

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD 18 NOVEMBER 2010**

Members:	Mrs J Crowhurst (Chair)	- External Member
	Ms A Sayers	- External Member
	Mr D Moore	- Non Governor Co-opted Member
In Attendance	Mr J Allen	- Clerk
	Mr M Savage	- RSM Tenon
	Ms H Haddock	- Buzzacott
	Mr R Greenaway	- Deputy Principal (Corporate Services)
	Dr D Watkins	- Principal

The meeting commenced at 1800.

1 APOLOGIES & DECLARATION OF INTERESTS

There were no apologies. There were no declared interests against any of the agenda items. Introductions and welcomes were made and Mr David Moore was welcomed to his first meeting in the capacity of non-governor co-opted member.

2 MINUTES

It was **RESOLVED** that the minutes of the meeting held on 17 June 2010 be confirmed as correct record and signed by the Chair.

3 MATTERS ARISING

There were no matters arising.

4 INTERNAL AUDIT

(i) Briefing Update:

The Committee received a briefing update from RSM Tenon on their changes to internal audit recommendations and opinions (copy attached to the signed minutes).

It was **RESOLVED** to note the report.

(ii) Data Security:

The '*Data Security Internal Assignment Report*' was received (copy attached to the signed minutes).

An amber assessment was confirmed (reasonable assurance). A total of 9 recommendations were proposed, 4 of a medium priority and 5 of a low priority.

It was noted that 2 recommendations (low) were not accepted by management and the Committee sought explanations. It was confirmed the recommendation of a disposal process being in place for redundant IT equipment is covered by the College's financial regulations and this assurance was accepted by the internal audit service. The other recommendation not accepted by management was on the virtualisation process as the issue identified by the audit was more around timing rather than internal control. Again the internal auditor accepted this assurance.

It was **RESOLVED** to note the report.

4(iii) Risk Management & Financial Controls

The '*Risk Management & Financial Controls Internal Assignment Report*' was received (copy attached to the signed minutes). The assessment from the internal audit service for this area was good, with no recommendations.

It was **RESOLVED** to note the report.

4(iv) Internal Audit Annual Report 2009/10:

The '*Internal Audit Annual Report 2009/10* was received and presented by RSM Tenon (copy attached to the signed minutes). The report confirmed that the following areas were reviewed in accordance with the agreed audit plan.

Areas Covered	Planned Days / Costs	Actual Days / Costs	Overall assessments	Number of recommendations		
				Grade 1	Grade 2	Grade 3
Risk management and governance	3	3	Good	-	1	1
Learner number systems	8	8	Good	-	1	3
Key financial controls	3	3	Good	-	-	-
Financial planning budget setting and monitoring	3	3	Good	-	-	-
Personnel and payroll	2	2	Good	-	1	-
Procurements and payments	3	3	Good	-	1	-
Follow-up	1.5	1.5				

Management's responses indicate that they have taken or planned appropriate and timely action to implement the recommendations made in 2009/10. There were no grade 1 recommendations.

Follow-up audit work on recommendations made in previous years confirmed the following:

Priority	C/fwd from 2007/08	Made in 2008/09	Total no for prior years	Actioned by March 2010	Balance in progress
Grade 1	-	3	3	3	-
Grade 2	2	21	23	18	5
Grade 3	3	6	9	6	3
Totals	5	30	35	27	8

From these examinations the IAS concluded that the College has adequate policies, procedures and operations in place to:

- establish and monitor the achievement of the College objectives;
- identify, assess and manage the risks to achieving the College's objectives;
- advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer;
- ensure economical and efficient use of resources;
- ensure compliance with the College's policies, procedures, laws and regulations;
- safeguard the college's assets and interest from losses of all kinds, including those from fraud, irregularity and corruption;
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

In terms of overall assurance, the opinion of the internal auditor is that Carshalton College has adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.

It was **RESOLVED**

- (i) that the Internal Audit Annual Report 2009/10 be approved;
- (ii) that the report be recommended for the approval of the Corporation at its next meeting on 16 December 2010 and forwarded to the Audit Service of the SFA; and
- (iii) that the report be noted.

5 FINANCIAL STATEMENT & REGULARITY AUDIT

As required by the Audit Code of Practice, a copy of the College's draft '*Financial Statement and Annual Report 2009/10*' was made available along with the '*Post-Audit Management Letters from the Financial Statement & Regularity Auditor for the year ended 31 July 2010*' (copies attached to the signed minutes). The '*Post-Audit Management Letters*' covers the work of the Financial Statement Auditor (FSA) on the audit of the financial statements and regularity audit.

Financial Statement Auditors (FSAs) are required to issue two audit opinions:

- An opinion on the financial statements
- An opinion on the regularity of financial transactions

The financial statements opinion is addressed to the College. The regularity opinion is addressed to the College and the Skills Funding Agency (SFA).

It was confirmed that the FSA have issued an unqualified opinion on the financial statements which confirms that the financial statements give a true and fair view and have been properly prepared in accordance with the FE & HE SORP.

The FSA issued an unqualified Regularity audit opinion which confirms that:

- in all material respects income and expenditure have been applied to the purposes intended by Parliament; and
- that the College's financial transactions conform to the authorities which govern them.

Both opinions are confirmed in the Draft Financial Statements and Annual Report for the year-ended 31 July 2010.

It was confirmed that no internal control issues were identified during the audit.

It was **RESOLVED**

- (i) that the financial statement auditor's draft '*Post-Audit Management Letters*' be approved and be recommended for the approval of the Corporation at its meeting on 16 December 2010;
- (ii) that, if approved by the Corporation, the '*Post-Audit Management Letter on the year-end accounts 31 July 20010*' be submitted to the Audit Service of the SFA; and
- (iii) To note in the minutes the Committees thanks to all staff in the finance function for their diligence in maintaining and presenting of the accounts thus contributing to a successful financial statement audit.

6 CONFIDENTIAL SESSION

The Clerk advised that prior to considering the Annual Report from the Audit Committee (a later agenda item), Members have the right to go into confidential session without college management being present should the Committee or the Auditors deem it to be necessary. It was agreed that there was no need to go into a confidential session.

7 RISK MANAGEMENT TERMPLY REPORT

The College report '*Risk Management Termly Report*' was received (copy attached to the signed minutes).

The termly report provided the Audit Committee with a summary tolerance profile and tracking scheduled of all identified risks and the Risk Register 2010/11 that outlined the actions being taken to minimise all risks.

Three significant risks were confirmed at the last review conducted in October 2010. The current significant risks both relate:

- HE Market and the impact on future numbers due to reduced levels of funding
- Government policy
- Non compliance with curriculum review and quality systems.

The Audit Committee reviewed the actions being taken to mitigate against each of the three significant risks and deemed the actions to be robust and appropriate.

It was noted that non compliance has been subject to a recent quality audit from the Internal Audit Service and the report will be made available at the next meeting. It is hoped that following receipt of the report the assessment of high risk will be lowered.

In discussion it was agreed that there should be a separate Risk Register on the proposed merger with Kingston College. It was noted that once the Initial Outline Proposal (IoP) has been approved by both Corporations and the SFA, a Joint Steering Group will be set up and a duty of the Group will be to review the risks associated with the merger.

It was **RESOLVED** to note the Risk Management Termly Report.

8 FINANCIAL MANAGEMENT & CONTROL EVALUATION (FMCE)

The College report '*Financial Management & Control Evaluation*' was received (copy attached to the signed minutes).

All providers are now required to conduct an annual self assessment of their financial management and control arrangements. Financial Management & Control is one of three key performance areas that make up the Finance Dimension in Framework for Excellence.

According to the guidance issued, the FMCE and self assessment grades should be approved by the Audit Committee and then signed by the Principal before submission to the SFA

Providers can either submit a full FMCE or a short FMCE. The short FMCE will consist of Part 1 and Part 2 of the FMCE form, that is, the Summary of Grades and a revised and updated Improvement Plan which should

demonstrate where improvements have been made since last year. This option is only available to further education colleges who do not wish to change last year's overall self-assessed grade and have not undergone any significant changes since last year. It was confirmed that Carshalton College will be submitting a short FMCE.

After a thorough review of the completed Short FMCE, it was **RESOLVED** to approve the Short FMCE and to authorise the Principal to sign the document. It was further **RESOLVED** to support the self-assessment grade profiles for each area of the FMCE listed in the table below.

Area	Section	Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A)	Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A)
1. Accountability	1.1 Strategic Oversight	Good	Good
	1.2 Operational Oversight	Good	
	1.3 Sub-contracting Arrangements	Good	
2. Financial Planning	2.1 Long-term Financial Planning	Good	Good
	2.2 Short-term Financial Planning	Good	
3. Internal Control	3.1 Risk Management	Good	Good
	3.2 Internal Control System	Good	
4. Financial Monitoring	4.1 Financial Monitoring	Good	Good
Overall Grade:	GOOD		

It was noted that since the papers were circulated for the meeting, the College has been informed of an Ofsted inspection and at the same time there will be a Provider Financial Assurance inspection conducted by the SFA audit team. The College is in the process of drafting a full FMCE so that this can be made available to the auditors. It was confirmed that the full FMCE will be made available at the spring meeting for approval.

9 ANNUAL REPORT FROM THE AUDIT COMMITTEE 2009/10
INCORPORATING THE ANNUAL REPORT ON RISK MANAGEMENT

The 'Annual Report 2009/10 from the Audit Committee' was received (copy attached to the signed minutes). There is a requirement in the Audit Code of Practice that states that the annual report of the audit committee is to be written for both the governing body and the Principal as the accounting officer

of the College. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

The Annual Report must offer an opinion from the Audit Committee to both the Corporation and Principal. The following opinion was agreed:

‘Overall, based on the information provided to them by the College, the work, reports and audit opinions of the College’s Internal and Financial Statement & regularity Auditors, the Audit Committee consider that reliance can be placed on the College’s risk management, control and governance systems. It considers that there are satisfactory arrangements for securing economy, efficiency and effectiveness at the College. However, significant control issues have been identified with regard to the College’s Train to Gain contract. The Committee is satisfied that the weaknesses identified have been responded to in an appropriate and timely manner.’

It was **RESOLVED**

- (i) that the Committee approved the ‘Annual Audit Report 2009/10 from the Audit Committee’ and authorised the Chair of the Audit Committee to sign and date the annual report on behalf of the Audit Committee;
- (ii) that the ‘Annual Audit Report 2009/10 from the Audit Committee’ be made available to the Principal and Corporation at its meeting on 16 December 2010; and
- (iii) that the report be noted.

10 MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK

The College report ‘Monitoring of College Performance & Assessment of Risk’ was received (copy attached to the signed minutes).. The Audit Committee is responsible for the monitoring of college performance and assessment of risk in the area of audit.

All nine agreed audit performance indicators were assessed as green – no risk/no concern.

It was **RESOLVED** to inform the Corporation of the following assessment for the area of audit:

Audit	No Risk/No Concerns
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11 ANNUAL REVIEW OF THE FINANCIAL STATEMENT & REGULARITY AUDITOR

The College report ‘Annual of the Financial Statement & Regularity Auditor for the period 1 August 2009 31 July 2010 was received (copy attached to the signed minutes). The Committee is required to review the performance of the Financial Statement & Regularity Auditor for the period 1 August 2009 – 31 July 2010 against agreed performance indicators.

The Audit Committee undertook a review of the performance of the Financial Statement & Regularity Auditor against agreed performance indicators and **RESOLVED** to approve the following assessment:

		Satisfaction Rating			
		High	Low		
		1	2	3	4
Independence and objectivity					
Q1	Has the auditor provided information about its policies and processes for maintaining independence and has this covered: a) the rotation of audit partners (or equivalent) b) the nature of any other services provided to the college		X		
		X			
Audit strategy					
Q2	Was the audit work planned with college management in a timely and appropriate way?	X			
Q3	Did the auditors communicate to the audit Committee and college management at the start of the audit where relevant: a) the audit plan? b) terms of reference c) the audit approach d) the level of audit materiality adopted for the audit, justification for this amount where applicable? e) the timetable of the audit and for oral and written reports to the audit committee? f) the extent of any reliance to be placed by the auditors on the work of other auditors? g) the approach to tracking and reporting on the implementation of recommendations from previous visits?	X			
		X			
		X			
		X			
		X			
		X			
		X			
		N/A			
The audit approach					
Q4	Was there appropriate liaison with the college's other auditors where necessary?	X			
Q5	Was the audit work carried out on the agreed dates and to the agreed plan?	X			
Q6	Did the audit team comprise staff of sufficient seniority, experience and expertise?	X			
Q7	Was there appropriate staff continuity from previous visits?		X		
Q8	Did the auditors appear to be conversant with the requirements of the LSC and any other laws, regulations and standards?	X			
Q9	Was the college informed of any material events during the course of the audit?	N/A			
Conclusion and reporting of the audit					
Q10	Were written reports clear, concise and delivered on time?	X			
Q11	Were the recommendations in draft reports accepted?	X			
Q12	Were the recommendations considered constructive in improving the college's control environment and were they also considered practical and effective?	X			

Q13	Did the auditors adequately consider the appropriateness and effectiveness of the college's risk management processes, and were any recommendations for improvement considered to be practical and effective?	X			
Q14	Did the auditors attend audit committee meetings and deal with queries raised at the committee adequately?				
Q15	Did the auditors discuss with the audit committee any areas for improvement in their audit approach?	X			
Q16	If any audit report resulted in a qualified opinion, were the issues of concern and the impact on the report discussed with college management and the audit committee at a sufficiently early stage?	N/A			
Q17	Has there been a good working relationship between the auditors, college management and audit committee?	X			
Q18	Has the auditor been sufficiently thorough in approach and robust in dealing with college management and staff?	X			
Q19	Have college staff provided positive feedback on the quality of the audit work		X		
Q20	Were ad hoc queries during the year adequately dealt with?	X			
Q21	Is it recommended that the incumbent audit provider be re-appointed for the forthcoming year?	YES			

It was **RESOLVED** to recommend that the Corporation at its meeting on 16 December 2009 approves the annual re-appointment of Buzzacott as the College's Financial Statement & Regularity Auditor for the period 1 August 2009 – 31 July 2010.

12 DATE OF NEXT MEETING

Thursday 10th March 2011 @ 1800.

The meeting closed at 19.00

Signed: _____ Date: _____
(Chair)

CURRENT AUDIT SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
7	RSM Tenon Quality Audit report to be made available at the next meeting	DP
8	Full FMCE to be made available at the next meeting	