

NOTES of the Audit Committee held on Tuesday, 1 July 2008

Present: Mr N Hainsworth (Chair)
Mrs C Atkinson

In attendance: L Swift (Head of Finance)
J Stott (Clerk)
S Shaw (Deputy Clerk)
Andrew Fife – TIAA (Internal Auditors)
Claire Stone – Tenon (External Auditors)

Apologies: Mr M Brannan
Mr P Brown

Meeting commenced: 17:35 pm
Meeting closed: 18.10 pm

The Clerk opened the meeting, explaining that the meeting was inquorate. Members agreed to proceed on this basis and agreed that a note of the meeting would be taken for consideration at the Corporation on 22nd July.

11/08 Disclosure of financial and/or personal interest

There was no disclosure of financial and/or personal interest.

12/08 To agree agenda and order of business as circulated

The Head of Finance recommended and the Members agreed to defer consideration of the Internal Audit Plan for 2008-09 (item 8) to the next quorate meeting of the Committee scheduled for November.

With this change, the agenda and order of business was agreed.

13/08 To approve the minutes of the meeting held on 15th April 2008

The minutes were considered and since the current meeting was inquorate, it was agreed that the minutes be sent forward to the next Audit Committee for formal approval.

14/08 Matters Arising

There were no matters arising.

15/08 To receive the final version of the Internal Audit Report – First Visit

It was noted that there had been no changes following the draft report circulated to the previous meeting. The copy of the final report had been circulated for information only.

The Report was received.

To receive a provisional Internal Audit Report (2nd Visit undertaken in May 2008)

Andrew Fife of TIAA guided Members through the Report of the 2nd Internal Audit visit.

Members noted the summary outcome of the System Reviews conducted on the following six areas:

Payments	Good
Payroll	Satisfactory
Absence Management	Good
HR / Staff Recruitment	Good
Quality Assurance	Good
Follow-up	Good

TIAA drew Members' attention in particular to items 13.1 and 13.2 of the report concerning segregation of duties in the access rights for the payroll system. He re-stated the recommendations of internal audit as:

- (a) A review be undertaken of the access rights within the Cintra payroll system to prevent finance staff from authorising their own input.
- (b) An independent monthly sample check be introduced of key areas within the payroll e.g. starters, leavers, variations to pay, bank account details and finance staff salaries and changes.

The Head of Finance confirmed that only 3 members of her team had access to the payroll and that 1 member did 90% of the transactions. The Head of Finance considered that the audit trail was sufficient. The Head of Finance had some concerns about the ability to implement the recommendations within her small team.

TIAA commented that it would be wise for the College to institute an independent and random sample checks on a broader range of staff than the suggested checks on finance staff changes.

The Head of Finance added that only the College Administrator and the Principal would be able to effect an independent check and that this would not be practical. A discussion followed.

The Committee Chair asked the Head of Finance to report back on progress in this area at the next Committee meeting in November.

TIAA maintained that careful consideration should be given to the recommendations. Tenon and the Committee Chair raised the issue of "ghost employees" and suggested that a careful check of all employee names on the active payroll be undertaken.

The Head of Finance explained the process for payment of PTL contracts which she felt was sufficiently robust to avoid this possibility.

The report was received.

17/08 To receive the Internal Audit Annual Report 2007-08 for recommendation to the Corporation

Members noted that TIAA had carried out 9 system reviews which had been designed to ascertain the extent to which the internal controls in the system were adequate to ensure that activities and procedures were operating to achieve the College's objectives.

TIAA asked whether the Committee felt that further information should be provided to Corporation on the outcome of the review of Payroll.

Committee Members agreed that management action on the payroll had been discussed at some length and that the Committee were satisfied that the controls would be reviewed.

Due to the inquorate meeting this item would be sent to the Corporation for formal approval.

18/08 To consider the Internal Audit Plan for 2008-09 for recommendation to the Corporation

Members noted that this item would be considered in detail at the next Audit Committee meeting in November.

19/08 To consider the External Audit Planning Memorandum for the year ended 31st July 2008

Claire Stone of Tenon presented the Planning Memorandum. She explained that the scope would remain the same as in previous years. Materiality would be based at the same level as on the 06-07 accounts. There was nothing to bring to the Committee's attention in the areas of ethics or international standards.

Regarding additional non-audit services provided by Tenon, the Head of Finance explained that Tenon had undertaken the College's funding audit. The College had also taken some advice on the implications of the new funding methodology and some work on ALS.

The Committee noted the two main Audit Risks as:

- FRS 17 Accounting for Pensions
- Train to Gain – Income recognition and disclosure

and recommended the External Auditor's proposed audit approach to these for approval.

20/08 To receive a progress report on the operational effectiveness of the Risk Management Plan

The Head of Finance presented in detail the end of year report on the operational effectiveness of the Risk Management Plan prepared by the

Principal. She reminded Members that the latest Internal Audit Report on the College's Risk Management arrangements had assessed these as "outstanding".

In particular, the Head of Finance drew Members' attention to the following elements of the "in-year Review of Significant Risks":

1(a) Achievement of Growth

The College had achieved the further increase in 16-18 full time numbers agreed with the LSC for 2007-08.

1(b) Achievement of 16-18 and Level 2/3 19+ LSC Student Number Targets

The College expected some underachievement of its overall adult numbers. However, the 19+ Level 2 and 3 targets in priority areas had been exceeded.

1(g) Additional Learner Support

These costs had been kept within budget but the College was finding it challenging to make a claim.

2(a) Whether the College's financial health is stable or declining

It was noted that, under Framework for Excellence indicators, the College would be re-graded as "Good".

2(k) Higher Pay Increase

The current negotiating positions of AOC and the unions were noted and it was noted that the F&GP Committee had requested 2 different models for a pay increase from 1st August.

5(a) Major network and / or server malfunctions

It was noted that the paper should read "There have not been major failures this year. Network reliability has been good".

Members noted the comments about the new funding methodology and the Head of Finance confirmed that the College would shortly be in receipt of all the information about allocations within the new funding categories.

21/08

To monitor the progress of the College in implementing recommendations made by Auditors

Members received the report, noting the target dates for actions outstanding.

22/08 Any Other Business

(a) Dates of meetings to December 2008

(i) Tuesday 25th November 2008 at 6.30pm

There was no other business.

The meeting closed at 18.10pm.