

BASINGSTOKE COLLEGE OF TECHNOLOGY CORPORATION

AUDIT COMMITTEE

Minutes of a Meeting held on Wednesday 17 June 2009 at 5.00pm

Membership:	<ul style="list-style-type: none"> * Charles Cardiff * Andrew Bishop * Donna Kitchen Lynden Jones * Andy Williams * Pamela Woolgrove 	<ul style="list-style-type: none"> Member Member Staff Member Member Co-opted Member Member 	<ul style="list-style-type: none"> Chairman
Quorum:	3 Members required	5 present	Meeting quorate
In Attendance:	<ul style="list-style-type: none"> i Judith Armstrong i Bill Blythe i Anthony Bravo i Simon Burrell i Jenny Cairns Gill Livingstone i Richard Plumb Chris Mantel i David Moir i Duncan Short * Present i From Minute 149 	<ul style="list-style-type: none"> Principal Head of Finance (HOF) Principal Designate Clerk to the Corporation (Clerk) Tenon (Financial Statements Auditor) Bentley Jennison (Internal Auditor) Bentley Jennison (Internal Auditor) Tenon (Financial Statements Auditor) Deputy Principal - Finance & Resources (DPFR) Bentley Jennison (Internal Auditor) 	

PART 1 – NON CONFIDENTIAL MATTERS

148. PRE MEETING DEVELOPMENT SESSION

The Committee held a 'Members Only' pre-meeting development session.

149. APOLOGIES FOR ABSENCE

Lynden Jones, Gill Livingstone (Bentley Jennison), Chris Mantel (Tenon).

150. DECLARATIONS OF INTEREST

There were no Declarations of Interest made by those present.

151. NOTIFICATION OF ANY OTHER BUSINESS

The DPFR notified one item of Any Other Business.

152. MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 11 March 2009 were confirmed as a correct record, and were signed by the Chairman.

153. MATTERS ARISING

There were no Matters Arising discussed not covered elsewhere on the Agenda.

154. PROGRESS REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT REPORTS

A written report was received and considered. The DPFR and HOF took Members through the report and updated on progress made. It was noted that of the 15 recommendations contained in the report, 3 had been completed, and a further 7 were due for completion by the end of September 2009. Work on the remaining 5 recommendations was ongoing.

Members were pleased to note the progress achieved on completing outstanding recommendations.

155. INTERNAL AUDIT SERVICE

[Internal Audit recommendations graded on a three-tier hierarchical structure: fundamental, significant, merits attention]

1. Internal Audit Data Security (03.08/09)

A written report was received and considered. The Internal Auditor advised that, in his opinion, the control framework in place provided substantial assurance that risks material to the achievement of the College's objectives were suitably managed and controlled. There were 2 recommendations made arising from the review (both graded 'merits attention'). The Internal Auditor took Members through the recommendations and outlined actions taken by College Management to address them.

2. Strategic Planning Capital Programme – Early Stage Procurement (04.08/09)

A written report was received and considered. The Internal Auditor advised that, in his opinion, the design of the control framework, the application of and compliance with the control framework and their overall opinion provided adequate assurance that risks material to the achievement of the College's objectives were suitably managed and controlled. There were 5 recommendations made arising from the review (all graded 'merits attention'). The Internal Auditor took Members through the recommendations and outlined actions taken by College Management to address them.

The Chairman of the Committee advised that, whilst noting the outcomes highlighted by the Internal Auditor, the scope of the review was not as the Ctte had anticipated, probably as a result of the Ctte not specifying clearly its requirements. It was agreed that, in future, when reviews were being commissioned directly by the Ctte, the Audit Planning Memorandum would be forwarded to the Chairman for his agreement prior to the review being undertaken. **ACTION: Internal Auditor**

3. Policies and Procedures (05.08/09)

A written report was received and considered. The Internal Auditor advised that, in his opinion, the design of the control framework, the application of and compliance with the control framework and their overall opinion provided substantial assurance that risks material to the achievement of the College's objectives were suitably managed and controlled. There were 3 recommendations made arising from the review (1 'Significant' and 2 'Merits Attention'). The Internal Auditor took Members through the recommendations and outlined actions proposed by College Management to address them.

4. Key Financial Controls (06.08/09)

A written report was received and considered. The Internal Auditor advised that, in his opinion, the design of the control framework, the application of and compliance with the control framework and their overall opinion provided substantial assurance that risks material to the achievement of the College's objectives were suitably managed and controlled. There was 1 recommendation made arising from the review (Graded 'Significant'). The Internal Auditor took Members through the recommendation and outlined action proposed by College Management to address it.

5. Internal Audit Progress Report 2008/09

A written report was received and considered. The Internal Auditor advised that the report outlined the work undertaken during the current year. He advised further that all fieldwork planned for the year had been completed and final reports provided to College Management and the Audit Ctte.

6. Strategy for Internal Audit 2009/10

A written report was received and considered. The Internal Auditor advised that the Internal Auditor Client Manager (Gill Livingstone) had discussed and agreed a draft programme with the DPFR prior to its presentation to the Audit Ctte. He took Members through the draft programme and outlined the reasoning behind its development. He advised further that the Plan was based on a total of 50 days that included 5 days for allocation by the Audit Ctte.

Of the 5 areas suggested for the Audit Ctte's allocation, Members felt that four of the areas could be considered through other routes, and that their preferred option would be a review based on Estate Management of the current building stock linked to the uncertainty whether the capital project would be completed in the current economic climate.

With regards to cost, the Internal Auditor confirmed that the cost of the internal audit service for 2009/10 would be the same as for 2008/09.

[Post meeting note: the cost of the Internal Auditor service for 2008/09 was agreed at £19,708.70 excl VAT]

It was RESOLVED to RECOMMEND to the CORPORATION that the Internal Audit Plan 2008/09, based on 50 days, at the cost as per 2008/09, be agreed.

(Proposed by Pamela Woolgrove, Seconded by Andrew Bishop)

156. FINANCIAL STATEMENTS AUDIT SERVICE

1. Regularity Audit SAR 2008/09

A written report was received and considered. The DPFR advised on the completion of the Regularity Audit SAR 2008/09 and highlighted some minor changes required by the LSC to the previous year's SAR.

It was RESOLVED that the Regularity Audit SAR 2008/09 be agreed.

2. Financial Statements 2008/09 - Audit Planning Memorandum

A written report was received and considered. The Financial Statements Auditor took Members through the report and highlighted the proposed timetable for the financial statements and regularity audit reviews. She also advised that the level of materiality was to be set at £190k (£180k in 2007/08). The Financial Statements Auditor also advised that the cost of the financial statements and regularity audit would be £14,880 excl VAT.

It was RESOLVED that the audit planning proposals and costs be agreed.

157. OTHER AUDIT REPORTS

1. LSC PFA Inspection 28-30 April 2009

A written report was received and considered. A copy of the final report of the PFA Auditor (subject to factual accuracy checks) was tabled for Members information. It was noted that the PFA Auditor's overall assessment of the PFA review was Grade 2 Full Assurance. It was also noted that there had been three minor recommendations made, all relating to a suggestion to show slightly more information with regards to cash flow. Members were pleased to receive such a positive report.

2. LSC Audit – Work Based Learning (WBL) and Train to Gain (T2G)

A written report was received and considered. The DPFR advised that following a review of WBL and T2G the LSC Auditor had given an unqualified (satisfactory) opinion. He stressed that both areas were deemed to be quite (financially) risky areas, and that the outcome was very positive. It was noted that one minor error had been highlighted that resulted in a re-payment of £2,270 to the LSC, out of total income for both programmes of £2.9m. It was noted further that the WBL and T2G programmes accounted for approx 10% of the College's total income. Members were pleased to receive and note the very positive report.

158. RISK MANAGEMENT REPORT AND RISK REGISTER

1. Updated Risk Register

A written report was received and considered. The DPFR advised that a full review of the Risk Register had been undertaken, and this had resulted in some 'risk scores' being reduced. He also referred Members to a summary sheet that identified four high risks (risks with a residual score of 20 to 29) and 16 medium risks (risks with a residual score of 10 to 19). He also referred Members to a schedule of 15 areas of risk that had been identified and reviewed by SMT since November 2008.

With specific reference to the proposed capital project, the DPFR outlined the reasons why this particular action was seen as a medium risk and not a high risk. He stressed that the financial impact of not moving forward was manageable but that it would be a high impact as a lost opportunity. He also highlighted the growing 'risk' that HBOS might not now consent to the proposed clause in the land purchase contract with Lemon Land regarding the College's portion of land being sold separately to the College in the event that Lemon Land became insolvent.

The Committee identified a further risk to add to the register being the impact on the College's current estate if the preferred capital project does not proceed. **ACTION: DPFR**

The revised Risk Register was noted.

2. Risk Management process

Duncan Short (Financial Statements Auditor) gave Members a presentation on business risk management baseline assessment following his review of risk management processes within the College. A copy of his presentation was included in the agenda for the meeting. He highlighted three broad recommendations relating to continuing improvements for consideration by College Management. He also outlined five key risk management challenges that he had identified and briefed Members on his reasoning behind them.

Following the presentation Members sought clarification from Duncan on a range of matters.

Members proposed that an annual retrospective review should also be undertaken to look at any issues that had arisen during the preceding year that had not been included in the (then) Risk Register. **ACTION: DPFR**

Members noted the contents of the presentation.

159. APPOINTMENT OF INTERNAL AUDIT SERVICES & FINANCIAL STATEMENTS AUDITORS 2009/10

A written report was received and considered. The DPFR took Members through the report and recommended that the existing audit firms be re-appointed for 2009/10. He also advised that a full re-tendering process would be undertaken in the spring 2010 for internal audit and in spring 2011 for financial statements audit.

It was RESOLVED to RECOMMEND to the CORPORATION that Bentley Jenson be appointed as Internal Auditor and Tenon as Financial Statements Auditor and Regularity Auditor for the financial year 2009/10.

(Proposed by Charles Cardiff, Seconded by Andrew Bishop)

(Duncan Short left the meeting)

160. DRAFT PERFORMANCE INDICATORS FOR INTERNAL AUDIT SERVICES AND FINANCIAL STATEMENTS & REGULARITY AUDIT

A written report was received and considered. The proposed PIs for 2009/10 were considered.

It was RESOLVED that the draft performance indicators for the Internal Audit, Financial Statements Audit and Regularity Audit be agreed.

161. COLLEGE FINANCIAL STATEMENTS 2008/09 – GOVERNANCE STATEMENTS

A written report was received and considered. The HoF advised that the proposed wording for the Financial Statements Governance Statements incorporated the requirements of the LSC and the professional accounting bodies. He also advised that the Statements were based on those agreed for 2007/08, and he highlighted some minor changes.

It was RESOLVED that the Statement of Corporate Governance and Internal Control 2008/09, and the Statement of Responsibilities of the Members of the Corporation 2008/09, be agreed.

162. REVIEW OF TERMS OF REFERENCE/SCHEDULE OF BUSINESS

A written report was received and considered. Members reviewed the Terms of Reference/Schedule of Business. The Clerk advised that the main Terms of Reference were stipulated by the LSC through the Audit Code of Practice.

It was agreed that there should be two minor changes; the removal of the Director of Development & Partnerships and the Head of Dept – Student Administration from the list of Officers in Attendance. There were no other changes proposed.

It was RESOLVED that the current Terms of Ref/Schedule of Business, as amended above, be confirmed as appropriate for the working of the Committee.

163. USE OF COLLEGE SEAL

The Clerk advised that the Seal had not been used in the period since the last meeting.

164. ANY OTHER BUSINESS

1. Notification of a Potential Fraud

The HOF advised that a suspected minor fraud had been identified, based on the inappropriate use of a College credit card. He advised further that it appeared that there had been two internet transactions undertaken (each valued at approx £40) with the delivery of goods to a private address. It was believed that the transactions may have been undertaken by an ex-student. The College was currently working with Barclays Bank to review the individual transactions concerned and to strengthen existing procedures. It was noted that the credit card concerned had been cancelled.

165. DATE OF NEXT MEETING

Wednesday 25 November 2009
Wednesday 3 March 2010
Wednesday 16 June 2010

PART 2 – CONFIDENTIAL MATTERS

166. EXCLUSION OF OFFICERS

All Non Members (except the Clerk) were excluded from the meeting.

167. OPPORTUNITY FOR INTERNAL AND FINANCIAL STATEMENTS AUDITORS TO COMMENT ON ANY ASPECTS OF AUDITS

There were no matters raised by the Internal or Financial Statements Auditors.

(Meeting closed at 7.20pm)

Confirmed as a correct record Signed:..... Date:.....