



CITY OF BRISTOL COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY 1 APRIL 2010 IN THE COMMITTEE ROOM BEDMINSTER CENTRE AT 9.00 AM

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
K Elliott	-	Principal
D Taylor	-	Internal Audit, RSM Tenon Group
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

Apologies for absence were received from B Cooper, Director of Resources and Project Development.

3 MINUTES OF MEETING HELD ON 26 NOVEMBER 2009

These were agreed as a true record, including the Confidential Minute.

4 MATTERS ARISING FROM THE MINUTES OF 26 NOVEMBER 2009

4.1 Minute 5 Annual Report and Financial Statements 2008/09

The Committee noted that the Board had approved the Annual Report and Financial Statements 2008/09.

4.2 Minute 6.2 Internal Auditors' Annual Report 2008/09

Members noted that the Internal Auditors had confirmed that all the audit work planned for 2008/09 was completed, and the Committee was reminded that it receives a progress report at each meeting on implementation of the 2009/10 plan.

4.3 Minute 9 Annual Report of the Committee 2008/09

Members noted that the Board had approved the Annual Report of the Committee 2008/09.

4.4 Minute 13 Appointment of Internal Auditors

The Committee noted that the Board had approved the re-appointment of RSM Bentley Jennison as the Internal Auditors for a period of two years.

The Committee further noted that since the appointment, RSM Bentley Jennison and Tenon Group Plc had merged to form RSM Tenon Group Plc. Members raised a number of questions

about the service to the College and the impact on future competition. The Committee was given assurances that the same level of service would continue, with the same team and at the same cost. It was further explained that Tenon did not previously provide an internal audit service in the South West.

Members were content for RSM Tenon Group to continue as the College Internal Auditors but raised concerns about the appointment of Internal and External Auditors coinciding in the same year. **It was agreed that the Committee would receive a report at the next meeting, which would contain proposals for avoiding this.**

Action: Clerk/Director of Finance

4.5 Minute 14 Appointment of KPMG as External Auditors 2009/10

The Committee noted that the Board had approved the re-appointment of KPMG as External Auditors for 2009/10.

5 INTERNAL AUDIT REPORTS

Four reports relating to planned Internal Audits for 2009/10 were presented to the Committee.

5.1 Course Validation

The purpose of the audit was to review a sample of ten courses that were recently approved and ensure that both the strategic and financial viability had been assessed before the course was approved.

A Campbell presented the report and the Committee noted that the Internal Auditors had provided **adequate** assurance that the controls upon which the organisation relies to manage this risk, as currently laid down and operated, are effective.

The Auditors made four **significant** recommendations:

- the College's Internal Validation Policy should be updated to include clear guidance on a financial analysis of the proposed course. This should be supported by a written analysis including any other strategic reasons for the proposal that may outweigh financial gains/losses;
- the College should document explicitly the financial rationale for each course that is internally validated to ensure that all courses run are financially beneficial to the College, and that a breakeven number of students is known;
- Curriculum Managers and Faculty Heads should have clear guidance on the level of overheads to be included in the costing process so they can make an informed decision on whether a course is financially viable or not; and
- as part of clarifying the procedures for the financial element of course costing, how to treat staff costs should be clarified and explained.

Members asked a number of questions relating to the recommendations, noting that they have been accepted by the College and an exercise was currently being undertaken whereby the cost base for all courses is being established. This will involve taking into account factors such as location and the variable overheads that should be considered before each course is approved.

The Committee received the report.

5.2 Enrolment - Training Solutions and Transport & Engineering Technology

The Committee noted that the audit of the Enrolment process for Training Solutions (TSO) and Transport and Engineering Technology (TET) faculties was an advisory review and the Internal Auditors had been directed to areas of concern by the College management. The intention of the audit was to ensure that student recruitment is maximised, learner information is recorded accurately and in a timely manner, and all monies owed to the College are invoiced and received in a timely manner to avoid experiencing cash flow difficulties.

The Auditors had been requested to review these areas to establish the degree of compliance with College procedures, investigate the process followed, and to provide independent, objective feedback as a result of sample testing.

The Auditors had made four **significant** recommendations in the report:

- the College should implement a standard set of enrolment guidelines, made available on the staff intranet and used universally across all campuses. The Learner Information Management (LIM) team should consider maintaining a spreadsheet of errors for all campuses that details progress against correcting those errors;
- TET:
 - students should be enrolled prior to their course start date wherever possible, and payment should be received or guaranteed by a student's sponsor as soon as possible following the course start date;
 - the College should obtain signed contracts for each partner employer for the 2010/11 academic year; and
- TSO:
 - students should be enrolled prior to their course start date wherever possible, and invoices should be raised as soon as possible following the course start date.

Members asked a number of questions and noted that the College had accepted the recommendations in the report. It was further noted that the College has commissioned work to be carried out on an Enrolment Process Analysis to establish where improvements can be made and give value to potential savings (*Minute 6 refers*). The outcome of this work will help management to address the issues raised in the action plan included in the report and pave the way to correct the shortcomings.

The Committee received the report.

5.3 Learner Numbers - Register Completion

The Committee noted that the audit of Register Completion was an advisory review and the Internal Auditors had been directed to areas of concern by the College management. The review complemented the testing carried out during the Enrolment audit (*Minute 5.2 refers*) to assess the risk that the College:

- is not receiving the correct funding;
- claiming the correct fees due to students not being enrolled correctly;
- student attendance being inaccurately recorded.

Areas for review included actual completion of registers compared to prescribed guidelines, with a specific focus on courses where inconsistent practice is known or expected, from the results of the College's own checks in this area.

The Auditors had made one **fundamental** recommendation. The Committee observed that this was the first fundamental recommendation for a number of years and was advised that management action has been taken (*Minute 6 refers*).

The fundamental recommendation related to:

- ensuring that lecturers clearly add, withdraw or comment on any learner that has a different status than on the course list; and
- administrators processing these learners and enrolling them onto the course in a timely manner so that funding can be claimed for those learners.

Five **significant** and two **merits attention** recommendations and also been made. The significant recommendations were:

- staff need to be reminded of the location of all guidance, procedures and systems surrounding register completion and reminded of their responsibilities and duties in this process and for amending registers;
- as required by the LSC and outlined in the completion of register guidance, staff should ensure that students are withdrawn after four weeks of absence and the date of withdrawal is the last date of attendance;
- staff should ensure that all students enrolled for a two year course that already have a student number from the first year should be enrolled on the second year of the course within two weeks of it being highlighted by an administrator;
- staff should ensure that all registers are fully completed with no blanks on any active slots. If for any reason the student was not present or the class was cancelled this should be made clear in both the electronic and manual registers; and
- it is essential that every half term all manual records are reviewed and checked by an administrator to ensure that newly added students, withdrawn students and added comments are processed in a timely manner.

Members asked a number of questions and noted that the College had accepted the recommendations in the report. It was further noted that the work commissioned by the College on an Enrolment Process Analysis (referred to in the previous item) will address the issues raised.

The Committee was advised that as this was an advisory audit, it will not affect the overall opinion in the Internal Auditors' Annual Report.

The Committee received the report.

5.4 Transfer to South Bristol Skills Academy (SBSA)

This audit reviewed the arrangements in place to manage the transfer from the Bedminster Centre to the new SBSA and ensure continuity of College operations, which included Information Technology (IT), staffing and the construction of the new SBSA building.

Members were advised that the approach taken for this audit was advisory and as such no assurance opinion was provided. The Auditors had concluded that the College has designed

and implemented a satisfactory control framework to ensure processes are in place to manage the transition to the new building.

The Auditors had made one recommendation categorised as **merits attention**.

The Committee received the report.

6 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 the changes proposed by the College to the Internal Audit Plan to allow more resource to be utilised for the Value for Money review. Reference to the review (Enrolment Process Analysis) had been made earlier in the meeting and **the Committee endorsed the scope of the review and the Chairman's action in approving the proposal.**

The Committee received the report.

7. LSC AUDIT REPORTS

7.1 Financial Management and Control Evaluation (FMCE)

The Committee noted that the report set out the overall opinion and the findings arising from the LSC's Provider Financial Assurance (PFA) team's visit to the College in January 2010 during the week the College was being inspected by Ofsted.

The purpose of the visit was to validate the College's full FMCE return for 2008/09 and Members were pleased to note that the FMCE grade was 'outstanding' for the College's financial management and control arrangements.

In response to a question about a recommendation in the report concerning presentation of audit reports to the Committee, Members were assured that all reports were presented and the issue referred to timing (*Minute 7.2 refers*).

The Committee received the report.

7.2 Employer Responsive – Apprenticeships and Learner Responsive – E2E;

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 July 2009.

The objectives of the audit process is to ensure that providers properly manage the key risks relating to the LSC funding that they receive and to ensure that these public funds have been used appropriately and for the purposes for which they were intended.

Members noted that the audit opinion was 'qualified' for the Apprenticeships funding stream as the PFA team had concluded that the College did not have sound systems of internal control in operation for the periods audited. The College had contested the LSC's position, which had resulted in the delay in submitting the report to the Committee.

Members further noted that the audit opinion for E2E was 'unqualified'.

The Committee received the report.

7.3 Employer Responsive – Train to Gain

The Committee noted that the LSC's PFA team had also undertaken an audit visit to the College in November 2009, the objectives of which were as outlined in 7.2.

Members noted that the audit opinion was 'unqualified' for the Train to Gain funding stream.

The Committee received the report.

7.4 ESF Project - NEET

The Committee noted that the LSC's PFA team had undertaken this audit visit in December 2009, the objectives of which were as outlined in the previous items.

Members noted that the audit opinion was 'unqualified' for the Train to Gain funding stream.

The Committee received the report.

8 DATA PROTECTION AND FREEDOM OF INFORMATION COMPLIANCE

The Committee was reminded that at its October 2009 meeting, it had been noted that Data Protection/CRB/Freedom of Information compliance was not included in the 2009/10 Internal Audit Plan. Members had sought Executive assurance that adequate systems were in place.

The Committee had been advised that validation of CRB checks was in progress under the umbrella of 'Safeguarding'. Validation of Data Protection and Freedom of Information compliance was being carried out internally and the Committee was provided with relevant data. Members observed that the absence of any complaints to the Information Commissioner was indicative of a satisfactory level of compliance.

Members received and noted a progress 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 the two outstanding actions were 'work in progress'.

The Committee received the report.

10 RISK MANAGEMENT

The Committee considered a report, noting there has been three meetings of the Risk Management Group (RMG) this year. Members received the Minutes of these meetings, together with the Risk Register for Levels 1 and 2 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 Risk Register has been modified to incorporate recommendations from the last internal audit and now includes residual risk and links to the College Strategic Objectives.

In response to questions about the Committee's role in risk management, the Clerk advised that it was responsible for:

- advising the Board on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management;
- reporting to the Board on any emerging risks; and
- reporting annually to the Board and the Accounting Officer on the effectiveness of the College's risk management processes.

In discussion, Members questioned the clarity of the external risks on the register **and requested that the wording be reviewed.**

Action: Clerk

Afternote: the Committee Chair has advised the Clerk of external risks that the Risk Management Group might consider.

11 LOSS REGISTER

The Clerk informed the Committee that losses of capital items were recorded. The de-minimus level for recording other losses was currently set at £50 and it was agreed that a report would be made to a future meeting following lessons learned out of decommissioning the Bedminster Centre

Action: Clerk

12 CYCLE OF MEETINGS 2010/11

The Committee agreed to meet on a Thursday morning at 8.30 a.m., with the first meeting being held at the South Bristol Skills Academy.

Action: Clerk

13 EXCEPTION AND INFORMATION REPORT

The Committee was advised that the submission from Viglen Ltd for the EU tender for the ICT infrastructure at the SBSA had been excluded as it was incorrectly addressed and sent to the Procurement Unit, when the tender documentation clearly required that it should be sent to the Director of Finance.

The Committee noted the report.

14 ANY OTHER BUSINESS

No other business had been notified.

15 DATE OF NEXT MEETING

Thursday 27 May 2010, 8.30 a.m., Committee Room, Bedminster Centre.

The meeting closed at 10.40 a.m.