

Minutes of a meeting of the Audit Committee of Lakes College West Cumbria, held on Monday, 13 September 2010 in the Boardroom.

Present: Paul Pharaoh (Chair); Andrew Oldham; John Lackie, Rick Wylie; Sarah Graham

Apologies: Sue Turner (Internal Audit Manager, RSM Tenon)

Also present: Peter Wood (Internal Audit Director, RSM Tenon); Martin Ward (Partner, Dodds & Co, External Auditor).

Staff present: Cath Richardson (Principal); Karen Wilson (Deputy Principal, Finance and Corporate Services); Jane Murray (Clerk to the Governors).

(The Chairman welcomed Peter Wood to the meeting, and John Lackie to his first meeting of the Audit Committee).

25/10 Minutes

The minutes of the meeting held on 10 May 2010 were agreed and signed as a correct record.

26/10 Declarations of Interest

None received

27/10 Final Report: Collaborative Governance

It was noted that there were no significant changes to the draft version the Committee had already seen, and that substantial assurance had been given with 1 recommendation meriting attention.

The Principal reminded the Committee that the company was being wound down and would likely to be dormant from the end of the year.

Agreed – to note the report.

28/10 Audit Recommendations Tracking Report

The Chairman noted the very good progress which had been made in completing the agreed actions for 2009-10. The Deputy Principal drew attention to the two remaining actions which would carry over into 2010-11 tracking reports. These concerned the one audit in 2009-10 where only adequate assurance (rather than substantial) had been received and it was noted that work was continuing on the actions.

Agreed – to note the report.

29/10 Internal Audit Service Annual Report 2009-10

In presenting the report from the internal audit service, Peter Wood congratulated the College on a strong performance, with which the Committee concurred. Of the eight audits carried out, only one had been adequate and the rest substantial.

Asked why the College had only achieved risk-managed (rather than risk-enabled), the Deputy Principal added that there was more work to do in getting staff to properly define the risk (they are doing it, but not always articulating it).

In addition, the Board had been asked to define its risk appetite at its July meeting, which had arisen from that audit and fed into the risk policy.

Agreed – to note the report.

30/10 Draft Report from the Audit Committee to the Board

The Committee considered the draft annual report to the Board, which reflected the strong performance agreed under the previous item.

It was noted that LSC guidance was very prescriptive in the Audit Code of Practice, with respect to the wording to be used in internal audit services reports of which the internal auditors had fallen foul the previous year. They had used a national template, which had been accepted without comment elsewhere in the country, but the Committee were reassured that the wording had been double-checked in this year's report.

Resolved – to agree the report to be tabled to Corporation.

31/10 Internal Audit Strategy 2010-2013 (Internal Audit Plan)

There was a risk-based approach to the development of the Internal Audit Strategy, which included coverage of core financial operations and advisory support on emerging concerns.

As an example of the link with the risk register, business continuity/disaster recovery was to feature in this year's audit plan, building on the experience of the aftermath of the floods last year. The quality of performance management information and the learner journey had also been given priority in the coming year.

Asked whether there was some flexibility in the plan, it was confirmed that the three-year nature of the plan allowed flexibility in coverage should emerging issues require urgent attention. For example, capital developments were likely now to be included given the funding for a new special educational needs new build.

The Internal Auditors were complimented on breaking down their fees per assignment which helped to show how the money was being spent.

Resolved – to recommend the Internal Audit Plan to Corporation.

32/10 Financial Regulations

The Deputy Principal and the Clerk took the Committee through the main changes to the financial regulations, the majority of which were to revise delegations now that there was no longer a resources committee and to harmonise the limit above which governing body approval would be sought for expenditure.

The requirement to register interests was extended to include budget holders and those involved in procurement.

Under capital programme (10.5), the committee asked that the limit for investment appraisals remain at £25,000, but also that consultants costs be included in this section and deleted at 19.7.

The Committee agreed the limit for Corporation approval of any new aspect of business at above £50,000 under 10.7.

Similar limits of £50,000 had been previously agreed at 19.2.

Above £50,000 was agreed as the limit for reporting contracts to the Corporation at 19.5.

By the same token, the Committee asked that the Principal's power to waive the requirement for tenders (without corporation approval) for the supply of goods and services be reduced from £100,000 to £50,000, and 'one of the following' be added to the list of circumstances where this might happen.

The Committee asked that the need to report to the Audit Committee on post-tender negotiations should also include a limit of £50,000 alongside the 10% variation of costs at 19.6.

The Committee noted and agreed the revised responsibilities for managing contracts at 19.7 and the re-wording of the last paragraph at 20.8 with respect to the reporting of industrial tribunals.

It was also noted that there was a need to update para 1.1 to reflect current Secretary of State responsibilities.

Resolved – to recommend to Corporation the revised financial regulations subject to the above amendments.

33/10 Financial Management and Control Evaluation (FMCE)

The Clerk reminded the Committee that during the self-assessment process in July that there had been some hesitation in confirming the 'outstanding' result for governance which had been the outcome of the two work groups' discussion. Although the outcome of the questionnaire discussed by the two groups and which was based on the FMCE graded examples, was unanimously outstanding, at least one Governor had reservations about going that far.

In the interests of reaching unanimity, there had been agreement that the Clerk would write the Governance section of the FMCE return as outstanding but that a final decision would be taken at the October board meeting.

The Chair felt that if the decision was outstanding, we should be able to adhere to all the requirements in appendix 1 of the guidance and it was agreed to double check wording and guidance.

Some other minor amendments to the wording were offered by the Committee but no significant changes to the proposed responses.

It was also noted that there were some questions in the last section which would be required to be filled in when the year end return was finalised.

Resolved – to recommend the FMCE return to the Corporation subject to final discussion on the 'outstanding' grading for governance.

The meeting closed at 1350h.