



## Minutes of the Audit Committee Meeting

held 2 June 2009

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*Present:* David Prain (*Chair*), Andrew Hanson, Liane Purnell, Alan Taylor

*In attendance:* Keith Bate (*Principal*)  
Jacquie Carman (*Director of Finance and Administration*)  
Paul Oxtoby (*Baker Tilly*)  
Patrick Green (*RSM Bentley Jennison*)  
Jennifer Sunter (*Clerk*)

### 1 Apologies

There were no apologies.

### 2 Declarations of Interest

Liane Purnell declared her standing interest in relation to partnership working arrangements between Halesowen College and Newman University College.

### 3 Minutes of Meeting held 10 February 2009 and Matters Arising

The minutes of the meeting held 10 February 2009 were approved as a true record. There were no matters arising.

### 4 Audit Letters of Engagement

#### • Internal Audit Providers Bentley Jennison

Patrick Green presented the letter of engagement noting no changes to the general terms.

The Audit Committee approved the terms and conditions of the engagement letter for signature.

#### • External Audit Providers Baker Tilly

Paul Oxtoby presented the engagement letter which was in accordance with the model agreed with the Learning and Skills Council.

The Audit Committee received the engagement letter which would be signed and forwarded to the Learning and Skills Council.



## **5 Strategy for Internal Audit for Halesowen College**

Patrick Green presented the Bentley Jennison Audit Needs Assessment, review and plan for 2009/2010 audit activity as the basis of work to be undertaken. Patrick Green referred members to the plan for the current year with emphasis on performance management.

Jacque Carman noted that the work plan was based on risk and annual statutory responsibilities.

David Prain noted the reduced number of days and Keith Bate questioned the number of days assigned to some areas of audit. Patrick Green responded that the plan gave a broad indication of days required per audit which would not be fully utilised if the scope of a particular audit did not require it.

The Audit Committee resolved to recommend that the Corporation agree the RSM Bentley Jennison Strategy for Internal Audit for Halesowen College for 2009/10.

## **6 Strategy for External Audit**

Paul Oxtoby emphasised the independent process of audit, the importance of work on income, ensuring that the impact of funding is assessed for the current year, that there are no issues through regularity audit and that Halesowen College Enterprises expenditure is accurately captured and reflected.

Members noted that performance indicators would be reviewed with performance reported back to the Committee.

Paul Oxtoby further explained that the sector changes were being considered and that briefings would be provided and circulated to members in the near future.

**Action:** Jacque Carman/Clerk

The Audit Committee resolved to agree the Baker Tilly Audit Strategy.

## **7 College Inspection 2009**

Keith Bate reported that the inspection visit from the Provider Financial Assurance representative had been very complimentary. A number of strengths and no weaknesses were recorded.

The Committee commended Jacque Carman and the finance team.

## **8 Regularity Audit 2008/09**

Jacque Carman presented the regularity audit questionnaire which together with a significant amount of evidence formed the basis of the annual regularity audit work undertaken by Baker Tilly.

The Audit Committee noted the responses to the Self Assessment questionnaire 2009/2009 which would be forwarded to Baker Tilly.

## **9 Progress Report on Internal Audit Action Plans**

Jacquie Carman reported on the progress made against recommendations.

Under Risk Review the final recommendation had been achieved with the determination of Risk Appetite as approved by the Corporation.

With reference to the final recommendation under the review of Freedom of Information the policy was now updated and some requests for information had been received.

All recommendations under the audit of Registers were now closed. Staff marking registers had been reminded of the importance of completing these accurately at every lesson and arrangements had been made for minutes to be taken at meetings of the Register Group.

Following the audit of the Provider Financial Assurance Funding Pilot the forms for full and part time enrolment for 2009/10 had been re-designed based on best practice. Procedures for recording anticipated costs of assessed student needs under additional learning support had been reviewed. Jacquie Carman noted that the College awaited a response from the Learning and Skills Council on College rates applied to standard costs for additional learning support provision. In addition members noted that under EMASYS national system problems with EMA and ALG had been addressed therefore the College could embed and monitor its own procedures in the new academic year.

The Audit Committee resolved to receive the Progress Report on Internal Audit Action Plans and authorised the removal of closed items from the list.

## **10 Bentley Jennison Internal Audit Reports**

Patrick Green reported on the outcomes of the internal audit work undertaken.

### **Learner Number Systems: Follow Up of Controls Management Report LSC funding audit for the year ended 31 July 2008**

Patrick Green reported that there were two recommendations meriting attention and a conclusion of good progress.

#### **Key Financial Controls**

Patrick Green reported substantial assurance with two recommendations meriting attention regarding monthly Finance Reports and payroll procedures. Jacquie Carman noted that the Finance and Resources Committee would consider frequency and content of financial information.

#### **Contract Management – Operational and Financial Compliance**

Patrick Green explained that the audit had focused on risk. Three meriting attention recommendations on reporting mechanisms were agreed and substantial assurance

given.

### **Updated Audit Plan 2008/2009**

Jacque Carman explained that the College was viewed as a low risk organisation and as such standards against which to review IT Credit Cards Compliance were not yet provided. Subsequently it was proposed that the planned Credit Card Compliance audit be postponed and replaced with a review of key financial control areas Salary Sacrifice and Staff Loan Scheme.

### **Progress Report**

Patrick Green commended excellent progress made against action plans. Members noted the supportive client briefings. Patrick Green highlighted that the College should be aware of Carbon Reduction thresholds for future requirements.

The Audit Committee resolved to accept the Internal Audit Reports on Learner Number Systems: Follow Up of Controls Management Report LSC Funding Audit for the year 31 July 2008 (06.08/09), Key Financial Controls (07.08/09), Contract Management – Operational and Financial Compliance (08.08/09) and Internal Audit Progress Report and the management response to them.

The Audit Committee further resolved to recommend to Corporation the approval of the Updated Audit Plan 2008/2009.

## **11 Train to Gain and Work Based Learning**

Jacque Carman reported that the Provider Financial Assurance audits of Train to Gain and Work Based Learning were very positive with unqualified opinions on the use of funds and internal control. Both reports included a schedule of errors and a percentage threshold. David Prain was assured that the percentage of errors fell below the threshold.

Jacque Carman further noted that recommendations in the action plans would be monitored in the same way as internal audit recommendations.

The report was received.

## **12 Self Audit of Learner Number System**

Jacque Carman reported that a rigorous self audit was undertaken to replace the loss of the funding audit. Some one hundred percent tests had been undertaken on areas such as part time registers to ensure that records were as accurate as possible.

Jacque Carman informed members that the CIS team constantly conducted self validating using software and data tests which indicated areas that would benefit from further checks.

The report was noted.

### **13 Review of Whistleblowing Policy**

Jacque Carman reported that a rigorous review of the policy had been conducted against the British Standard Institute Publicly Available Specification resulting in clearer statement of points that were hitherto implicit in the policy. Jacque Carman reported that the ICAEW Guidance for Audit Committees; Whistleblowing Arrangements had also been used to review the involvement of the Audit Committee within the policy.

Keith Bate noted that a fine balance was required to ensure staff were informed of whistleblowing without usurping appropriate management procedures. Consequently the College was introducing Whistleblowing Policy awareness to staff through the appraisal process.

The Audit Committee resolved to recommend to Corporation approval of the revised Whistleblowing Policy

### **14 Major Incident and Disaster Recovery Plan**

Jacque Carman explained that the College had planned to run a desktop exercise to test the Major Incident and Disaster Recovery Plan but that this had been superseded by a real emergency when a water pipe under the red brick road had been damaged in January 2009. The College response to this incident had been used to check that the overall aims and objectives of the current plan and procedures were met.

Following use of the checklists to record and evaluate the response some areas of enhancement were realised; that the College should make use of social networking tools to communicate with students, that procedures to declare an incident over should be added and that the College should continue to learn from each incident.

Jacque Carman informed members that the water pipe incident was categorised as a grade two disaster and that the College may wish to run a desktop exercise in relation to a grade three disaster.

In response to a question on liability for the damaged pipe by David Prain Jacque Carman noted that the College was pursuing the matter with the contractors.

The Audit Committee resolved to recommend to Corporation the adoption of the revised Major Incident and Disaster Recovery Plan

### **15 Draft Bribery Bill**

Jacque Carman informed members of emerging legislation to prevent bribery. The sector awaited best practice guidance on procedures to avoid charges under a corporate offence of "negligent failure to prevent bribery".

The implications of the Draft Bribery Bill were noted.

## **16 Report of Alleged Fraud and Response**

Following formal concerns raised on an incident witnessed at College, the Anti-Fraud Policy and Response Plan and the College Disciplinary procedure were followed. A member of staff had been dismissed and the Police informed.

Jacque Carman reported that she had contacted the internal audit service providers and the Chair of the Audit Committee. Following scrutiny the College was satisfied that no system of internal control would have been able to identify the activity but that five recommendations were being pursued to further enhance the control environment.

Patrick Green confirmed that the College had managed the situation and noted that incidents of petty fraud were very hard to control.

The report was received.

## **17 Any Other Business**

### **Governance Thematic Review**

The Clerk circulated the final instalment of benchmarked data from the RSM Bentley Jennison Governance Thematic Review.

### **The Halesowen Foundation**

Keith Bate sought feedback from the Committee on the receipt of information regarding The Halesowen Foundation. Following detailed discussion on the roles of trustees, and stakeholders it was agreed that the Finance and Resources Committee would receive information as appropriate to its role in monitoring all aspects of the College's financial management.

## **18 Date of Next Meeting**

The next meeting is scheduled for Tuesday 29 September 2009 (provisional).

Closed: 10.15am