

**Minutes of the Audit Committee held on Wednesday 5 November 2008 at 5.15 pm in the Principal's Room,
Science Park Campus, Cambridge.**

MINUTES

Present

Raymond Tait (Chair)
Amanda Last
Vernice Key
Ros Francis

In attendance

Chris Lang
Charlotte Skinner
Paul Foreman (PricewaterhouseCoopers LLP)
James Whybrow (KPMG LLP)
Elaine Olson (MacIntyre Hudson LLP)

Clerk

Julia Kennedy

Section 1: Matters that are Confidential		Action	By
	There were no confidential matters that the Committee wished to discuss with the Auditors.		

Section 2: General			Action	By
2.1	Apologies for absence	There were none.		
2.2	Minutes of the meeting held on 11 June 2008	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 other matters arising.		
2.4	Declaration of Interest	There were no declarations of interest.		
Section 3: Matters for Decision			Action	By
3.1	<p>AUD/1/08-9 Internal Audit Reports 2007/8—</p> <ul style="list-style-type: none"> ○ Strategic Partnerships ○ Follow Up of Previous Recommendations 	<p><u>Strategic Partnerships</u> The recommendations were essentially about developing a policy that responds to the nature of the relationship and puts in place a framework to ensure consistent good practice.</p> <p>Chris Lang identified that good practice is being demonstrated in the preparation of business cases, before any commitment is agreed, for consideration by Corporation. There was discussion about the definition of “strategic partnership”, the different relationships this may cover, and the potential high number of relationships. The definition, and the approach adopted by the College, was suggested as the subject of a workshop at the Governors’ Away Day.</p> <p><u>Follow Up of Previous Recommendations</u> All outstanding recommendations are tracked. Matters that require amendment of Financial Regulations have been collated, and the amendments will be considered by the Finance and Resources Committee. Auditors cannot clear the recommendations until the amendments are approved by the Corporation.</p>		

		<p>Some procedures and practices had been revised, for example around terminations, and are now in line with the recommendations – but this is not taken account of in the Follow up Report. Another example is the requirement for a Scheme of Delegation, which has been approved by Finance and Resources Committee. It was clarified that the report includes both recommendations agreed by management and those that have not been accepted. The Chair identified that the Committee needs the Auditors' sign off that the recommendations have been cleared.</p> <p>The Director of Finance tabled a paper that set out a progress report on actions arising from internal audit reports in 2006/07 and 2007/08. The Committee agreed that the Auditors need to meet with the Director of Finance to update the position.</p> <p>The Committee received the internal audit report on Strategic Partnerships and the Follow Up Report, noted that there are no high risk recommendations outstanding from 2006/07 in the Follow Up Report, and requested an updated Follow Up Report.</p>	CL	
3.2	<p>AUD/2/08-9 Draft Internal Audit Annual Report 2007/8</p>	<p>Paul Foreman presented the annual report of the Internal Auditors, which summarises their work for the year. It is the opinion of the Internal Auditors that the College “has adequate and effective management, control, and governance processes to manage its achievement of the College’s objectives.”</p> <p>The Committee received and noted the Internal Audit Annual Report 2007/08 and recommended it to the Corporation.</p>	DoF	
3.3	<p>AUD/3/08-9 Regularity and Financial Statements Auditors' 2007/8 Reports:</p> <p>i. Management Letter 2007/8</p>	<p>Elaine Olsen reported that the Financial Statements provided a very positive set of accounts and she congratulated Chris Lang and Charlotte Skinner on the quality of the information provided. There were no issues in the Regularity Audit.</p> <p>On the management letter, there were two recommendations relating to the Financial Regulations and bank reconciliations. The Committee noted that the Financial Regulations are currently being updated. Although the</p>		

	ii. Members' Report and Financial Statements for YE 31 July 2008 (including Regularity Audit Opinion)	<p>management response has not been provided, there is no disagreement. Governors discussed the Accounts and suggested that some of the notes, including Note 8 were expanded to provide more information.</p> <p>The Committee received the Members' Report and Financial Statements for YE 31 July 2008 and the management letter, and recommended the Financial Statements to the Corporation [from an audit and compliance point of view].</p> <p><i>Elaine Olsen then left the meeting. It was 6.25 pm.</i></p>		
3.4	AUD/4/08-9 Audit Committee Annual Report to the Corporation and Principal 2007/8 including Review of the Work Plan and Performance of the Audit Committee 2007/8	<p>Chris Lang presented the draft report on the work and performance of the Committee for the year. The report includes a Self-Assessment Checklist for the Audit Committee.</p> <p>The Committee noted that the PFA Audits had not been included and that the results of these audits were "outstanding". The Committee considered whether to identify its contribution to achieving value for money, for example in procurement. Other amendments were also discussed.</p> <p>The Committee approved the Annual Report of the Audit Committee subject to an amended version Report being circulated to and agreed by all Committee Members [via email].</p>	DoF	
3.5	AUD/5/08-9 Audit Committee Work Plan 2008/9	<p>The Committee noted that the contract for the Financial Statements Auditors is due to go for tender with effect from the 2009/10 year [for Auditors to begin work in March 2010]. The February meeting will consider the procurement process. Governors asked whether the annual report of the Internal Auditors could be presented in the summer term so that the autumn term meeting could focus on the financial statements.</p> <p>The Committee approved the Audit Committee Work Plan 2008/09 and requested that the internal audit timetable information for the year is added to the plan.</p>	DoF	

3.6	AUD/9/08-9 Draft Financial Management and Control Evaluation	<p>Chris Lang explained that the FMCE is the latest approach by the LSC to the self assessment of governance and financial management. It must be signed off by the Audit Committee and the Principal and submitted to the LSC by 12 December 2008. It was suggested that it is also be submitted to the Corporation meeting in December. The Committee noted that the timing is not in line with other college self assessment, which is not required by the LSC until early February.</p> <p>The overall grade in the FMCE is one element in the balanced scorecard approach in the Framework for Excellence. The Committee discussed the grading and the evidence required, and the use of the results of the PFA audit. It is a step towards self-regulation.</p> <p>The Committee was asked to agree the grades, and Governors asked about how the grades are defined. The Committee expressed concern at the process, whether this Committee is qualified to provide approval, what the basis of their approval should be, and whether auditors' opinion on the FMCE should be sought or another form of validation used.</p> <p>The Committee approved the draft, subject to individual Committee responses to the Director of Finance or the Clerk, recommended it to the Corporation, and noted that the process for managing the FMCE in future is to be settled at the Spring Term.</p>	DoF/Clerk	
Section 4: Matters for Information			Action	By
4.1	AUD/6/08-9 Funding Assurance Reports 2007/8: i. Controls Testing ii. Substantive Testing Review	<p>James Whybrow drew attention to the summary of assurance grades and described the process of funding assurance. In relation to additional learning support, the Committee noted that the budget and costs are reviewed regularly.</p> <p>The Committee considered matters that included accuracy of the data, the impact of increased use of electronic data, implementing and tracking progress on recommendations, and the "journey travelled" by the College – which the auditors describe as positive, and the rigour of the audit. The Auditors and the Director of Finance have agreed how the issues identified will be addressed.</p>		

		The Committee received and noted the Funding Assurance Reports 2007/08.		
4.2	AUD/7/08-9 Teachers' Pension Audit YE 31 March 2008	The Teacher' Pension Contributions for the year 2007/08 have been audited by MacIntyre Hudson LLP, and the Committee noted that an unqualified opinion was provided. The Committee received and noted the Teachers' Pension Audit YE 31 March 2008.		
4.3	AUD/8/08-9 Progress Report on Actions Arising from Internal Audit Reports	This matter was considered under item 3.1.		
Section 5			Action	By
5.1	Self Assessment of Governors' Performance	New Governors were welcomed by the Chair who was pleased at the increased strength of the Committee. One of the new Governors commented on the length of the agenda, which included internal audit reports. Governors commented on the limited time, as a result of LSC timing, for consideration of the FMCE.		
5.2	Any other business	The impact of the "credit crunch" on the College was discussed, and the Committee noted that in terms of banking, the building contractor, and insurers that the College's exposure to risk is minimised. The potential impact of the financial crisis has been reflected in the College Risk Register. This matter will also be considered by the Finance and Resources Committee. There was no other business.		
5.3	Date of next meeting	The date of the next meeting was agreed as 25 February 2009.		
	The meeting closed at 8.05 pm. Julia Kennedy Clerk to the Corporation			

	SignedChair Date.....
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