

CITY OF BRISTOL COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON
THURSDAY 21 MAY 2009 IN THE COMMITTEE ROOM
BEDMINSTER CENTRE AT 9.00 AM

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

In Attendance:

K Elliott	-	Principal
B Cooper	-	Director of Resources and Project Development
D Taylor	-	Internal Audit, RSM Bentley Jennison
T Felthouse	-	External Audit, KPMG
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 APOLOGIES FOR ABSENCE

Apologies for absence were received from J Scaife and J Bentley.

3 MINUTES OF MEETING HELD ON 2 APRIL 2009

The Minutes were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 2 APRIL 2009

4.1 Minute 6 Value for Money Audit Days

D Taylor reported that the audit days had been used to assist the College in implementing new Management Accounting software.

5 INTERNAL AUDIT REPORTS

Two Internal Audit reports were presented to the Committee.

5.1 Cash Flow and Working Capital Management

Internal Audit have previously reviewed this area and provided substantial assurance opinions. However, the most recent review was in May 2007 and the Audit Committee and College management sought more up-to-date assurance that robust systems continue to be in place to manage cash flow and working capital, and that they are operating effectively. This is particularly relevant given the College's plans and objectives for consolidation of several sites and the construction of the South Bristol Skills Academy (SBSA).

The specific risks considered as part of this audit were:

- Failure to collect all LSC income; and,
- Failure to meet payments to suppliers on due dates.

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

There were no recommendations.

The Committee received the report.

5.2 Capital Projects

As part of its property strategy, the College is currently developing the South Bristol Skills Academy (SBSA). The four storey building which will have an internal area of 11,382 square metres is being built at a construction cost of £22,886,148 (excluding VAT). A contingency sum of £350,000 has been allocated for the project. Taken as an example of the College's current significant capital project management methodology, this audit focused on the SBSA project to verify that a sufficient planning, governance and management framework is in place to ensure that the College has the capacity and capability of delivering a complex capital project successfully.

The specific risks considered as part of this audit were:

- Current capital projects control and associated policies are not adequate.
- Organisational policies and procedures are not being adequately used to manage projects.

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

There were four '**merits attention**' recommendations, which had been agreed by the College Management. In response to questions, the Director of Resources reported on the resolution of risks and, in response to a question on the wider issue of KPIs for other contracts, assured the Committee that these were in place.

The Committee received the report.

6 INTERNAL AUDIT PROGRESS REPORT

D Taylor presented a paper that summarised the outcome of work from the Internal Audit Plan 2008/2009 that has been completed to date. He reported that there had not been any major issues identified that would impact on the annual opinion. He advised the Committee that the timing of the Counter Fraud Review and the audit of College Taxable Activities had been such that these Reports would now be presented to the next meeting of the Committee.

The Committee received the report.

7 INTERNAL AUDIT PLAN 2009/10 - UPDATE

D Taylor presented a paper that set out the purpose of internal audit as providing the Board, through the Audit Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the College's agreed objectives. The opinion forms part of the framework of assurances that the Board receives and should be used to help inform the annual Statement on Internal Control.

He informed the Committee that under the new Funding Methodology and with the impending changes in the Machinery of Government, colleges need to be more aware, on a real-time basis of their performance. For adult-responsive and employer-responsive provision mid-year and end of year reconciliations will be performed and funding not earned, will be clawed back. Furthermore, through the Qualified Provider Framework the channel for funding will increasingly be project focused with key deliverables identified as a condition of receipt of funding. Colleges need to have robust **performance management systems** in place with timely and accurate reporting tailored for different levels of management and governance.

The Internal Auditors were proposing a **thematic review** in this area in 2009/10, the aim being to undertake an audit at a large number of clients, and simultaneously collect and appraise data. At the end of the year the College would receive a report based on best practice and innovation in the sector.

Further proposals were:

- In recognition of the transfer to SBSA planned during the year, to allocate days to a business continuity review of the transfer arrangements, reviewing the potential risk areas related to such transfers, and the measure the College has in place to mitigate these results.
- As part of the College's continued drive to become more efficient in day-to-day operation, to include a Value for Money review of the operational practices in Finance.
- To resource these proposals by using the allocation of days planned for Staff Recruitment and Absence Management as College management considered that this was a lower risk next year.

Following discussion the Committee endorsed the proposal for a thematic review of performance management systems and noted that a detailed scoping paper would be presented at the next meeting.

Action: Clerk/Bentley Jennison

The Chairman then invited the Committee to consider the questions raised in the paper.

- Does the detailed internal audit plan for the coming financial year reflect the areas that the Committee believes should be covered as priority?

Concern was expressed about the re-allocation of the 5 days previously planned for Staff Recruitment and Absence Management and following discussion it was agreed that a report would be presented to the next meeting that provided Executive assurance to the Committee that adequate systems were in place.

Action: Principal

- Does the updated Strategy for Internal Audit cover the organisation's key risks as they are recognised by the Committee?

Attention was drawn to Appendix B and the absence of an audit of Data Protection/CRB/Freedom of Information compliance. It was agreed that a report would be presented to the next meeting that provided Executive assurance to the Committee that adequate systems were in place.

Action: Clerk/Principal

- Does the audit strategy include all those areas that the Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?

The Committee was content with the strategy.

- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

The Committee was content with the level of resource.

The Committee received the report, endorsed the proposed changes to the Internal Audit Strategy and agreed to recommend the Audit Plan 2009/10 to the Board for approval.

Action: Clerk

8 AUDIT ACTION PLAN 2008/09 UPDATE

The Clerk presented the report and drew the Committee's attention to the three actions outstanding in respect of the Health and Safety Audit. These were to be completed by June and a follow up audit was planned.

The Committee received the report.

9. EXTERNAL AUDIT 2008/09 INTERIM REPORT

T Felthouse presented an External Audit Strategy and Planning Memorandum and drew the Committee's attention to the format, which was similar to last year. He identified the key points:

- Purpose and objectives of the audit;
- Audit approach;
- Audit risks;
- Audit team and fees;
- Timetable; and
- Further Education sector developments.

There was a detailed discussion about the key risks and T Felthouse reported that these were similar across the sector.

In discussions about materiality the Committee was informed that the trigger to identifying that the financial statements are free of material misstatement and give a true and fair view. The assessment of what is material is a matter of professional judgment and includes consideration of both the amount (quantity) and nature (quality) of misstatements.

An indicative level of materiality for 2008/09 is £260,000.

The Committee received the report.

10 RISK MANAGEMENT

The Committee considered a report, a revised draft of the Risk Management Policy and the Minutes of the latest Risk Management Group meeting.

The Committee received the Report, and agreed to recommend the revised Policy to the Board for approval.

- o **Action:** Clerk

11 EXCEPTION AND INFORMATION REPORT

The Clerk reported on the following tenders that were in accordance with Financial Regulations:

- o two separate contracts had been entered into for fitting out the hair and beauty salons at the South Bristol Skills Academy, one for £50k in respect of the salons and one for £70k for therapy equipment. The contracts were placed with suppliers who have fitted out other salons in the College. The reasons for taking single tender action were presented to the Committee.
- o the number of contractors invited to tender for cladding the Sports Hall at the Soundwell Centre was reduced from the minimum of 5 to 4 because of the limited size of the contract and the specialist nature of the work.

The Committee received the report.

12 ANY OTHER BUSINESS

The Chairman informed the Committee that this was Brian Price's last meeting as he was not standing in the local elections and would be retiring from the Board in July. Brian was thanked for his commitment and the significant contributions he had made at meetings. He also announced that it was his final meeting as he was retiring from the Board in July as work commitments were making it increasingly difficult to attend meetings.

The Principal thanked Malcolm for the outstanding service he had given to the Committee since he joined the Board in 1997, which was reflected in the quality of the Committee's work and its effectiveness.

13 DATE OF NEXT MEETING

It was noted that the next Meeting would be held on Thursday 8 October 2009, 9.00 a.m. in room 1.19, Bedminster Centre.

The meeting closed at 10.00 a.m.