

Minutes of the Audit Committee held on Wednesday 11 June 2008 at 5.15 pm in the Principal's Room, Science Park Campus, Cambridge.

MINUTES

Present Raymond Tait (Chair)
Amanda Last

In attendance Chris Lang
Charlotte Skinner
Paul Foreman (PricewaterhouseCoopers LLP)

Clerk Julia Kennedy

Section 1: Matters that are Confidential		Action	By
	The Chair reported that Christopher Spokes had drawn his attention to an issue that had arisen in the management of European Social Fund (ESF) funded projects. The Chair asked Paul Foreman whether the audit of tendering, scheduled in the Strategic Internal Audit Plan 2008/09 to 2010/11, could be brought forward. This matter was discussed in more detail later in the agenda when the audit plans were considered by the Committee.		

Section 2: General			Action	By
2.1	Apologies for absence	Apologies were received from Ben Bradnack and John Cousins.		
2.2	Minutes of the meeting held on 4 March 2008	The Minutes were agreed to be a true record (subject to correction of the date at 5.2) 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/14/07-8 Internal Audit Reports 2007/8—</p> <ul style="list-style-type: none"> ○ Key Controls ○ Risk Management ○ Governance – CRB Checks – Follow Up ○ Strategic Partnerships ○ Follow Up of Previous Recommendations 	<p><u>Key Controls</u> The audit opinion was “moderate assurance” on the adequacy and operating effectiveness in place over key controls. The key controls reviewed were—</p> <ul style="list-style-type: none"> • Nominal ledger • Income and receivables • Budgetary control • Bank accounts and treasury. <p>Paul Foreman reported that the College has responded positively to the recommendations, and it is expected that high assurance will be achieved next year.</p> <p><u>Risk Management</u> The audit opinion was “high assurance” on the adequacy and operating effectiveness of controls in place. The Vice Principal Quality was appointed in summer 2007 and the College’s approach to risk has subsequently been revised to enable a more strategic view and maintain detailed local monitoring. Excellent progress has been made, with 40 recommendations implemented. The Chair complemented the College on the result of this audit.</p>		

		<p><u>Governance – CRB Checks – Follow Up</u> This is the last of the 3 delayed reports. The audit opinion was “moderate assurance” on the adequacy and operating effectiveness of controls in place over CRB checks.</p> <p>While a number of recommendations were made, Paul Foreman said it was important to consider these in context. The College exceeds minimum compliance requirements and has achieved a robust position. The number of staff to be checked presents a challenge, with some staff that had started work unchecked at the time of the audit. There are a number of checks and processes to pick up a behaviour problem or risks with potential employees and CRB is only one aspect of the control framework. In addition there is an issue about retaining disclosures and mixed advice has been received.</p> <p>Governors discussed the risk around “people in the pipeline” and best practice in handling risk for the interim period.</p> <p><u>Strategic Partnerships</u> This report was delayed at PWC and was tabled. The audit opinion was “moderate assurance” on the adequacy and operating effectiveness of controls in place. Paul Foreman reported that this is generally a “good news story”. The College has established good processes and practices and only requires to formally document the framework. It is intended to provide a number of framework documents to the Finance and Resources Committee in July that cover a range of arrangements from subcontractors to strategic partnerships, together with a scheme of delegation.</p> <p>Governors considered whether high assurance would be achieved at the next audit and noted that, while it is challenging to achieve a proper balance in monitoring, partnership issues are a regular item for Corporation agendas.</p> <p><u>Follow Up of Previous Recommendations</u> The Committee noted that this report is still being prepared.</p> <p>The Committee received and noted the internal audit reports on Key Controls, Risk Management, CRB Checks, and Strategic Partnerships and deferred consideration of the Follow Up report.</p>		
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3.2	<p>AUD/15/07-8 Draft Strategic Internal Audit 2008/9 to 2010/11 and Annual Internal Audit Plan 2008/9</p>	<p>The draft Strategic Audit Plan was provided for Committee consideration. The plan is designed to address the core concerns that—</p> <ul style="list-style-type: none"> • CRC resources are committed appropriately • management decisions are implemented effectively • governance processes are adequate • value for money is achieved • risks are managed. <p>Paul Foreman explained that, in developing the plan, he has considered both areas of potential risk and the trend in audit performance. Achieving high assurance in core areas enables the auditors to move away from compliance-based auditing and to add value through identifying good practice and scope for improvement.</p> <p>Some audits cut across management areas and consultation on the plan has included the SMT and other key managers.</p> <p>The Committee discussed whether one audit (A33: Tendering and formulating bids for allocations from the LSC and non-LSC) should be brought forward from 2009/10. The recommended timing takes account of the new LSC Framework and provides CRC with the opportunity to work within that Framework before auditing. The Committee also considered the role of internal audit in managing risk, specifically in relation to ESF projects. The Committee noted that no more of ESF-funded projects will be undertaken by CRC.</p> <p>The Committee approved the Draft Strategic Internal Audit Plan 2008/9 to 2010/11 and the Annual Internal Audit Plan 2008/9 without amendment and recommended both plans to Corporation.</p>	CL	16.07.08.
3.3	<p>AUD/16/07-8 Re-appointment of Internal Audit Service for 2008/9</p>	<p>In 2005 Corporation approved the appointment of PricewaterhouseCoopers LLP (PWC) as the internal audit service provider to 31 July 2010, subject to annual re-appointment. Paul Foreman left the meeting while the Committee considered the re-appointment of PWC.</p> <p>The Committee recommended to Corporation the re-appointment of PWC as the internal audit service provider for the 2008/09 year, and noted that the College will tender in 2010 for internal audit services.</p>	CL	16.07.08.

Section 4: Matters for Information			Action	By
4.1	AUD/17/07-8 Progress Report on Internal Audit Recommendations (prior 2006/7, 2006/7 and 2007/8)	<p>The Committee had requested a consolidated report on audit recommendations to enable it to monitor progress on implementation.</p> <p>There are now very few “high” or “medium” priority recommendations that remain outstanding. Strategies for the implementation of the recommendation on Budgetary Control (page 3) and the other outstanding high risk recommendations will be presented to the Finance and Resources Committee on 7 July 2008.</p> <p>The Committee received the progress report and noted the progress made on recommendations. The Committee also noted that a low number of recommendations were made by the internal auditors in relation to the 2007/08 year.</p>		
4.2	AUD/18/07-8 ISAE 3000 (draft engagement letter for provision of internal audit services)	<p>The Committee was asked to note the revision in the draft engagement letter from PWC. The letter of engagement incorporates the requirements of the LSC’s Audit Code of Practice, which has been updated to take account of the impact of the International Standard on Assurance Engagements 3000 (ISAE 3000) issued by the Internal Auditing and Assurance Standards Board.</p> <p>The Committee received the draft letter of engagement from PWC and noted the compliance with ISAE 3000.</p>		
4.3	AUD/19/07-8 Provider Financial Assurance (PFA) Audit Report	<p>Chris Lang tabled the letter dated 5 June from the LSC in response to the factual accuracy report provided to the College. The letter accompanied the final report of the PFA auditors. The result of the audit, which was carried out in March 2008, was Grade 1 “full assurance”.</p> <p>The Committee received the PFA Team’s report, noted that Grade 1 was awarded to the College, and noted the recommendations.</p>		

Section 5			Action	By
5.1	Self Assessment of Governors' Performance	<p>The Committee has reviewed a higher proportion of internal audit reports than in previous years, and the follow-up reports demonstrate that a higher proportion of audit recommendations have been implemented. Overall it is a much improved year.</p> <p>In terms of timing, putting back the date of the summer term meeting has worked better and will ease the pressure on the autumn meeting.</p>		
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 5 November 2008.		
		<p>The meeting closed at 6.30 pm.</p> <p>Julia Kennedy Clerk to the Corporation</p> <p>SignedChair</p> <p>Date.....</p>		