



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 9 JUNE 2008 AT 6.00 PM
VENUE: THE BOARD ROOM (B066)**

Present: Victoria Carter
Pat Thomas
Joyce Tombs
Vivien White

In attendance: Claude Chonzi (*Bentley Jennison*)
Peter France (*Director of Finance and Information Services*)
Julie Wilkinson (*Clerk to the Corporation*)
Oona Cushen (*Minuting Secretary*)

1. APPOINTMENT OF CHAIR

Pat Thomas was proposed, seconded and unanimously appointed as Chair of the Audit Committee, with immediate effect.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Phil McGrath.

3. MINUTES OF THE MEETING HELD ON MONDAY 10 MARCH 2008

The minutes of the previous meeting held on 10 March 2008, paper LMC/A/06/08, were agreed as an accurate record and signed by the Chair.

4. MATTERS ARISING

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It was confirmed that the auditors will be asked what safeguards they have to ensure they maintain full independence and do not become too close to College staff.

5. INTERNAL AUDIT REPORTS:

Student Records – Health Check

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/07/08 and highlighted the main issues:

- The audit focused on the controls in place in relation to key areas, such as enrolments, withdrawals, transfers and registers. Student and course data is stored on the EBS system. Attendance data is collected for each session on hard copy registers, OMR, and scanned into the register system on a daily basis.
- In overall conclusion, the control framework for this area provides substantial assurance that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled. The assurance level provided demonstrates that adequate controls are in place in relation to the areas covered. However, a couple of instances of non-compliance were identified during the review.

- The internal audit review is based on the assessment of the control framework operated by the College. The focus of the audit is upon key controls in place within the College to ensure student numbers are accurate. The audit excludes any substantive testing and does not provide an opinion on the accuracy and validity of the student data, nor does the work conducted constitute assurance that the funding claim submitted by the College is accurate and correct.
- Based on the evidence obtained, the auditors concluded that the design of the system of control, if complied with, is sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system. They made no fundamental and no significant recommendations.
- There is one recommendation classified as 'merits attention'. This is that the College should ensure that all withdrawal/transfer dates on the system match the last date of attendance from the registers. The Director of Finance and Information explained that it was difficult to track student withdrawal dates as students very often just don't attend and it can be some time before it is confirmed they have withdrawn. However, this does not affect any funding, which is calculated on the census date.
- The outcome of the previous audit had seen 3 recommendations classified as 'merits attentions', so improvements have been made.

In response to questions:

- The auditor confirmed the review did not audit the calculation of funding, just the operation of the system. The Director of Finance and Information explained that the information is processed through LSC software, which automatically calculates the funding allocation, although the input process is managed by the College.
- The auditor explained that only 15 samples were looked at as this area is covered every year and so, this is an arbitrary number and governors were concerned that 4 out of 15 records were incomplete but the auditor was satisfied that the processes are in place.

Governors noted and received the Student Records – Health Check Report, paper LMC/A/07/08.

Student Records – Register Checks

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/08/08 and highlighted the main issues:

- OMR registers are now widely used throughout the College. The registers are pre-printed to show details of the class and register marks are entered manually by the lecturer. The registers are then scanned into the system in order to record and monitor attendance. Standard paper registers are still used for some classes and are pre-printed with attendance marks recorded manually in a similar manner. The marks are then put onto the system.
- Staff are required to collect attendance data for all class sessions and procedures are in place which detail the way in which registers should be completed.
- The purpose of the audit was to undertake a physical check of a sample of time-tabled Key Skills classes in order to ensure that they were being held at the correct time, in the correct location and that the details of the lecturer and the class were correct.

- Registers were checked to ensure that they had been completed on a timely basis and in line with College procedures. A head count of the students present was also undertaken in order to ensure that attendance had been recorded correctly. Registers were then reconciled to class lists in order to ensure that all students attending the classes were correctly enrolled to the course.
- A sample of 15 Key Skills classes were selected and visited over the course of three days. The audit visits were undertaken approximately 20 minutes following the start of each class. All 15 classes were found to be being held in line with the timetables and were attended by the lecturer stated for the class. However, a small number of issues were identified during the visits and via audit testing.
- The audit focused on physical checks of classes against agreed timetables, numbers of student present against recorded attendance and compliance with procedures in relation to timetables and registers. No other areas of student records were considered as part of this audit.
- The work conducted does not constitute assurance that the funding claim submitted by the College is accurate and correct. Any funding claim in respect of the College's provision has been prepared by, and is the sole responsibility of, the management of the College.
- In overall conclusion, no formal assurance opinion has been provided as this is an advisory report. In addition, although a small number of recommendations have been made in relation to the issues identified, they have not been categorised. It should also be noted that the findings of this audit will not be taken into consideration as part of the auditor's year-end opinion on the adequacy and application of internal controls.
- As a result of the issues identified within the audit, three recommendations have been made:
 - Lecturers should be reminded to complete registers for each class on a timely basis and in line with College procedures.
 - Lecturers should ensure that the marks entered on the registers accurately reflect the attendance of the students and that the attendance marks are in line with College procedures.
 - Management should investigate the discrepancy in order to ensure that students attending classes are correctly enrolled to the course.

The Committee questioned the high number of exceptions (8 queries on a sample of 15) on such a small cross-section. However, the auditor explained that the review did not look at delivery but to understand the environment in which Key Skills are delivered. Notwithstanding this, it was noted that all of the classes were held in the correct room at the correct time.

The Director of Finance and Information confirmed these had been accepted and implemented.

Governors noted and received the Student Records – Register Checks Report, paper LMC/A/08/08.

Train to Gain

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/09/08 and highlighted the main issues:

- The audit focused on the controls in place in relation to the following areas:

- Procedures used within the College
- Enrolment and Induction processes
- Learner file documentation
- Evidence retained in support of start payments, learner participation and achievements
- Eligibility of learners
- Compliance with LSC requirements in relation to the above areas

Train to Gain funding for 2007/08 is £664,845. There are currently 288 Train to Gain students against an annual target of 550 starts and an additional 12 Skills for Life students against a target of 61.

- The audit has identified that appropriate documentation has been developed and is used for Train to Gain learners and controls have been put into place in order to ensure evidence is retained in support of start and achievement claims. However, a number of instances of non-compliance were identified through review of learner files and recommendations have been made as a result.
- Only students enrolled as Train to Gain were reviewed as part of the audit. The audit does not constitute assurance that any funding claim submitted to the LSC by the College is accurate and does not provide an opinion on the accuracy and validity of the overall population. It is based on a high level review of controls and limited sampling of data and records.
- In overall conclusion, the control framework for the area under review provides adequate assurance that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled.
- Eight recommendations, (mainly housekeeping issues), classified as 'merits attention', have been made:
 - It should be ensured that all learners sign to confirm that an induction has been received and that the checklist is initialled to confirm that the workplace health and safety induction booklet has been provided.
 - Assessors should be made aware of the requirement to draw all learners' attention specifically towards the College's equality and diversity policy as part of the induction process.
 - Individual Learning Plans should be fully completed to include relevant dates and details and should be signed by all relevant parties.
 - Individual Learning Plans should be developed at the start of the programme and evidence of two hours learning should be retained on file in order to support 'start' claims.
 - It should be ensured for all learners that:
 - Reasons for selecting the high or low banding are clearly indicated on the Skills Scan
 - The Skills Scan is signed by the assessor
 - The allocated number of hours is stated on the Ongoing Learning Plan and review form.
 - Assessors should be reminded to state a planned mid-way review date on the Individual Learning Plan and to amend this if the date is revised. Completed progress reviews should then be submitted to the College on a timely basis.

- Assessors should be reminded to ensure that Ongoing Learning Plan and review forms clearly show that 20 hours or more contact hours have been provided.
- Self-declaration forms should be fully completed and signed by all relevant parties in order to confirm the eligibility of the learner and to provide employer consent.

In response to questions:

- The Director of Finance and Information explained that Train to Gain is still a relatively new programme, (only in its second year) and is constantly bringing out new qualifications and recruiting new assessors and many of the assessors are part time hourly paid. The vast amount of paperwork had been reduced as much as possible but what remains is now required for the LSC portfolio. However, he did state that it was unacceptable for so many errors and a further training session, for around 50 assessors, was held on 5th June.
- The Director of Finance and Information confirmed that student numbers were not an issue as this is demand led funding and the College only claims for what has been delivered. The Train to Gain target is nearly on target for this year.

Governors noted and received the Train to Gain Report, paper LMC/A/09/08.

OLASS Internal Audit

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/10/08 and highlighted the main issues:

- The audit focused specifically on the following areas:
 - Signed contract in place with the LSC for funding and partnership agreements in place with HM Prison Service for delivering the learning provision.
 - Management Information for the purpose of monitoring contract income and expenditure and progress against contract objectives.
 - Utilisation and monitoring of staffing.
 - Performance monitoring and reporting structure.
 - Adherence with learner involvement, course change and maintenance of individual learner files and plans processes.
 - Adherence to processes in place for the recording of tutor activity, collation of hours and final reporting to the College.
 - Compliance with authorisation procedures for staff timesheets.
- It is important to note that this review has focused on only three of the six prisons provided, namely HMP Lancaster Castle, HMYO Lancaster Farms and HMP Wymott. Also note that consideration has only been given towards the College's custodial provision and not of any provision provided within a supervised environment within the community.
- All changes to the contract funding and other conditions are documented by way of contract variations, which were identified as there being five variations in place

which had been signed off accordingly. It is concluded that partnership agreements are fully signed and in place for two of the three prisons under review, being HMP Lancaster Castle and HMP Wymott. It was found that a partnership agreement is currently in the final stages of being formulated for HMYOI Lancaster Farms. This agreement has been late in being completed due to the absence of a Head of Learning Services (HoLS) not being in post. The auditors have noted that management action has now been taken in this area and, therefore, have raised no formal recommendation.

- It is concluded that the College is being provided with sufficient management information for the purpose of monitoring and report separately on OLASS contract income and expenditure through monthly management accounts. Progress against contract objectives is also being measured through the College's Key Performance Indicators (KPIs).
- The levels of teaching staff delivering non Vocation Training (VT) courses are sufficient for the purpose of being able to hit delivery targets. However, an issue surrounding VT courses is that of providing staff cover in case of sickness absence. It is noted that the College is currently recruiting for a 'pool' of staff focused solely towards VT areas, which will enable any of the six prisons to call upon this staffing asset when their current VT teachers are absent.
- The College's performance monitoring process is currently governed by the North West OLASS Performance Framework and Guidance 2007/08, which was put in place as a result of the LSC contract variation 3 – October 2007. It is concluded that the College is fully complying with LSC requirements to submit monthly, quarterly and annual performance reports. It is also noted that regular performance review meetings are taking place between the College, LSC and prison representatives.
- It was identified that an area for improvement is required with regards to ensuring all learner agreements and course change forms are signed by the individual learner and tutor within HMP Lancaster Castle. Compliance with such processes was deemed sufficient at HMYOI Lancaster Farms and HMP Wymott. It is concluded that Individual Learning Plans (ILP) are in place as a result of sample testing conducted within each prison.
- It is noted that each of the three prisons under review have adequate systems in place for recording all teaching, Vocational Training and IAG hours on a daily, weekly and monthly basis.
- Finally, the auditors were able to report on full compliance with authorisation processes in place within each of the three prisons for part time staff timesheets.
- Only students enrolled as part of the Contract were reviewed as part of the audit. The audit does not constitute assurance that the income received by the College is accurate and does not provide an opinion on the accuracy and validity of the overall population. It is based on high level review of controls and limited sampling of data and records.
- In overall conclusion, the control framework for the area under review provides adequate assurance that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled, with no fundamental and two significant recommendations arising from the following issues:
- Inaccurate hours return for the month of December 2007 for both juveniles and young offenders at HMYOI Lancaster Farms.

- Delays in returning registers from Skills for Life Workplace courses to the Education Administration department for the purpose of recording all actual teaching hours delivered each month.
- Six recommendations classified as 'merits attention' and two classified as 'significant' have been made:
 - Management at HMP Lancaster Castle should ensure that learner agreements are signed off by both the learner and the tutor.
 - Management at HMP Lancaster Castle should ensure that learner course change forms (ER02) are signed by the learner and course tutor prior to being sent to the College for input onto the Maytas system.
 - Keep Officers should be reminded of the importance of logging reasons for learner non attendance at all times, to ensure non attendance is monitored effectively.
 - Management should ensure that all hours delivered each month are included within the College hours return for the same month. If hours are missed, then they should be picked up immediately so that they can be included within the next month's return. This is classed as a significant recommendation as it relates to funding.
 - Management should ensure that the monthly teaching hours' summary sheet listing all staff member hours is signed off by each staff member listed in recognition of verifying their individual hours worked each month. This will enhance the month end hours checking process. This was a recommendation at both HMP Lancaster Castle and HMP Wymott.
 - Teaching staff conducting workplace courses should be reminded of the importance of returning registers on a timely basis in order for accurate daily recording of actual teaching hours delivered to be done. This is classed as a significant recommendation as it relates to funding.
 - The College management team need to work further towards establishing a final system, which is able to fully incorporate the individual and changing needs of the different prisons within the OLASS contract. In doing so, consideration should be given to the levels of access control provided to each prison and the College.

The Director of Finance and Information confirmed that the report has been shared with all Education Managers and measures have been implemented to ensure accuracy.

In response to a question regarding the number of errors, the Director of Finance and Information confirmed this both Train to Gain and OLASS are new areas to which the auditors had been specifically directed (particularly in light of the OLASS re-tender) in line with the College's risk management strategy and register. This was their first internal inspection and the auditor confirmed that there are adequate systems in place.

Governors noted and received the OLASS Internal Audit Report, paper LMC/A/10/08.

Payroll

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/11/08 and highlighted the main issues:

- The personnel system currently used by the College is the Frontier System Software, Chris 5, which allows the College live access to payroll information.

- The payroll is undertaken on the 15th of every month, with payment being made on the 22nd. A report detailing the current and previous month's pay for each staff member is provided by the system before the payment date in order for checks to be undertaken and any necessary amendments to be made
- Payroll expenditure accounts for approximately 63% (excluding the prison) of the College's total budget income of £23.2 million. As at February 2008, actual expenditure was £8.6 million out of an annual budget of £14.6million.
- The controls in place in relation to expenditure variances, changes in payroll information, security of information and authorisation of expenditure were tested during the audit.
- Deductions such as PAYE and NICs were also considered before payment is made by the College.
- Testing identified that a thorough reconciliation process is undertaken on a monthly basis in order to ensure that the correct payroll amount is paid. This involves checking and verifying each variation to the payroll information in order to reconcile the current month's payroll figure to the previous month's figure.
- The Personnel department performs the HR and Payroll functions. It was identified that there is an adequate segregation of duties within the Personnel Department and that there are suitable controls over the security of payroll information.
- The audit only included a small sample of payroll calculations, i.e. it was not a substantive check covering tax, NI, pension and variations to pay.
- Based on the evidence obtained, the auditors concluded that the design of the system of control, if complied with, is sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system.
- No fundamental or significant recommendations, arising from the following, have been made:
 - Starters and Leaver processes are established and there is a segregation of duties in the Personnel Department.
 - College pay scales are in place and reviewed annually.
 - Procedures exist for both the Budget Holders and College Senior Management to review the payroll expenditure for reasonableness against budget.
- Based on the evidence obtained, the auditors concluded that the application of established controls is adequate. No fundamental and no significant recommendations, arising from the following, have been made:
 - Testing of 15 files found them to be in agreement with current pay scales and amendments suitably authorised.
 - 15 Starters and 10 Leaver files were suitably authorised and controlled.
 - The Payroll is reviewed before payment by the Personnel Department and authorised for payment by the Finance Department.
 - Budget holders meet monthly with the Finance Department to review not only expenditure but the establishment numbers.

- Only one 'merits attention' recommendation - that the Personnel Department develop process and procedure documents rather than rely on the file Control Lists, as at present. This will allow new starters to the Department to identify areas more quickly and not see a process in isolation.
- In overall conclusion, the control framework for the area under review provides substantial assurance that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled.

Governors noted and received the Payroll Report, paper LMC/A/11/08.

Follow-Up

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/12/08 and highlighted the main issues:

The audit considered as part of the follow up review:

- Learner Number Systems Healthcheck 06/07
- Student Trips 06/07
- Learner Number Systems – Exam Entry and Achievement 06/07
- Follow up 06/07
- Academic Departments 06/07
- Governance Policies and Procedures 06/07
- Procurement 06/07

The 19 recommendations comprised 3 'significant' and 16 'merits attention' recommendations.

- The focus of the review, whilst concentrating on the recommendations classified as 'significant', is to provide assurance that all recommendations previously made have been adequately implemented. Management assurances in regard to 'merits attention' recommendations have been provided.
- Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Audit testing has been completed, where appropriate, to assess the level of compliance with this status and the controls in place.
- The auditors have reiterated recommendations where these have not yet been implemented. In addition, new recommendations, where appropriate, have been made:
 - Learner Number Systems Healthcheck - refer to recommendation within the Student Records 2007/08 audit.
 - Student Trips – Staff should be reminded to adhere to the timescales stated within the procedure when planning an educational visit. (All trips had been approved but not within the timescales).
 - Academic Department – Management should ensure that an adequate segregation of duties is in place in relation to the cashing up process. The Director of Finance and Information confirmed that this had now been implanted and the process is now undertaken by the Finance Department

and had previously not been implemented owing to staffing changes within the department and a lack of sufficient staff to ensure 2 staff members were available for cashing up.

- In overall conclusion, of the 19 recommendations considered, three have not yet been implemented. Of these three, one is a significant recommendation in relation to a lack of segregation of duties in the cashing up process for the College restaurants. Management are aware of this issue, however appropriate measures have not yet been put into place. This is partly as a result of staff changes within the department.
- In total, 84% of recommendations identified through the audit work are now confirmed as completed with 16% of recommendations being carried forward to the next review.
- The auditors also suggested that recommendations are tracked throughout the year and reported to governors at each of the planned meetings. In response to a question, the Director of Finance and Information confirmed that all recommendations have been accepted and these are tracked throughout the year but are only reported to the Audit Committee at the end of the year.

The Audit Committee, therefore, agreed that actions on recommendations are reported at each Audit Committee meeting.

Action: Director of Finance and Information

Governors noted and received the Follow-Up Report, paper LMC/A/12/08.

Progress Report

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/13/08 and highlighted the main issues:

- To date, 27 days out of a planned 28.5 days had been utilised.
- All the work had been carried out within budget and resources.

The auditor also drew Governors' attention to the Client Briefing – Raising Expectation in FE. In response to a question on FE colleges applying to become sixth form colleges, the Director of Finance and Information explained that a sixth form college would only offer provision for 16-18 year olds and not offer any adult provision.

Governors noted and received the Progress Report, paper LMC/A/13/08.

6. INTERNAL AUDIT ANNUAL PLAN

Claude Chonzi, Bentley Jennison, referred governors to paper LMC/A/14/08 and highlighted the main issues:

- The purpose of the internal audit is to provide the Board, through the Audit Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives.
- The purpose of the plan is to provide the organisation with an annual plan for Internal Audit, based upon the auditor's understanding of the organisation's risk profile and, therefore, where assurances are required.
- At this stage, these are proposals for 2008/09 and it is Governors' decision to confirm/amend the internal audit plan.

How the Plan was developed

- Lancaster and Morecambe College's objectives are the starting point in the development of the Audit Plan. It is also key that the auditors understand the risks to the achievement of those objectives.
- In order to understand the risk profile of Lancaster and Morecambe College, the auditors reviewed the College's risk management processes and are able to place reliance on them to inform the Internal Audit annual plan, based upon the auditor's previous internal audit work undertaken. In 2007/08, the College received substantial assurance as part of the Governance and Risk Management audit.
- Given a one year extension to the contract, the auditors have not prepared a new Strategy but added one year to the 2005/08 Strategy.

Content of the Annual Internal Audit Plan

- A meeting was held with the Senior Management Team to identify areas for inclusion in the Audit plan, to confirm that the plan reflects the College's current risk profile and to identify areas that should be included within the Audit Plan for 2008/09.
- To develop the annual plan for internal audit, the auditors considered the following:
 - The core objectives of the organisation (as agreed by the Board) and the specific risks associated with those objectives.
 - The content of risk registers and assurance frameworks to understand the risks faced and the controls that the organisation places reliance on to manage those risks.
 - Areas of concern or requests for coverage from management and the Audit Committee.
 - Areas where external audit will wish to place reliance on the testing performed by internal audit.
 - Other sources of assurance available to the organisation.
 - Any recent significant changes within the organisation and its operations.
 - Regulatory requirements for internal audit coverage such as the Audit Code of Practice.
 - Emerging issues, including any additional risks that do not appear on the College's risk profile but may merit internal audit coverage.
 - The timing for each internal audit review to maximise the benefit of assurance provided.
 - Results of previous internal audit coverage.
- The auditors have included, at Management request, reviews of Prison contracts, Work Based Learning (WBL) and IT Audit but after discussion not included the risk maturity review as the area was covered in 2007/08.

Resources

- In order to deliver the Annual Internal Audit Plan, the auditors estimate an annual input of 32.5 days, excluding three days contingency for the year. This will be at a day rate in 2008/09 of £380 plus vat as per the auditor's recent engagement letter.

Considerations Required of the Audit Committee

- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

Yes – on the information provided.

- Does the detailed internal audit plan for the coming financial year reflect the areas that the Audit Committee believe should be covered as priority?

Yes – all areas agreed.

Risk Maturity Matrix

As the auditor has only been given a one year extension to the contract, this will not be included, but would be included under a 3-5 year contract.

The Director of Finance and Information explained that the College had been audited on risk management this year, with substantial assurance and, therefore, the College would most likely be categorised as either:

- Risk Managed – Risk management is considered at the highest level of the business but could be further developed to inform decision making or
- Risk Enabled – Risk management and internal control is fully embedded into the operations. Risk Management is used to help manage the business and, consequently, the business is able to take risks on an informed basis to achieve its objectives.

In response to questions:

- The Director of Finance and Information explained that the Senior Management Team feel the level of audit days is correct as there were extra days added in this year.
- Asked whether it would be possible to cross reference to the high risks in the College, the auditor explained that over a 3-5 year cycle, all levels of risk are covered.
- The 30 day time frame is in comparison to other colleges as LSC looks at an average across the board.
- It was also noted that concerns primarily related to record keeping and all reports are substantial or adequate assurance and there have been no fundamental recommendations.

Governors received and agreed the Internal Audit Annual Plan, paper LMC/A/14/08, subject to Governance being audited in October 2008 and not February 2009, and agreed to recommend to the Corporation for approval.

7.05pm Claude Chonzi left the meeting.

7. FINANCIAL STATEMENTS DRAFT AUDIT ANNUAL PLAN

The Director of Finance and Information referred governors to paper LMC/A/15/08 and highlighted the main issues:

- He advised the Committee that governors have to approve the audit plan prior to the commencement of the audit in September 2008.

Engagement Objectives

- The key purpose of the annual plan is to:
 - Confirm the College's compliance with professional standards
 - Set out the audit scope and approach in outline
 - Identify the key issues which the auditor expects to be the focus of their audit work.
- In accordance with the International Standards of Auditing (UK and Ireland) and the Audit Code of Practice issued by the Learning and Skills Council, the auditors will:
 - Issue a statutory true and fair audit opinion on the financial statements of Lancaster & Morecambe College
 - Issue a final regularity opinion to the College and the LSC
 - Provide certificates in compliance with the requirements of the Teachers Pensions Agency (already completed)

Audit Scope and Timetable

- The audit is scoped to ensure that the auditors will obtain sufficient and appropriate audit evidence in respect of:
 - The significant operations of the College
 - Other operations which, irrespective of size, are perceived as carrying a significant level of audit risk whether through susceptibility to fraud or for other reasons
- The auditors will not consider every error on accounting practices and financial reporting but will only consider those that have an impact above a pre-determined figure.
- This report forms the first part of the auditor's communications with the Audit Committee, prior to the commence of their on-site audit work
- A post audit meeting, to be confirmed in December 2008, during which the auditors will provide details of their audit findings.

Key Risks

- Funding
- Teaching Costs
- Accommodation Strategy

- Financial Health
- OLASS Contract
- Creditors

Quality and Control

- This details matters relating to the processes adopted by the auditors to ensure the quality of their services and the robustness of their audit procedures, as well as detailing their independence.

Fees

- The fees for the auditor have remained unchanged.

Financial Reporting Developments and Emerging Issues

- This details the various Government/LSC initiatives affecting the sector and provides useful background information for governors.

Governors received and agreed the Financial Statements Draft Audit Annual Plan, paper LMC/A/15/08 and agreed to recommend to the Corporation for approval.

8. REVIEW OF AGREED ACTION ON PREVIOUS AUDIT RECOMMENDATIONS

The Director of Finance and Information referred governors to paper LMC/A/16/08 and highlighted the main issues:

- This is mainly a follow up report similar to that of the Internal Auditors.
- The report lists all the recommendations and each manager is requested to complete the appropriate sections.
- Where accepted, all the recommendations have been completed, except those which are no longer applicable owing to change in circumstance.
- Procurement is ongoing.

Governors noted and received the Review of Agreed Action on Previous Recommendations, paper LMC/A/16/08.

9. RISK MANAGEMENT UPDATE

The Director of Finance and Information referred governors to paper LMC/A/17/08 and highlighted the main issues:

- One new addition to the risk register, as a significant risk, is the possible disruption owing to the building of the M6 Heysham Link road and the redevelopment of the College campus. A sub group will be formed but this has not yet been done as the Feasibility Study was only approved by Corporation on 2 June.
- Maintenance work is due to be carried out this summer and, although this is mainly in the oldest of the buildings, will need to be completed under the College's Fire Risk Assessment.
- A new Critical Incident Plan has been written and although a practice has not yet been carried out, this is something the Senior Management Team is reviewing. The College is now listed on the Critical Notifications List for any major incidents in the locality.

Governors noted and received the Risk Management Update, paper LMC/A/17/08.

10. **ANNUAL SELF ASSESSMENT OF THE ROLE AND EFFECTIVENESS OF THE AUDIT COMMITTEE**

The Clerk referred Governors to paper LMC/A/18/08 and explained this will be completed at the last meeting of the year. This will be undertaken for all committees to assess process, training and terms of reference in preparation of the annual review of committees.

Joyce Tombs advised the committee members that she attended an excellent external training session held at Myerscough College.

Members of the committee completed the College self assessment form and agreed most of the members would like some training on the role of the Audit Committee.

Action: Clerk to arrange training.

Governors agreed the Annual Self Assessment of the Role and Effectiveness of the Audit Committee, paper LMC/A/17/08.

11. **REGULARITY AUDIT SELF ASSESSMENT**

The Director of Finance and Information referred governors to paper LMC/A/19/08 – the checklist and corresponding evidence in order for Governors to review and monitor the use of funds.

Governors could not suggest anything further to be added to this and are assured the College is complying with LSC's funding agreement.

Governors noted and agreed the Regularity Audit Self Assessment, paper LMC/A/19/08.

12. **ANNUAL PERFORMANCE REVIEW OF AUDITORS**

This was a confidential item for Corporation members only and minuted separately

13. **ANY OTHER BUSINESS**

None.

14. **DATE(S) AND TIME(S) OF NEXT MEETING(S):**

(i) To agree dates and times of future meetings:

The meetings calendar is in progress and will be distributed shortly. The Committee confirmed that it will meet on Mondays at 6pm.

(ii) 2 October 2008

The Committee agrees that these minutes are an accurate record of the meeting.

SIGNED:

NAME: Pat Thomas (Chair)

DATE:

12. ANNUAL PERFORMANCE REVIEW OF AUDITORS

The Clerk referred governors to paper LMC/A/20/08.

Internal Auditors – Bentley Jennison

As a result of the autumn term internal audit not being carried out on the agreed date, the score was lowered to a 3.

The Committee reaffirmed that Bentley Jennison be reappointed as Internal Auditors for a further year and their overall assessment should be rated as 2.

Financial Statements Regularity Auditors – Baker Tilley

As a result of Baker Tilley not submitting their audit plan in advance of the audit in 2007, the score was lowered to a 3. However, all other areas were high.

The Committee reaffirmed that Baker Tilley be reappointed as Financial Statements Regularity Auditors for a further year and their overall assessment should be rated as 2.

Engagement Letter

The Director of Finance and Information explained this was a standard letter of engagement and, if agreed by the Committee, would be forwarded to the Corporation for approval and the Chair's signature.

The Audit Committee members agreed to recommend to the Corporation that a satisfactory performance review had been received for both auditors and, therefore, recommend the Corporation confirms that auditors Bentley Jennison and Baker Tilley are reappointed for a further year and reviewed again next year.