

CITY OF BRISTOL COLLEGE

**MEETING OF THE AUDIT COMMITTEE HELD ON
THURSDAY 2 APRIL 2009 IN THE COMMITTEE ROOM
BEDMINSTER CENTRE AT 9.00 AM**

Present: M Pemble (Chairman), S Hewitt, J Killick, B Price, J Scaife and
D Simpkins

In Attendance:

A Campbell	-	Internal Audit, RSM Bentley Jennison
D Taylor	-	Internal Audit, RSM Bentley Jennison
J Bentley	-	Director of Finance & Learner Information
B Cooper	-	Director of Resources and Project Development
I Venn	-	Clerk to the Corporation
P Griffiths	-	Committee Services Officer

The Committee noted that the Board had approved the transfer of S Hewitt from the Finance and General Purposes Committee and he was welcomed to his first meeting.

1 DECLARATION OF INTEREST

There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from K Elliott.

3 MINUTES OF MEETING HELD ON 20 NOVEMBER 2008

The Minutes were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 20 NOVEMBER 2008

4.1 Minute 5 Annual Report and Financial Statements 2007/08

The Committee noted that the Board approved the Annual Report and Financial Statements 2007/08.

4.2 Minute 6.1 Government Procurement Cards – Internal Audit Recommendations

Members were reminded that at the previous meeting RSM Bentley Jennison was asked to clarify the number of recommendations classified as 'merits attention' as there appeared to be a discrepancy between the report summary and the body of the report.

D Taylor informed the Committee that there were four recommendations.

4.3 Minute 7 Framework for Excellence – approval of Financial Management and Controls

The Committee noted that a letter had been received from the LSC following their review of the College's audited Financial Management and Control Evaluation (FMCE) return for 2007/08. The letter had been received after the Corporation Board meeting, where the outcome of the review would normally be reported.

Members were reminded that a new approach to assessing the financial health of colleges had been developed as part of the Framework for Excellence. The College had assessed itself as having the financial health grade of outstanding for 2007/08 and the LSC concurred with this assessment. The LSC had also concurred with the College's FMCE assessment as outstanding.

The Committee were pleased to receive the report and congratulated the staff teams involved.

4.4 Minute 8 Annual Report of the Committee 2007/08

Members noted that the wording relating to the Financial Statements Audit had been finalised and the Report had been approved by the Board.

4.5 Minute 10 Financial Regulations

Members noted that:

- the Board approved the revised Financial Regulations; and
- an Annual Report on the Loss Register has been added to the Committee's business framework for 2009/10.

4.6 Minute 12 Appointment of External Auditors

The Committee noted that the Board approved the re-appointment of KPMG as the College External Auditors.

5 INTERNAL AUDIT REPORTS

The following Internal Audit reports were presented to the Committee:

5.1 Health & Safety – Construction and Transport & Engineering Technology

Members were reminded that an audit of Health and Safety in the Construction and Transport & Engineering Technology (TET) faculties was undertaken at the request of the Committee recognising that internal audit had not recently reviewed health and safety arrangements within the College. The Committee was seeking assurance on such arrangements with these faculties as they represent relatively high risk areas for health and safety issues.

The Auditors had concluded that, taking account of the issues identified, there was **substantial** assurance that systems were in place and **adequate** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

In the report summary, there were two **significant** recommendations and two classified as **merits attention**.

The significant recommendations related to:

- inconsistencies in approach to the preparation of risk assessments and the format and design of the risk assessments between faculties and even within the same faculty. There were areas where it was not evident that the content of risk assessments was bespoke to the individual requirements and needs of an item of equipment or a particular task; and
- Safety Inspection Reports were inconsistently completed, deadlines for the completion of jobs were inconsistently set and the reports lacked details and evidence of job completion.

In response to Members' questions, it was noted that systems were being implemented to ensure the actions relating to the recommendations implemented within the next two months and, subject to successful completion, the audit opinion will not effect the Auditors Annual Report.

The Committee received the report.

5.2 Corporate Governance

The Committee noted that the review was included in the audit plan to meet regulatory requirements and to give the Corporation assurance regarding compliance with the Instruments and Articles of Government for Further Education Corporations. The objective of the audit was to evaluate the adequacy of risk management and control within the system of Corporate Governance and the extent to which controls have been applied.

The Auditors had concluded that, taking account of the issues identified, there was **substantial** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

There was one recommendation classified as **merits attention**.

The Committee received the report.

5.3 Key Financial Controls

Members noted that the systems or processes reviewed as part of the audit of Key Financial Controls were:

- Access controls;
- Journals, month end closedown and reconciliation processes;
- Financial Regulations;
- Routine monitoring of debtors;
- Adequate authorisation of purchases; and
- Amendments to payroll standing data are appropriately authorised Payroll run reconciliation and authorisation.

The objective of the audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied.

The Auditors had concluded that, taking account of the issues identified, there was **substantial** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

There was one **significant** recommendation and one classified as **merits attention**.

The significant recommendation related to the number of purchase orders raised for one procurement. Members asked a number of questions and were satisfied that close monitoring will take place to avoid the splitting of orders in the future.

The Committee received the report.

5.4 LSC Funding Income Monitoring

The Committee noted that the specific risks considered as part of this audit were failure to maintain accurate and timely learner data through the management of business information at faculty, unit and centre level, and failure to collect all LSC income payments.

The audit was primarily focussed on ensuring that the College has effective processes in place to monitor the level of LSC income being earned compared to budget and expectation.

The Auditors had concluded that taking account of the issues identified, there was **substantial** assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

There were no recommendations arising from the audit.

The Committee received the report and congratulated the staff teams involved.

6 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report that summarised the outcome of work from the Internal Audit Plan 2008/2009 that has been completed to date.

It was noted that scope for the five Value For Money (VFM) days in the audit plan required consideration. It was further noted that the Principal had requested a review of the forecasting and budgeting cycle with a view to speeding up the production of financial plans and forecasts. The implementation of budgeting software to assist with this was imminent.

It was agreed that the expertise of RSM Bentley Jennison could be utilised in this area using the five VFM days, and this would be discussed by the Internal Auditors and Director of Finance.

Action: Director of Finance

7 AUDIT ACTION PLAN UPDATE

Members received a report, which detailed the status of actions identified in audit reports, and were pleased to note that only one action was outstanding.

The Committee received the report.

8 RISK MANAGEMENT

The Committee received a draft revision of the Risk Management Policy, which included changes to the Risk Management Group (RMG) and an amendment to implement an Audit recommendation on training.

It was noted that the RMG now consists of the Executive (except for the Principal, who receives a report back from the Director of Resources), and Members received the Minutes of the Group meetings.

It was further noted that mandatory training, which will be delivered by RSM Bentley Jennison, has been arranged for all senior managers.

A question was raised about the College's Business Continuity Plan and the closure for two days during the snowy conditions in January. It was suggested that there could have been better communication, especially with part time students and evening classes. The Director of Resources responded that the Executive had reviewed the procedures for closures due to severe weather conditions and had taken appropriate action to improve communication to the maximum extent permitted by current College systems.

Members suggested a number of amendments to the Risk Management Policy and **it was agreed that a further draft would be considered at the next meeting of the Committee.**

Action: Clerk

9 CYCLE OF MEETINGS AND COMMITTEE BUSINESS 2009/2010

The Committee received and agreed a draft framework of business for 2009/10 and further agreed to meet on a Thursday morning at the Bedminster Centre.

Action: Clerk

10 EXCEPTION AND INFORMATION REPORT

The Committee noted the following exceptions to the Financial Regulations:

- Orpen Park - due to the delays reported in the Minutes of the previous meeting, in order to speed up refurbishment and take beneficial occupation of the premises, it was decided to exclude construction of a kitchen and refectory inside the building and to install a prefabricated kitchen and refectory behind the building.

A similar arrangement, which had proved successful, had been used at Parkway when the refectory there was refurbished and the same contractor was approached. It was possible for the contractor to complete the work by the time the premises were ready and a quotation was obtained.

The specialist nature of the units was such that there were limited alternative suppliers and one alternative quotation was obtained. The two quotations were validated by Alder King on a like for like basis and the contract was awarded to PKL Group (UK) Limited, the lower of the two.

- South Bristol Skills Academy – ramps and road testing equipment had to be acquired early in order that the main contractor could design and prepare foundations. It was probable that the cost would require a College tender to procure the equipment. For reasons of urgency and because of the specialist nature of the equipment, the use of competitive quotations was approved.

The Committee received the report.

11 ANY OTHER BUSINESS

No other business had been notified.

12 DATE OF NEXT MEETING

It was noted that the next Meeting would be held on Thursday 21 May 2009, 9.00 a.m. in room 1.19, Bedminster Centre.

The meeting closed at 9.55 a.m.