



CITY OF BRISTOL COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY 5 APRIL 2007 IN THE COMMITTEE ROOM BEDMINSTER CENTRE AT 9.00 AM

Present: R Eke, J Killick, M Pemble (Chairman) and D Simpkins

In Attendance:

A Campbell	-	Internal Audit Manager, Bentley Jennison
J Bentley	-	Director of Finance & Learner Information
K Elliott	-	Principal
M Rowley	-	Audit Partner, KPMG
R Thorold	-	Director of Resources and Estates
I Venn	-	Clerk to the Corporation

1 DECLARATION OF INTEREST

There were no declarations of interest pertaining to the Agenda.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from J Scaife.

3 MINUTES OF MEETING HELD ON 23 NOVEMBER 2006

The Minutes were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 23 NOVEMBER 2006

4.1 Minute 4.1 Re-issue of Internal Audit Reports - Cashflow and Working Capital Management and Corporate Governance

It was reported that the amendments had been made and the reports re-issued. The Clerk confirmed that he had copies of the re-issued reports.

4.2 Minute 5 Annual Report and financial Statements 2005/06

The Committee noted that the Corporation Board had approved the Annual Report and financial Statements 2005/06.

4.3 Minute 10 Annual Report of the Committee 2005/06

Members noted that the Corporation Board had approved the Committee's Annual Report for 2005/06.

5 INTERNAL AUDIT REPORTS

A Campbell presented five Internal Audit reports to the Committee.

5.1 Tuition Fees

The Committee noted that the Internal Auditors had undertaken a review of Tuition Fees and concluded that the control framework for the area under review, as currently laid down and operated, provides **substantial assurance** that risks material to the achievement of the College's objectives for this area are adequately managed and controlled. There was one **significant recommendation** that related to the adequacy of controls of the EBS system (student data software), and two that **merit attention**.

The audit identified that the EBS system and the financial system are not reconciled, and consequently, there is currently a lack of assurance that tuition fee income recorded is accurately reflected on the financial systems. The Director of Finance advised the Committee that the risk assessments recommended by the auditors had already been carried out and that changes had been made to working practices in the Finance and Data teams. The implementation date shown in the report (31/10/07) was the earliest date that the auditors could verify that the changes had been effective.

The Committee sought clarification on the limitation of the scope of the audit and it was explained that the audit only tested that fees were set, charged and collected in line with the established policy. It did not seek to validate the policy itself.

Benchmarking data confirms that in the area of tuition fees, the College is performing adequately against other organisations in the further education sector.

5.2 Staff Recruitment

An audit of Staff Recruitment was undertaken which concluded that the control framework for the area under review, as currently laid down and operated, provides **substantial assurance** that risks material to the achievement of the College's objectives for this area are adequately managed and controlled. There were two recommendations that **merit attention**.

The Auditors commented on the significant improvement since the audit was initially performed in 2003 and that the risks surrounding recruitment and selection are being managed well within the HR department and College as a whole, and show that internal control procedures are operating satisfactorily in mitigating the key risks inherent in this area.

Benchmarking data (in the year ending 2005/06 the Auditors undertook 28 audits of a similar nature across the public sector), confirms that the College is performing well in this area and should be satisfied that it is managing the risks associated with recruitment and selection adequately.

5.3 Follow up Review

A Follow Up Review was undertaken to address recommendations made in previous Internal Audit reports:

- Follow up of 2004/05 Recommendations (01.05/06)
- Key financial Controls (02.05/06)
- IT Disaster Recovery Planning (04.05/06)
- Exams and Achievement (06.05/06)
- Other Income – ESF contracts (08.05/06)
- Corporate Governance (10.05/06)

Progress in implementing recommendations was assessed as **reasonable** i.e.

- 50 – 80% of recommendations implemented;
- Fundamental recommendations outstanding are in the process of being implemented;
- Significant recommendations outstanding are in the process of being implemented; and
- Merits attention recommendations are in the process of being implemented.

The auditors verified that the status of implementation of recommendations, as reported to the Audit Committee, is accurate and that the Committee can place reliance on the reports received from management and the status of implementation of the points raised.

The Committee discussed two recommendations (one significant) relating to payroll from 2004/05 that had not been implemented. A new target implementation date had been set for April 2008 for the introduction of new software to coincide with the new tax year. It had not been possible to implement the original recommendation because of external constraints and it was agreed that where delays are outside the College's control this should be made clear in the report.

5.4 Key Financial Controls

The Committee noted that the Internal Auditors had undertaken a review of Key Financial Controls and concluded that the controls for the area under review, as currently laid down and operated, provides **substantial assurance** that risks material to the achievement of the College's objectives for this area are adequately managed and controlled. There were five recommendations that **merit attention**.

Benchmark data on the number of recommendations made (year ending 2005/06 the auditors undertook 147 audits of a similar nature across the public sector) confirms that the College is performing at a similar level to other organisations within this sector.

5.5 Health and Safety Action Plan Review

As a result of an incident that occurred in May 2006, the Health and Safety Executive (HSE) reviewed the College's Health and Safety arrangements. The

review focused on the College's adherence to COSHH requirements, as hazardous chemicals were involved in the incident.

Following their review, the HSE issued one prohibition notice and two improvement notices. The College identified a number of actions required in order to comply with the notices and related legislation (Health and Safety at Work Act, COSHH regulations 2002, Management of Safety at Work regulations 1999 etc).

Corporate Services monitored progress against the action plan for each faculty and the Internal Auditors were asked to carry out a review to provide an overview of the progress made to date and identify areas or specific actions which require further attention.

The audit report indicated that whilst reasonable progress has been made regarding implementing actions to address the issues identified by HSE, the College must continue to ensure faculties regard Health and Safety issues as a high priority.

The Auditors also commented on the process of spot check inspections carried out by Corporate Services that provides a monitoring tool, which enables assurance to be placed on the degree to which faculties are complying with requirements. A number of instances of non-compliance with College requirements have been identified through this process. They recommended that Corporate Services continue to pursue acceptable resolutions of the recommendations made in the report and anticipated that the recent recruitment of a dedicated Health and Safety Officer, due to start in March 2007, will aid this process significantly. The Committee was advised that the Health and Safety Manager is now in post.

The Committee then discussed future Internal Audit Reports, the amount of paper used and the photocopying that was required. It was proposed that where future reports provided **substantial assurance** the Committee would only be sent the Executive Summary and Action Plan together with an extract if there is a **significant recommendation**. Members would be provided with an electronic link to the full reports.

The Committee received the Internal Audit Reports and agreed to trial the proposal regarding future reports for the next meeting.

Action: Bentley Jennison/Clerk

6 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report that summarised the outcome of work from the Internal Audit Plan 2006/2007 that has been completed to date. Members were pleased to note that the Auditors were on target to complete the Plan.

7 FINANCE ACTION PLAN UPDATE

The Audit Committee had previously been requested to monitor implementation of an Action Plan aimed at ensuring completeness and accuracy of monthly management accounts and improving information

provided to Budget Holders. The Director of Finance reported on progress to date, summarised the changes that had been made in the reports provided to managers and the plans for future reporting. She advised the Committee that following successful trials with four faculties/units it was planned to have reporting of costs, payroll and commitments, 'on line' from the end of April.

The Director of Finance further advised the Committee that Tribal (consultants) had been retained to work with faculties to analyse course data, including income generated and costs, to enable zero based budgets to be prepared in parallel with the re-alignment of faculties.

The Committee received the report.

8 LSC AUDIT: PROVIDER FINANCIAL MANAGEMENT AUDIT OF TRAIN TO GAIN

The Committee received a report of an LSC audit of Train to Gain. For the co-opted Members it was an opportunity to gain an insight into demand led funding.

The Committee received the report.

9 AUDIT ACTION PLAN UPDATE

Members received a report, which detailed the status of actions identified in internal audit reports.

The Committee received the report.

10 INTERNAL INVESTIGATION REPORT

Members were advised that the summary report of an internal investigation had been included on the Agenda as it provided an example for the Committee of internal checks and controls working.

The investigation had been prompted by complaints from students that cheque payments from the student support fund had not been received. The situation was rectified and it was decided that no fraud was involved. However, certain weaknesses in procedures were identified and action taken to prevent re-occurrence.

The Committee received the report.

11 RISK MANAGEMENT REPORT

The Committee received:

- Minutes of meetings of the Risk Management Group (RMG) held on 9 January, 8 February and 6 March 2007.
- A copy of the Risk Management Register and Plan.

Members noted that the RMG had:

- Reviewed the risk management process;
- Merged the Register and Plan as a single document;
- Reviewed all risks;
- Decided that risk management should feature in faculty/unit meetings and be further embedded in faculty/unit planning;
- Considered improving communication through staff engagement.
- Started a review of Business Continuity Planning; and
- Received a briefing on Insurance renewal.

12 EXCEPTION AND INFORMATION REPORT

The Committee noted that no exceptions to the Financial Regulations had been notified to the Clerk.

13 EXTERNAL AUDITORS

The Committee received a copy of a letter to the Director of Finance from KPMG, detailing some of the changes that the Audit Partner for Educational Services wished to discuss with the Audit Committee in respect of delivering the College's 2006/07 external audit. The letter also acknowledged that the College had concerns around the broader service being provided by KPMG and sought to address any issues and respond to them in their service levels.

The Director of Finance highlighted her concerns about the level of service provided for the 2005/06 external audit.

The Chairman ruled that the Committee was not the proper forum for a detailed discussion about service levels but that it was important both parties worked to restore confidence for the 2006/07 audit.

The Director of Finance and the Audit Partner were requested to review interim audit arrangements for 2006/07, with the aim of ensuring the final audit is conducted effectively and meets Committee deadlines.

Action: Director of Finance

14 CYCLE OF MEETINGS 2007/08

The Committee agreed to continue with the present arrangements: i.e. 9.00am Thursday mornings at the Bedminster Centre.

15 ANY OTHER BUSINESS

There was no other business.

16 DATE OF NEXT MEETING

It was noted that the next Meeting would be held on Thursday 24 May 2007 at the Bedminster Centre.

The meeting closed at 10.08 a.m.