



CITY OF BRISTOL COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON
THURSDAY 27 MAY 2010 IN THE COMMITTEE ROOM
BEDMINSTER CENTRE AT 8.30 A.M.

Present: S Hewitt (Chairman), J Killick, B Price, J Scaife and C Scriven

In Attendance:

J Bentley	-	Director of Finance and Learner Information
A Campbell	-	Internal Audit, RSM Tenon Group
B Cooper	-	Director of Resources and Project Development
K Elliott	-	Principal
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.

2 APOLOGIES FOR ABSENCE

All Members were present.

3 MINUTES OF MEETING HELD ON 1 APRIL 2010

These were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 1 APRIL 2010

There was one matter arising which was on the Agenda (*Minute 13 refers*).

5 FINANCIAL STATEMENTS AUDIT INTERIM REPORT 2009/10

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 team and fees;
- Timetable; and
- Further Education sector developments.

The following key audit risks were identified in the report, together with the audit approach to each:

- financial performance;
- funding body income being accounted for correctly;
- economic climate impact on financial performance;
- capital projects;
- staff restructuring;
- accounting for accruals, liabilities and provisions;

- pension liability;
- appropriate risk management and corporate governance arrangements;
- compliance with tax authorities.

Members asked a number of questions about these risks, noting they are generic to the sector.

Attention was drawn to the risk associated with financial performance and the Committee noted that although the mid-year review forecasts an operating surplus, which was on target, this did not include restructuring costs and the College was updating the forecast outturn.

In response to a question about Benchmarking reports, it was noted that **these would be provided to the College and circulated to the Committee.**

Action: T Felthouse

The Committee received the report and endorsed the external audit approach.

6 INTERNAL AUDIT REPORTS

A Campbell presented two reports relating to planned Internal Audits for 2009/10.

6.1 Follow Up of Previous Internal Audit Recommendations

The Internal Auditors had undertaken a review to follow up progress made by the College to implement previous internal audit recommendations. The audits considered as part of this review were:

- Follow Up 2008/09; and
- Counter Fraud Review.

The Committee noted the focus of the review was to provide assurance that all recommendations previously made have been adequately implemented.

The Internal Auditors had concluded that, taking into account the issues identified and in line with definitions set out in the report, the College has demonstrated reasonable progress in implementing actions agreed to address the internal audit recommendations.

There was one '**significant**' recommendation and five '**merits attention**'.

The significant recommendation related to the Counter Fraud Review and the recommendation that spot checks are carried out to verify the existence, make and model of assets that are mobile to minimise the risk of theft. Members noted that this was work in progress and an action plan had been formulated to implement the recommendation.

It was **agreed** that a completion date for implementation of the significant recommendation would be provided in the Minutes.

Action: Clerk

Afternote: The significant recommendation has now been implemented.

The Committee received the report.

6.2 Key Financial Controls - Payroll

The Committee noted that the Internal Auditors had examined the key controls operating in the following areas:

- Starters;
- Leavers;
- amendments to standing data; and
- Payroll checks.

The Auditors had concluded that taking account of the issues identified, the Board can take '**substantial**' assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective. There were two recommendations which 'merit attention'.

Members asked a number of questions relating to the over payment of salaries and the recording of discrepancies which were considered as debts. There was further discussion about the consistency in writing off debts and the Committee was content that appropriate processes were in place.

The Committee received the report.

Afternote: The Director of Finance and Learner Information has the authority to write off debts up to £5k.

7 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report which summarised the outcome of work completed against the Internal Audit Plan 2009/10 and provided cumulative data in support of internal audit performance.

Members noted that the planned follow up of Risk Management (Risk Maturity) would be scoped in June 2010 and completed in September.

Members further noted that the Enrolment Process (Value for Money) report had been issued to the College and management comments were being finalised (*Minute 9 refers*).

The Committee received the report.

8 PROVIDER FINANCIAL ASSURANCE (PFA) AUDIT REPORT – EUROPEAN SOCIAL FUND (ESF) PROJECTS

The Committee received a report which detailed the findings and conclusions arising from the audit visit of the LSC's PFA team to the College during February 2010.

Members noted that the audit opinion was 'unqualified' for the projects.

The Committee received the report.

9 AUDIT ACTION PLAN UPDATE

Members received a report, which detailed the status of actions identified in all audit reports. It was noted that there were a number of outstanding actions which were 'work in progress'.

The Committee had previously noted that the Enrolment Process (Value for Money) report had been issued to the College and management comments were being finalised. **It was agreed the Executive Summary would be circulated to Members out of Committee and the full report presented to the October meeting.** The report would be available to Members upon request to the Clerk prior to this.

Action: Clerk

The Committee received the report.

10 RISK MANAGEMENT

The Committee considered a report, noting there had been one meeting of the Risk Management Group (RMG) since the last Committee Meeting. Members received the Draft Minutes of this meeting, together with the Risk Register for Levels 1, 2 and 3 risks.

Members further noted that:

- level 1 risks are reviewed at each meeting, level 2 risks once each term and Level 3 risks annually; and
- the level 3 risks were reviewed at the May meeting of RMG and a number of revisions were made including downgrading some Level 2 risks.

The Committee received the full Risk Register noting that due to the timing of respective meetings, not all of the level 3 changes agreed by the RMG had been entered and **a final version of level 3 risks would be provided with the Minutes.**

Action: Clerk

The Committee received the report, noting that the RMG had considered the external risks advised by the Committee Chair and these had been included in the Risk Register, where appropriate.

11 COMMITTEE WORK PLAN 2010/11

Members received the Committee's Terms of Reference (TORs) together with its Work Plan for the current year.

The Committee considered the documents in order:

- to start the self assessment process for 2009/10; and
- to identify any gaps that can be rectified in 2010/11.

The Committee agreed that it complied with its TORs but requested the Clerk to review the wording of 2.1.1 (effectiveness of the College's whole system of internal control) to include reference to risk management. The Clerk was also requested to consider the extent to which the Committee had complied with 2.4 (relevant performance measures and indicators/effectiveness of the internal and external audit service).

Members further requested that the May meeting be moved to June in 2010/11.

Action: Clerk

12 EXCEPTION AND INFORMATION REPORT

The Committee was advised that a submission for the College Cleaning Contract from Glen Cleaning Ltd. had been excluded due to its late submission and not following the instructions relating to the delivery address and contact details.

The Committee noted the report.

13 APPOINTMENT OF EXTERNAL AUDITORS

The Internal and External Auditors left the meeting.

The Clerk reminded the Committee that they had raised concerns that as a result of the previously agreed extension to the appointment of Internal Auditors, their contract would now end in the same year as that of the External Auditors.

Members discussed a number of options, and requested the Clerk to circulate details of the appointment cycle, together with a recommendation for a way forward. Members also agreed to comment on proposals out of Committee and delegate the decision to the Chair.

Action: Clerk

14 ANY OTHER BUSINESS

No other business had been notified.

15 DATE OF NEXT MEETING

Wednesday, 13 October 2010 at 8.30 a.m., at the South Bristol Skills Academy.

The meeting closed at 10.05 a.m.