

**Minutes of the Audit Committee held on Wednesday 25 November 2009 at 5.30 pm in the Principal's Room,
 Science Park Campus, Cambridge**

MINUTES

Present

Vernice Key [Chair]
 Anne Kent
 Vicky Parrett
 Ros Francis

In attendance

Chris Lang
 Charlotte Skinner
 Ruth Dawkins [item 4.1 only]
 Paul Foreman, PricewaterhouseCoopers LLP
 David Hoose, Tenon
 James Whybrow, KPMG LLP

Clerk

Julia Kennedy

The agenda was varied to take item 4.1 first before item 3.1.

Section 1: Matters that are Confidential				
<i>There were no confidential matters that the Committee wished to discuss with the Auditors.</i>				
Section 2: General			Action	By
2.1	Apologies for absence	There were no apologies for absence.		

2.2	Minutes of the meeting held on 11 March 2009	The Minutes were agreed to be a true record and signed by the Chair.	Clerk	
2.3	Matters arising from the Minutes	There were no matters arising.		
2.4	Declaration of Interest	Vicky Parrett declared her position as a member of the College's finance team.		
Section 3: Matters for Decision			Action	By
3.1	AUD/2/09-10 Draft Internal Audit Annual Report 2008/9	<p>The annual internal audit report must be considered by the Audit Committee and the Corporation on an annual basis. Paul Foreman explained that some of the work planned as part of the 2008/09 programme has been rolled forward and that primary responsibility for monitoring implementation of recommendations had been transferred to the College, which meant that auditors had been able to spend less time than planned on follow-up. In response to Governors' concern at the possible loss of independence of the monitoring, Charlotte Skinner explained that follow-up was generally a mechanistic exercise, and there would still be overall validation by PWC.</p> <p>The report set out the opinion that sufficient work had been undertaken for auditors to conclude that CRC had "adequate and effective governance, risk management and control processes to manage the achievement of the College objectives". No material control weaknesses had been identified. Governors sought clarification about the auditors' opinion, and thanked College staff for the good result.</p> <p>The Committee recommended the Internal Audit report 2008/09 to the Corporation.</p>	CL	3 Dec 2009
3.2	AUD/3/09-10 Financial Statements and Regulatory Auditors' 2008/9 Reports:	This was the first year of Tenon's engagement, and the audit had gone well and in accordance with the plan agreed at the last meeting. The financial results were disappointing and had been reviewed in detail at the F&R Committee. Some disclosures requested by the F&R Committee had been added.		

	<ul style="list-style-type: none"> i. Management Letter 2008/9 (including Regularity Audit Opinion) ii. Members' Report and Financial Statements for YE 31 July 2009 	<p>David Hoose summarised the management report, which recorded the overall results of the work undertaken by Tenon. The College had achieved an unqualified audit opinion on the financial statements and the regularity audit, which Tenon considered good in view of the issues in the sector around capital projects. Three recommendations were made, one grade 2 and two at grade 3 [merits attention].</p> <p>Chris Lang explained that the processes around the statutory accounts were very sound, and that the same rigour was being applied to the month-end and monthly management accounts processes.</p> <p>In response to questions about whether there was anything that needed to be included in future audit plans, David Hoose drew attention to the introduction of international accounting standards. Governors also asked about the regulatory audit and actions arising from the PFA audit in March 2008.</p> <p>The Committee recommended the Members' Report and Financial Statements for year ended 31 July 2009 to the Corporation, and asked that the key managers involved were thanked for their good work in this area.</p>	CL	3 Dec 2009
3.3	AUD/4/09-10 Audit Committee Annual Report to the Corporation and Principal 2008/9 including Review of the Work Plan and Performance of the Audit Committee 2008/9	<p>The Audit Committee is required to provide an annual report to the Corporation and to the Principal. The report summarises the internal audit services for the year, the financial statements and regulatory audit, funding methodology consultant audit, risk management and other appropriate matters.</p> <p>The Committee approved the Audit Committee Annual Report and recommended it to the Corporation.</p>	CL	3 Dec 2009
3.4	AUD/5/09-10 Audit Committee Work Plan 2009/10	<p>The Audit Committee was asked to review the content and timing of planned routine business for 2009/10. Governors noted that changes had been made to the internal audit plans in response to the financial results to include Purchasing and Payments (and defer Travel), and to strengthen the Scope of the Budgetary Control Audit.</p>		

		<p>Governors asked about links between the internal audit programme and risk monitoring, and the number of audit days planned. The intention is to reduce the number of audit days over time. Governors commented on the value of audit as a management tool and, in relation to governance, the Committee considered the value of input from all three audit firms in relation to best practice.</p> <p>The Committee approved the Work Plan for the Audit Committee for 2009/10.</p>	Clerk to note	
3.5	AUD/6/09-10 Draft Financial Management and Control Evaluation [FMCE]	<p>The FMCE is the latest approach by the LSC to college self assessment of governance and financial management. It is mandatory for all LSC funded providers that fall within the Framework for Excellence.</p> <p>Chris Lang took the Committee through the some of the questions and answers. It was noted that the grades for Operational Oversight and Financial Monitoring had been reduced to Satisfactory, but that the overall grade remained Outstanding. Governors discussed the self-assessed grades, and whether Outstanding was appropriate for any aspect in view of the financial out-turn.</p> <p>The Committee approved the completed FMCE questionnaire and recommended it to the Corporation.</p>	CL	3 Dec 2009
3.6	AUD/7/09-10 Proposal for Internal Audit Service Tender	<p>The contract for internal auditor services that was due to finish in the 2009/10 financial year had been let – following 2 tenders – for a total of 10 years to PricewaterhouseCoopers. Governors agreed that internal audit service should continue to be provided by an external organisation.</p> <p>Governors noted that Crescent Purchasing Consortium had set up an audit services framework agreement in the FE sector, and the College proposed conducting a mini competition under the framework. A panel of Vernice Key, Charlotte Skinner, Chris Lang, and Noel Cassidy was proposed and the Committee recommended the addition of Andrea Chilton, Vice Principal Quality , to provide a non-financial perspective. The Committee also discussed criteria for selection and weighting, including the weighting allocated to price.</p>		

		The Committee approved the proposal for the internal audit service tender with agreed modifications.	CL	Spring term
Section 4: Matters for Information			Action	By
4.1	AUD/1/09-10 Funding Assurance Reports 2008-9: – Controls Review – Education Maintenance Allowance Controls	<p>These reviews were undertaken by KPMG LLP. James Whybrow recommended that, in future, the controls were reviewed earlier in the year in January or February.</p> <p>The Committee received the funding assurance reports arising from the audit undertaken by during 2008/09 and noted that the report on substantive testing [Learner and Adult Learner Responsive] would be available at the next Committee meeting.</p>	Clerk to note	
4.2	AUD/8/09-10 Provider Financial Assurance Report	<p>The LSC Provider Financial Assurance team undertook an audit in September 2009 that reported on Train to Gain, Apprenticeships, and 16-18 Entry to Employment.</p> <p>The Committee were pleased to note the very low error rate achieved by the Employer Responsive Team, which auditors considered was “a great result”.</p> <p>The Committee received the LSC report, noted the findings and conclusions set out in the report, and endorsed the good work.</p>		
4.3	AUD/9/09-10 Teachers’ Pension Audit Year Ended 31 March 2009	The Committee received and noted the teachers’ pension contributions for the year ended 31 March 2009, submitted by Tenon with an unqualified report.		

4.4	AUD/10/09-10 Progress Report on Actions Arising from Internal Audit Reports	<p>The report, provided by Charlotte Skinner, summarised progress on actions arising from internal audit recommendations for the years 2003/04 to 2008/09.</p> <p>This reporting was intended to demonstrate a new rigour to clearing recommendations and Governors noted that all those from 2003/04 and 2005/06 had now been cleared. Governors also noted that there were no outstanding high level recommendations and only 11 outstanding recommendations remained to be cleared.</p> <p>The Committee received the report, noted that an update would be provided to the next meeting, and thanked Charlotte Skinner.</p>	CS	10 Mar 2010
4.5	AUD/11/09-10 Future Audit Arrangements	<p>The papers set out audit issues raised by Thomas Rotherham College on behalf of the CFDG, and the LSC's response regarding future audit arrangements for the FE sector in the light of the machinery of government changes.</p> <p>The Committee received the papers and noted that the CFDG will continue to work with the LSC to minimise new audit requirements as a result of the machinery of government changes.</p>		
Section 5			Action	By
5.1	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 a positive response to each question and considered that there had been a reasonably good discussion. New members of the Committee asked the Clerk to provide information on training.</p>	Clerk	As soon as practicable
5.2	Any other business	There was no other business.		

5.3	Date of next meeting	The date of the next meeting was agreed as 10 March 2010.		
<p>The meeting closed at 7.30 pm.</p> <p>Julia Kennedy Clerk to the Corporation</p> <p>SignedChair</p> <p>Date.....</p>				