

CITY OF BRISTOL COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY 5 OCTOBER 2006 IN THE COMMITTEE ROOM BEDMINSTER CENTRE AT 9.00 AM

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

In Attendance:

A Campbell	-	Internal Audit Manager, Bentley Jennison
J Bentley	-	Director of Finance & Learner Information
K Elliott	-	Principal
R Thorold	-	Director of Resources and Estates
I Venn	-	Clerk to the Corporation
P Griffiths	-	Committee Services Officer

1 DECLARATION OF INTEREST

There were no declarations of interest pertaining to the Agenda.

2 ELECTION OF CHAIRMAN

The Committee unanimously agreed that M Pemble be elected to the Chair for 2006/07.

3 APOLOGIES FOR ABSENCE

Apologies for absence were received from M Pemble (Chairman) and H Cargill, Internal Audit Director, Bentley Jennison.

Members agreed that R Eke should act as Chairman for the meeting.

4 MINUTES OF MEETING HELD ON 28 JUNE 2006

The Minutes were agreed as a true record.

5 MATTERS ARISING FROM THE MINUTES OF 28 JUNE 2006

5.1 Minute 5.1 Interim Audit Report

The Director of Finance reported that KPMG had completed the fieldwork, but had not produced a report for the College. Their findings had been conveyed by letter, and there was nothing adverse to report. Following discussions with the Financial Statement Auditors, it had been agreed that the interim audit report would be subsumed into the main External Audit Report for 2005/06.

6 REPORT ON PROGRESS OF EXTERNAL AUDIT

The Director of Finance reported that the external audit had commenced, however a new audit approach was being followed by the Financial Statement

Auditors, based on a review of controls and compliance. The Committee noted that the College had not received notification of this new approach, which was being driven by the requirements of International Audit Standards and their impact on auditors internal compliance rules.

7 INTERNAL AUDIT REPORTS

A Campbell presented three Internal Audit reports to the Committee.

7.1 Cashflow and Working Capital Management

The Committee noted that the Internal Auditors had undertaken a review of the College's Cashflow and Working Capital management and had concluded that:

- the control framework 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 no **fundamental or significant** recommendations and three classified as **merits attention**.

Following a discussion, it was noted that the recommendation relating to the signing off of bank reconciliations was now accepted by the College and the report would therefore be reissued by the Internal Auditors.

Action: Bentley Jennison

7.2 Corporate Governance

The Committee noted that the Internal Auditors had undertaken a review of the College's Corporate Governance and had concluded that:

- the control within the system, as currently laid down and operated, provide **substantial assurance** that risks material to the achievement of the College's objectives for the system are adequately managed and controlled.
- there was one recommendation classified as **merits attention**. This was subsequently considered to be a minor matter and the Internal Auditors agreed to reissue the report.

Action: Bentley Jennison

7.3 Learner Number Systems

The Committee noted that the Internal Auditors had undertaken a review of the College's Learner Number Systems. The purpose of this work was to provide an opinion on the control framework operated, but not on the accuracy or validity of the College funding claim. The Internal Auditors had 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 classified as **merits attention**.

Members asked a number of questions relating to the audit, including the amount of time spent on it, and noted that the Internal Auditors had considered high risk areas only.

The Committee received the reports.

8 ANNUAL REPORT OF INTERNAL AUDITORS 2005/06

A Campbell presented the Internal Auditors' Annual Report 2005/06 and the Committee noted that the Auditors had concluded that the College has adequate and effective risk management, governance and control processes to manage the achievement of the College's objectives.

Members' attention was drawn to the Auditors' review and evaluation of the College's business areas and it was noted that although the audit opinion could be **Good, Adequate** or **Poor** for each area, the overall conclusion was either adequate or not adequate. The Auditors had concluded that the policies, procedures and operations in place were **Good** in the following areas:

- establish and monitor the achievement of the College's objectives;
- advise on, formulate and evaluate policy, with the responsibilities of the Principal as Accounting Officer;
- ensure economical and efficient use of resources; and
- ensure compliance with the College's policies, procedures, laws and regulations.

In the three remaining business areas reviewed the audit opinion was **Adequate**..

- identify, assess and manage the risks to achieving the College's objectives;
- safeguard the College's assets and interest from losses of all kinds, including those from fraud, irregularity and corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

The Committee noted the Internal Audit Service Benchmarking data within the report.

The Committee received the report.

9 AUDIT NEEDS ASSESSMENT AND DRAFT INTERNAL AUDIT PLAN 2006/07

A Campbell presented the Internal Auditors' Strategy for the Internal Audit of the College, which included a Draft Internal Audit Plan for 2006/07. Members noted that the strategy was in the second year of a five year Audit Needs Assessment and that key changes from the plan presented in the previous year had been discussed with College managers.

Members were satisfied that:

- the Strategy for Internal Audit covered the College's key risks as they are recognised by the Committee;
- the audit strategy included all areas that the Committee would expect to be subject to internal audit coverage, both in terms of professional responsibilities of the Auditors and areas of concern indicated by the College; and
- given the level of assurance required, the level of audit resource is acceptable;

The Committee gave consideration to the plan for 2006/07, noting the number of audit days was 65 (including 5 contingency days).

In advance of Minute 10 it was agreed that the five contingency days be used for audit work relating to the Financial Action Plan, subject to discussion between the Principal and Internal Auditors.

The matter of the approach to formulating the Draft Internal Audit Plan was raised, in particular the involvement of the Chair of the Committee and College management. **It was agreed that the Committee would consider this at a future meeting.**

Action: Clerk

The Committee endorsed the Internal Audit Plan 2005/06 in principle, subject to the discussions on the use of the contingency days, and recommended it to the Board for approval.

Action: Clerk

10 ACTION PLAN FROM FINANCE & GENERAL PURPOSES COMMITTEE

The Principal informed the Committee that a special meeting of the F&GP Committee was held on 20 September to inform Members that the Financial Out-Turn 2005/06 had not been as expected and had indicated a deficit position compared to a predicted surplus. The major factors relating to this change were:

- additional costs arising from the enrolment of 16-18 year old and adult students over the target funded by the LSC contract;
- forecasting errors resulting in an under estimation of the problem;
- extra spending on additional learning support; and

- shortcomings in certain financial systems, primarily orders and invoices.

Members noted that work was continuing to finalise the out-turn, and that an action plan had been initiated in relation to improving financial controls and forecasting. Once the Action Plan has been approved by the F&GP Committee at its meeting to be held on 11 October, audit work would be required by the Internal Auditors and the Audit Committee would be invited to monitor the outcome of actions.

The Committee received the report.

11 AUDIT ACTION PLAN UPDATE

Members received a report, which detailed the status of actions identified in internal audit reports, and were pleased to note the number of actions that had been completed overall.

The Committee received the report.

12 RISK MANAGEMENT ANNUAL REPORT 2005/06

The Committee received the current Risk Management Plan and the Draft Annual Report on Risk Management 2005/06, noting the aim of the report is to enable the Board to form an opinion on the extent to which it complies with audit requirements and, subject to endorsement by the Financial Statement Auditors, include a statement of full compliance on Risk Management in the 2005/06 Members' Report.

The Committee also received a copy of the risk assessment in relation to the South Bristol Skills Academy for information.

The Committee endorsed the Draft Report and recommended it to the Board for approval.

The Director of Resources and Estates tabled an Action Plan relating to Health & Safety. The Committee were advised that following an incident involving an injury to a member of staff at the Folly Lane site, improvement and prohibition notices had been served on the College by the Health & Safety Executive. An Action Plan had been drawn up to meet the requirements of the notices and had been disseminated to managers.

Members noted that the Internal Auditors would be commissioned to carry out a review (scope and limitations to be agreed) and that the Committee would be asked to monitor the outcomes of the Action Plan.

The Committee received the report and endorsed this approach.

13 DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE 2005/06

Members received a first draft of the report and were reminded that the Committee is required to produce an annual report for the governing body and accounting officer, which should include:

- The effectiveness of the College's risk management.
- The effectiveness of the College's control and governance processes.
- Any significant matters arising from the work of the Internal Audit Service (IAS), and the External Auditors.
- Any issues from the Regularity Audit.
- Any audit matters that impact on the Corporations Members' Report and Financial Statements.

Members completed a self-assessment before considering the draft report to the Board and, in response to questions, were reminded how the Committee reviewed the College's arrangement for ensuring value for money (VFM). During the course of the discussion it was agreed that the Executive Summary of the VFM report, prepared for the Provider Financial Assurance review would be circulated with the Minutes.

Action: Clerk

Members assessed the overall performance of the Committee as 'Outstanding'.

The Committee endorsed the format of the report noting that a revised draft would be presented at the November meeting.

ACTION: CLERK

14. EXCEPTION AND INFORMATION REPORT

The Clerk reported that as part of a rolling programme of testing fixed electrical installations, the Soundwell Centre was tested at a cost of £10k. The electrics failed the test and essential remedial work will cost £39k. However, if the work is carried out by a contractor other than the one that carried out the test, a further test will be required on completion of the work, at an additional cost of £10k. The Director of Resources and Estates therefore authorised that the remedial work be carried out by the same contractor who carried out the testing, without going out for competing quotes.

The Committee received the report.

15 ANY OTHER BUSINESS

No other business had been notified.

16 DATE OF NEXT MEETING

It was noted that the next Meeting would be held on Thursday 23 November 2006 in room 1.19, Bedminster Centre.

The meeting closed at 10.02 a.m.