial statements auditors' point of view and RSM Tenon would not need to undertake any further financial controls testing.</p> <p><u>(iv) International Students</u> The assurance level provided was reasonable [3 of 5]. The purpose of the audit was ensure that a robust Business Plan was in place and being followed, and that consistent and robust processes were applied surrounding student enrolments and the receipt of tuition fees.</p> <p>There had been fantastic growth in this area since 2002 but there were some issues. The strengths of this area were associated with the key person leading the Office, who also had a significant advisory role working nationally and internationally. One issue was to ensure an appropriate level of integration of the Office into the College. Procedures needed to be backed up with documentation and processes made more accountable. In relation to the management information database, there was a need for consistency – between the finance office and international office.</p> <p>Members comments and questions included—</p> <ul style="list-style-type: none"> whether the unique nature of the International Office was recognised on the College Risk Register importance of understanding how the training for international students is applied and whether CRC is training people we would not want to 		
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6.	AUD/13/10-11 Progress Report on Actions Arising from Internal Audit Reports 2006/07 – 2009/10	<p>This report is provided to enable the Audit Committee to monitor progress against audit recommendations. There were 10 recommendations outstanding: 7 medium priority and 3 low priority.</p> <p>The one outstanding recommendation from 2006/07 on HR sickness reporting had been completed. The recommendation on Staff Utilisation from 2008/09 was on-going and would be picked up in a lecturer deployment audit.</p> <p>Members’ comments and discussion covered—</p> <ul style="list-style-type: none"> • action required on recommendations arising from the risk and assurance report of international students • whether progress was sufficient on improving the financial analysis of projects and on post project evaluation; Chris Lang explained that the number of current projects was quite small [with 2 or 3 lower in value than £0.5m]; there was also a possibility of the development of a centralised project management function • whether learning opportunities were being followed up 		

		<ul style="list-style-type: none"> the need for a progress report to the next meeting on implementing a documented agreement for Practical Learning Opportunities – in recognition that this is a high risk group of students. <p>The Committee received the report on outstanding audit actions, and noted that they were pleased at the overall rate of clearance.</p>	CS	15 June 2011
7.	AUD/14/10-11 Corporate Governance Risk and Assurance Brief	<p>The purpose of the paper was to enable the Committee to review the brief on Corporate Governance and Risk Assurance, and to ensure that the brief aligned with the intention of the Committee.</p> <p>Paul Goddard drew attention to the Risk and Assurance Brief for Corporate Governance that had been circulated and asked the Committee to confirm the review could proceed as mapped out.</p> <p>The Committee approved the brief for the review of Corporate Governance.</p>	Scrutton Bland	May 2011
8.	AUD/15/10-11 SFA's Sub-contracting Review	<p>The SFA contacted the College in November 2010 to request a visit to undertake a pilot monitoring review. The objective of the visit was to review the control systems in place for CRC sub-contracted provision. CRC was asked to participate in this pilot as it is one of the main lead providers using sub-contractors to deliver Train to Gain contracts.</p> <p>Three SFA auditors were based at CRC for four days in January 2011 and provided confidential recommendations and observations. The audit was very detailed and included reviewing contracts and contract files, and hundreds of learner files.</p> <p>The Committee received the report and noted the findings of the SFA monitoring review in January 2011. The Committee also noted that the College had developed two actions plans to address the issues raised in relation to learner testing, pre-contracting, and contracting.</p>		
9.	AUD/16/10-11 Recommendation for Re-appointment of Financial Statements and	<p><i>The Auditors present left the meeting for this item.</i></p> <p>In April 2009, the Corporation appointed RSM Tenon as financial statements auditors for the years 2008/09 to 2012/13 subject to annual review.</p>		

	<p>Regularity Auditor for 2010/11</p>	<p>Chris Lang commented favourably on the performance of RSM Tenon. They are a dominant player in the sector and engaged as either internal auditors or financial statements auditors by a high number of colleges in the sector.</p> <p>The Committee approved the appointment of RSM Tenon as auditors of the financial statements for 2010/11, and recommended it to Corporation.</p>	<p>CL</p>	<p>30 March 2011</p>
<p>10.</p>	<p>AUD/17/10-11 Review of College Risk Register</p>	<p>Responsibility for risk management had been delegated to Chris Lang by the Principal. A review of risk management policies and procedures had been undertaken with the aim of making it more intelligible and useful. The format of risk register may also be reviewed. The Chair commented on the links between the register and the audit plan and the need to keep the Committee up to date with changes.</p> <p>Members' questions and discussions covered—</p> <ul style="list-style-type: none"> • Were the challenges currently faced by CRC anticipated in the risk register? Chris Lang commented that while risks to public funding and CSR had been recorded, more work could have been done on the likelihood and impact, and documented in the register together with mitigating factors. • Was under-delivery for 16-18s recorded as a risk and how good was CRC at predicting? Chris endorsed the view of the Finance and Resources Committee that more extensive financial modelling should be undertaken. • What lessons had been learned and was there an optimism bias? The Committee agreed that the register could be improved to incorporate better information on the impact of risks, financial and non-financial. • The problems with data management and the impact on the CRC's reputation: Chris explained that Risk 6.13 had been recently added in outline and the Risk Management Group had not yet met to evaluate the risk. Improvements in data management were anticipated through clearer lines of responsibility. • How good was staff understanding of risks and their potential impact and was there a training issue? Chris Lang is consulting with staff in order to "get it right". 		

		The Committee <u>received</u> the College Risk Register and <u>recommended</u> it to the Corporation.	CL	30 March 2011
11.	AUD/18/10-11 Audit Committee Terms of Reference	<p>It is good practice for the terms of reference of all Corporation committees to be reviewed annually. On this occasion the model Audit Committee Terms of Reference [as included in Supplement B to the LSC’s Audit Code of Practice] were provided to Committee Members for comparison.</p> <p>David Hoose commented that a revised Audit Code of Practice was being prepared by the SFA. A key change would be to formalise the Committee’s responsibility on value for money.</p> <p>Paul Goddard suggested that the Committee may wish to consider a name change to the Audit and Risk Committee, a change that had been implemented in the sector. Paul added that “value for money” was integral to Scrutton Bland’s internal audit work.</p> <p>Members considered the scrutiny role of the Committee and the need to effectively line up internal audit planning with the risk register.</p> <p>The Committee <u>approved</u> the Terms of Reference, and <u>recommended</u> them to the Corporation. The Committee <u>referred</u> to Corporation consideration of a name change to the Risk and Audit Committee.</p>	JK & Chair of Audit	13 July 2011
12.	Self Assessment of Governors’ Performance	<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"> • Were the agenda and papers clearly presented? • Was there time for sufficient debate and critical review of each item? • Do members consider that they were able to participate fully? <p>Governors provided an affirmative answer to all questions but had asked, at the beginning of the meeting, for a fuller record of Governors’ discussion to be incorporated in the Minutes. Governors liked the use of two colours in the divider sheets between the papers.</p>	Clerk	Immediate effect

13.	Any other business	There was no other business.		
14.	Date of next meeting	The date of the next meeting was agreed as 15 June 2011.		
<p>The meeting closed at 7.15 pm.</p> <p>Julia Kennedy Clerk to the Corporation</p> <p>SignedChair</p> <p>Date.....</p>				