

Queen Elizabeth Sixth Form College

Minutes of the Meeting of the Audit Committee held on Thursday 13 November 2008 at 5.30 pm

Present: Mr N Waterfall-Brown (Chairman)
Mrs D Leigh
Mrs E Lyle
Mr C McCain

In Attendance Mrs S Turner (Bentley Jennison)
Mr D Moorhouse (KPMG)
Mrs A Atkinson (KPMG)
Mr G Brookes (Clerk)

In Attendance by Invitation
Mr T J Fisher
Dr S D Hunnisett
Mr T M Loftus
Mrs J Wilson

26/08 Apologies
Apologies were received from Mr M Ithurralde and were **accepted** by the Committee.

27/08 Minutes of the Previous Meeting
The minutes of the meeting held on 22 May 2008 were **accepted** as a true record and signed by the Chairman.

28/08 Matters Arising
There were no matters arising.

29/08 Outstanding References
There were no outstanding references.

30/08 Urgent Business
The Clerk proposed that two matters be addressed at item 18:

- a. The appointment of a Chair for the Audit Committee (at last November's meeting Mr Waterfall-Brown agreed to stand as Chair on a temporary basis).
- b. The College's Senior Management members be asked to leave the meeting.

The proposal was **agreed** by the Committee.

31/08 Internal Audit: Assignment Reports
Mrs Turner referred to the following reports and highlighted specific points:

- 31.1 QA/Self Assessment (03.2007/08)
- a. The 'substantial assurance' assessment in section 1.2
 - b. No 'fundamental' and no 'significant' recommendations on the adequacy and application of controls.
 - c. One 'merits attention' recommendation (which will be implemented).

- 31.2 Learner Support and Mentoring (05.2007/08)
- a. The College's positive approach to Learner Support and Mentoring.
 - b. The 'substantial assurance' assessment section 1.2
 - c. No 'fundamental' and no 'significant' recommendations on the adequacy and application of controls.
 - c. No 'merits attention' recommendations.

- 31.3 Ordering, Receipt and Payment – IDEA Testing (07.2007/08)
- a. The 'substantial assurance' assessment at section 1.2
 - b. No 'fundamental' and no 'significant' recommendations on the application of controls.
 - c. Two 'merits attention' recommendations (which will be implemented).
- 31.4 Follow-up (06.07/08)
- a. The overall conclusion in section 1.2 that the College 'has demonstrated **good progress** in implementing actions agreed'.

The Committee **accepted** the four reports.

32/08 Internal Audit: Annual Report for 2007/08

Mrs Turner referred to the Annual Report for the year ended 31 July 2008 and in particular to:

- a. The College complies fully with the Government Internal Audit Standards (section 1.2).
- b. The Overall Opinion (section 3.1) which states that the College has adequate and effective risk management processes, control processes and governance processes to manage the achievement of the organisation's objectives.
- c. The operational assurances for policies, procedures and operations review of all 7 areas were 'good' (section 4.2).
- d. The summary of conclusions and recommendations (section 4.7) in which the overall opinion of 6 relevant assignments were 'substantial' 5, 'good' 1.

Mrs Turner summarised the report overall as good.

The Committee **accepted** the report and **recommended** that it be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

33/08 Internal Audit: Thematic Review of Governance

33.1 Mrs Turner referred to the Further Education Thematic Review (October 2008) which was presented to Governors for information. She highlighted in particular:

- a. The aim of the review and how it was carried out. It provides a report based on best practice in the sector and enables individual establishments to compare their performance with overall figures for equivalent organisations.
- b. The review covers the key findings about committees, how they run, what information is provided, their frequency and duration; and gives examples of good practice in governance matters.

33.2 After discussion the Committee **agreed** that the review should be presented to the full Board for information. **Action Mr Waterfall-Brown**

34/08 Financial Statements and Regularity Audit: Management Report 2007-08

34.1 David Moorhouse (Audit Director) and Arlene Atkinson (Manager) referred to the KPMG Audit Highlights and Management Letter for the year ended 31st July 2008 (dated 29 October 2008) and in particular to:

- a. The purpose of their audit (Section One).
- b. Section Two – Highlights Memorandum
 - 1) The great control exercised by the College over the Income and Expenditure Account.
 - 2) An alteration to the Balance Sheet the amended version of which will be passed to the College.

c. Section Three – Audit Progress and Status

which stated:

- (i) 'we anticipated issuing an unqualified audit opinion ...'
- (2) 'we have reviewed the Corporate Governance Statement and consider it consistent with our understanding of the process followed by the College'.

d. Section Four – Observations

'We have no observations to make from our audit work ... and the regularity audit.'

e. Section Five – Matters for Future Consideration

KPMG will keep the College informed of developments in:

- 1. Demand led funding
- 2. Framework for Excellence (NB. QE acted as a pilot college for this).
- 3. International Financial Reporting Standards (IFRS).

f. Appendix 1 – Summary of Audit Differences

The appendix showed the differences identified during the audit for which the financial statements have been adjusted. None of the differences were significant. There were no uncorrected audit differences to record.

34.2 Mr Moorhouse thanked Mr Loftus and his team for all the help they had provided throughout the audit process.

34.3 Mr Waterfall-Brown thanked KPMG and the college team for the good report which the Committee **accepted** and **recommended** that it be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

35/08 Financial Statements Auditor: Management Representation Letter

Mr Loftus referred to the KPMG letter dated 4 December 2008 and pointed out that this is the normal type of letter raised at this time of year. The Audit Committee considered the letter and **recommended** that it be approved by the full Board and signed by the Chairman and the Principal. **Action Mr Waterfall-Brown**

36/08 Annual Report on the Work of the Audit Committee

The Clerk referred to the draft report on the work of the Committee during 2007-08 and, after discussion it was **agreed** by the Committee and signed by Mr Waterfall-Brown.

The Committee **recommended** that the report be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

37/08 Annual Report and Financial Statements for 2007-08

37.1 Mr Loftus referred to the Annual Report and Financial Statements for the year ended 31 July 2008. It had already been considered by the Finance and Resources Committee which recommended that, subject to the agreement of the Audit Committee, the report be submitted to the Board for approval.

37.2 Mr Loftus pointed out in particular:

- a. The narrative pages (2 to 8) which contain the Members' report. Any amendments or additions the Members may have could be included at this stage. No changes were proposed.
- b. The Statement of Corporate Governance and Statement of Members Responsibilities.
- c. The figures on page 19 onwards have been audited and cannot be changed. Mr Loftus referred to a change in the historical cost surplus (from £650k to £730k) on page 20 and explained the reasons for the

alteration. Otherwise the figures were the same as those presented to Members at the last Board meeting.

- d. The Committee **accepted** the Annual Report and Financial Statements 2007-08 and **recommended** that the report be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

38/08 Risk Management Report

Mr Loftus referred to the Risk Management Report 2007/08 and in particular to:

- a. Para 1.3 which assures Members that adequate measures are taken to ensure that the Corporation's duties are discharged.
- b. Para 3.2 which includes the following statement from the Internal Annual Report:
"The College has an established risk management framework which it continues to embed across the College through the operational planning processes."
- c. The three actions planned for 2007/08 have been achieved.
- d. The Action Plan for 2008/09.

The Committee **accepted** the report and **recommended** that it be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

39/08 Progress on Outstanding Audit Recommendations

Mr Loftus referred to the table giving details of the progress on audit recommendations and their current status. Following discussion about the status of some items classified as 'ongoing' it was agreed that their situation would be reviewed. **Action Mr Loftus**

The Committee **accepted** the report.

40/08 Timetable of Events

The Clerk referred to the Proposed Cycle of Audit Committee business for 2008/09 which was in the same format as in previous years. It was pointed out that from autumn 2009 the requirements of the 'Framework for Excellence' would need to be included. With this addition the Committee **approved** the timetable.

41/08 Strategy for Internal Audit 2008-09

- 41.1 Mrs Turner referred to the Bentley Jennison (BJ) Strategy for Internal Audit – Update for 2008/09 and in particular to:
 - a. Enterprise Risk Management. BJ are enhancing their methodology and proposed that a presentation on this be given by BJ at the next meeting. **Action Bentley Jennison**
 - b. BJ will be undertaking a risk maturity thematic review across all their internal audit clients.
 - c. Changes made in anticipation of BJ's planning process for 2009/10 onwards.
- 41.2 The detailed Internal Audit Plan 2008/09 at Appendix A, the Updated Strategy 2007/08 to 2009/10 (Appendix B) and Risk Maturity Matrix (Appendix C) were discussed in depth.
- 41.3 The Committee **agreed** the Strategy and **recommended** that it be submitted to the full Board for approval. **Action Mr Waterfall-Brown**

42/08 Re-appointment of Auditors

Mr Waterfall-Brown proposed that because of the satisfactory service provided by the auditors during the past year, both auditors be re-appointed. After discussion the Committee **recommended** that the following should be submitted to the Board for approval:

- a. KPMG be re-appointed as the Financial Statements and Regularity Auditors.
- b. Bentley Jennison be re-appointed as the Internal Auditors

Action Mr Waterfall-Brown

43/08 Other Business Raised under Item 30/08

43.1 Appointment of Chair of the Committee

The Clerk informed the Members that at the meeting held in November 2007 Mr Waterfall-Brown had agreed to act as Chair of the Committee until a permanent Chair had been appointed (Ref 47/07). Mrs E Lyle expressed her willingness to be the Chair and the Committee **agreed** that a recommendation should be made to the full Board that Mrs Lyle be appointed as the Chair of the Audit Committee effective from 1 January 2009.

Action Mr Waterfall-Brown

43.2 Withdrawal of the College Management Team

43.2.1 The Management Team withdrew from the meeting at 6.40 pm and Mr Waterfall-Brown asked the auditors if they wished to make any comments, including any criticisms, in relation to their work at the College.

43.2.2 Mr Moorhouse and Mrs Atkinson (KPMG) stated that the audits had gone well and that Mr Loftus and his team were always willing to provide any information and assistance whenever requested. There were no adverse comments.

43.2.3 Mrs Turner (BJ) stated that Mr Loftus and his team were always open and provided access to all information required by the auditors. There were no problems throughout the year.

43.2.4 Mr Waterfall-Brown thanked the auditors for their comments.

44/08 Confidentiality

No confidential matters were raised.

45/08 Date and Agenda for the Next Meeting

The next meeting will be held on Thursday 5 March 2009 at 5.30 pm.

There being no further business the meeting closed at 6.48 pm.