

**The College of West Anglia
MINUTES OF AUDIT COMMITTEE
4 November 2009 – 9.50 am Boardroom, Front Block, King’s Lynn**

Present:	Cheri Crosley Paul Cotton David Steele Emma Booty	Chair
Attending:	Richard Williamson Nicholas Barrett Bill Lumsden Stephen Clark Paul Foreman Amanda Parry Hilary Reid	Executive Director of Finance and Information Head of Finance KPMG Director, KPMG PricewaterhouseCoopers Senior Associate, PricewaterhouseCoopers Clerk

The Committee met at 9.25 am with the Auditors. Auditors raised concerns around the overall financial position of the College and discussed with the Committee the higher net write-off compared to national position; continuation of pressures on management with new estates strategy; long-term viability and curriculum rationalisation and the need for a strategic plan to embrace all issues. Chair and Vice Chair to seek meeting with Chair of Governors. Clerk to attend and record the meeting.

Richard Williamson and Nik Barrett joined the meeting at 9.50 am.

1 Apologies

Jack Bantoft, Nick Daubney.

2 Minutes of the Previous Meeting – 10 June 2009

The Minutes of the meeting of 10 June 2009 were agreed as an accurate record and signed by the Chair.

3 Matters Arising

There were no matters arising.

4 Election of Vice Chair

The Clerk invited nominations for the position of Vice Chair from within the membership of the Committee.

Cheri Crosley proposed David Steele, seconded by Paul Cotton.

There being no other nominations, **David Steele was duly appointed Vice Chair of the Audit Committee for a further year.**

5 Internal Audit Reports and Management responses since last meeting:

Paul Foreman of PricewaterhouseCoopers presented the reports of the Internal Audit Service.

(i) Milton Capital Scheme

A limited assurance opinion had been issued because the contract with the builders had not been signed which potentially exposed the College to risk. In all other respects, the scheme had achieved good outcomes.

A recommendation that there ought always to be a signed contract or agreement prior to moving ahead was noted and acknowledged.

(ii) Management Information Services (MIS) and Learner Records

The Audit was undertaken against a background of change in the LSC's funding methodology, delayed software packages and a number of changes in the MIS team. These issues had already been recognised and the team were remedying them.

Evidence for the funding claim was present except for guided learning hours on a number of unlisted courses. There was a need for robust evidence to back up the figures. Other matters concerned the high level of temporary staff and the lack of detailed procedure notes, succession planning and the spread of knowledge.

The findings had resulted in a limited assurance opinion.

Governors expressed concern about succession and absence planning and believed the College remained vulnerable. At the Chair's request, the Executive Director of Finance and Information identified a number of areas across the College at risk if key members of staff left. Governors asked that "Succession Planning" be an item on the next Audit Committee agenda.

Action:
RW/Clerk

In response to a query from the Co-opted Governor, the Executive Director of Finance and Information assured the Committee that MIS reports due were running to time but that there were some backlogs with registers because of new timetable arrangements.

The Auditor, KPMG, commented that the management response on page 8 addressing "Control Design – Absence of procedure notes" did not explicitly state whether procedures had been documented.

In response to a query from the Chair re the audit of learner records (page 14 referred), the Director, KPMG explained that LSC were placing greater emphasis on learner number and success rate audits because of the impact on funding. He added there would be more scrutiny of funding than in previous years.

The Auditor, PwC, agreed to look again at the scope of the audit and the risks emerging and come back to the Committee for further discussion. He emphasised that, externally, all scrutiny was changing and it was important to know whether a more detailed examination of the controls was needed. The data could be shared with KPMG if needed.

Action: PF

(iii) Strategic and Medium Term Planning

Moderate assurance in relation to the planning processes for 2009/10 had been given although no weaknesses had been identified in the processes being operated in the

current year. The College needed to revise its strategic and financial plans to address major issues with the estate.

The audit had looked at short-term strategic planning and links with departmental plans but there was a fundamental need to reconcile the financial and operational plans for the College in the longer term.

The Committee recognised the need for a new strategic plan and governors had participated in the initial planning process with senior management at the Planning Day on 7 October 2009.

(iv) Post-merger Review

The review had not tested specific controls and, therefore, no assurance opinion was provided. There was one recommendation in relation to further efforts to ensure integration between the various sites. The feelings of isolation expressed by staff at outcentres could be addressed by making sure support staff at the centre support the staff at outcentres.

The biggest issue facing the College was the change in the estates strategy. The decisions on the proposed campus developments had raised fundamental questions about the strategy and financial plan for the future and how the College would be able to ensure there were adequate facilities in the future.

Overall the College had been successful in delivering a single, merged College with high standards of governance and achievement.

The reports were noted.

6 Internal Audit Annual Report 2008/09 and Draft Audit Plan 2009/10

Paul Foreman of PricewaterhouseCoopers presented the report of the Internal Audit Service and explained that it provided a summary of the audits conducted during the academic year to 31 July 2009.

He advised that there were no critical control weaknesses but that significant control weaknesses in the following specific systems and processes had been identified:

- MIS and Learner Records
- Employer engagement; and
- Room utilisation

All areas were being addressed by the Senior Management Team.

In the opinion of the auditors, overall, the College had adequate and effective management, control and governance processes to manage its achievement of the College's objectives. Attention had been drawn to the need to re-visit the strategic plan to address broad risks and issues going forward.

Governors reviewed the key performance indicators at Appendix C and sought confirmation of improvement in response times by management.

The Auditor added that Amanda Parry would, in future be assisting him in the work with the College and she and the Head of Finance would be liaising closely to progress responses.

The Auditor invited comments on the Strategic Internal Audit Plan 2009/10 to 2011/12 and the Annual Internal Audit Plan 2009/10.

Comments on the planned audits in 2009/10 were noted as follows:

- It was suggested that auditors should liaise with management to spread reports more evenly across the academic year.
- Catering should be audited given the concerns raised by students and this Committee
- Could strategic planning and succession planning be covered?

The Executive Director of Finance and Information advised that catering may be re-tendered within the next twelve months and the Committee agreed that the timing of any catering audit should be considered carefully in relation to this.

The Auditor stated that there was flexibility within the Audit Plan and strategic planning and succession planning could be reviewed throughout the year.

It was agreed that the Strategic Internal Audit Plan 2009 to 2012 and the Annual Internal Audit Plan 2009/10 be recommended to Corporation for approval.

7 Internal Control and Risk Management

The Executive Director of Finance and Information provided a review of the College's current Risk Register. He referred governors to the new risks that had arisen which were set out in his report at paragraph 3, and the number of measures taken to improve controls. Significant examples were highlighted in paragraph 5 of the report.

The Executive Director stated that, for the reasons given in the paper, it was management's view that the College had effectively functioning risk management and internal control systems. Key controls remained firmly in place; where risks had recently changed the College had responded rapidly and were putting controls in place.

The report was noted.

8 Draft Annual Report of the Audit Committee

The Chair presented the draft Annual Report of the Audit Committee and invited comments. The Director, KPMG, suggested further consideration and emphasis be given in the report to:

- The issues raised by the Internal Audit Service
- The Management letter – and in particular the financial write-off
- The effectiveness of risk management control and the governance framework

The Committee remitted the Chair and Clerk to complete the draft document in line with the suggestions made and to circulate the amendments to members.

Action:

Chair/Clerk

9 Financial Statements Auditor

- (i) Audit Management Letter year ended 31 July 2009**
- (ii) Draft Members' Report and Consolidated Financial Statements for year ended 31 July 2009**

Stephen Clark, Director KPMG, presented the Audit Management Letter, highlighting the following points:

- The accounts were in draft form and were subject to change
- The independence declaration, Section 1, page 2
- Brief summary of the results currently presented in the accounts, Section 2, page 3.
- The net deficit of £7.7m largely due to the capital write off during the year
- Additional depreciation on buildings of approximately £1.4m
- The bottom line was likely to be a deficit of £9.1m
- Income year on year was up slightly
- Underlying trading results for the year when exceptional items were stripped out, Section 2, page 6, show surplus of £482k
- FRS17 – Account adjustments were still to be made
- Uncorrected audit difference of £145k, App 1, page 17
- Observations arising from the 2008/09 audit, Section 5, page 11

The Director concluded that the final version of the Audit Management Letter and the Consolidated accounts remained subject to further adjustment by management and auditors.

(iii) Letter of Representation.

The draft Letter of Representation was tabled for consideration. The Auditor, KPMG, commented that the accounts had been drawn up on an “on-going concern” basis. He drew Governors’ attention to paragraph 3(a) to (g), page 2 of the Letter.

The Committee considered all the documents presented and noted the auditors’ comments.

10 Student Union Accounts and Audit Letter

The Head of Finance presented the Student Union Accounts and Audit Letter. He confirmed that the accounts had been administered well. He had recommended to the Student Union that the Thorpe Park trip should not be repeated as this year’s trip had incurred a loss of £1,200.

The budget allocation for 2009/10 was £2,000.

The Committee agreed a recommendation that the Thorpe Park or Alton Towers trips should not take place and that this should be a condition of future funding.

11 Financial Management and Control Evaluation (FMCE)

The Executive Director of Finance and Information presented the FMCE for approval. He explained that the document assesses controls - financial management controls and governance measures in place - and that the self-assessment grades would contribute to the Framework for Excellence grading awarded by the LSC.

The summary of self-assessment grades awarded for accountability, financial planning, internal control and financial monitoring were “good”. Accountability (strategic oversight) had been graded “outstanding”. Compared to the previous year, there had been a reduction of grades in two areas – financial monitoring and operational oversight.

Governors comments were noted as follows:

- Page 14/15 item 5 and 7 – Financial Plan: A query re the effect on grading of the LSC’s failure to respond to the financial plan. Assurance was provided that grading did not depend on these two areas.
- Page 6 item 7 – timely information for decision-making: Next year the grading may be affected because of the increasing number of late and tabled papers being presented to governors. The Chair asked management to ensure papers were received at least 7 days before the meeting.

The Auditor, KPMG commented on item 9, page 11 – reports on sub-contracted provision – that regular reports used to be made and that LSC see this as a higher risk. The Executive Director, supported by the Committee, advised that reports were made on an exception basis to Corporation.

David Steele proposed, seconded by Cheri Crosley, that the FMCE be recommended to Corporation for approval. Agreed.

12 Any Other Business

None.

13 Chair’s items for briefing to Corporation

- Audit Letter and Financial Statements
- Committee’s Annual Report
- FMCE

14 Date and time of next meeting

Wednesday, 3 February 2010 at 9.30 am.

The meeting closed at 12 noon.