

"To promote lifelong learning for individuals and industry through the understanding and enjoyment of flowers, trees, plants and animals for career, business, education and leisure purposes."

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 4.30PM ON 22 MARCH 2011**

Members: Roger Abraham, Chair and Governor
Robert Howard, Governor
Ron Melville, Governor
Guy Jones Owen, Independent Member

Other Representatives: Mark Smith, Scrutton Bland
Teresa Sharman, Scrutton Bland

Also Attended: Madeline Hall, Chief Executive Officer
Nicholas Evans, Director of Estates and Buildings
Damien Fallon, Director of Finance
Simon O'Hear, Director of Human Resources
David Triggs, Clerk to the Governing Body

The Chair opened the meeting by welcoming everyone present. He particularly welcomed the two new members of the Committee Robert Howard and Guy Jones Owen and proceeded to invite everyone present to introduce themselves.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mary Prince who was absent from College with a virus and from Steve Dowbiggin who was visiting his mother who was very poorly. The Chair indicated that he had spoken to Dr Dowbiggin and had conveyed his and the Committee's best wishes at this difficult time. Representatives from Baker Tilly had nothing to report and had therefore conveyed their apologies for their absence.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THE 30 NOVEMBER 2010

RESOLVED: That the minutes of the meeting held on 30 November 2010 be approved as a correct record and signed by the Chair subject to amending minute 20iii by deleting the words "audit partner" and replacing these with the words "Head of Internal Audit".

3. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON THE 30 NOVEMBER 2010

The Committee RECEIVED paper 3, the matters arising from the minutes of previous meetings.

NOTED:

Item 5.2 from 24 March 2010: Risk and Assurance Report on Computer Control Environment: that apart from an on-site disaster recovery review arranged for April 2011 this matter was complete. Thereafter there would be a report by the College in July 2011 and once each year in the summer term.

Item 13 from 30 November 2010: Financial Management and Control Evaluation (FMCE): that the SFA recognised that the deadline for completion of the FMCE provided difficulties for many Colleges but it was satisfied with the process of colleges obtaining retrospective approval at their next Corporation meeting given the deadline was unlikely to move in the next few years.

4. REPORT OF THE DIRECTOR OF FINANCE

The Committee RECEIVED paper 4, report of the Director of Finance.

4.1 Internal Audit Service

NOTED:

- i That the reports on the General Ledger, Petty Cash and Cash Floats and Budget Setting and Control are referred to under papers 5 and 6;
- ii that the 2010/2011 programme of work is on schedule.

4.2 Attempted Cheque Fraud

NOTED:

- i the College had resisted one incident of an altered cheque and a further two payments being cleared by an organisation fraudulently claiming to be our supplier. In each case the bank refunded the College's account and the suppliers have been paid in full;
- ii the College was in the process of changing its systems to be able to pay suppliers via Bank Automated Credit which it was felt would limit the opportunities for the type of fraud identified in i above.

4.3 Teachers' Pension Audit

NOTED:

- i the College is required to complete an annual audit of the records it produces in deducting and paying contributions to the Teachers' Pension Scheme;
- ii that Baker Tilly had carried this work out satisfactorily in 2009 and 2010 for a charge of £950 and £975 respectively.

RECOMMENDED TO THE GOVERNING BODY that: Baker Tilly be re-appointed as auditor of the Teacher's Pension Scheme for the 2010/2011 financial year at a cost of up to £1000 exclusive of VAT.

4.4 Financial Statements and Regularity Audit Tender

NOTED:

- i that a tender document had been compiled and would be issued on 23 March to all external auditors listed on the Crescent Purchasing Consortium's web site with the exception of Scrutton Bland (the College current internal auditors) as this would create a conflict of interest (Baker Tilly had been added to this list in their place).
- ii the timetable included the following:

• Deadline for submission of tenders	12noon 14 April
• Shortlisting	15 April
• Interview and selection	13 May
• New provider to present audit plan to Committee	summer Audit Committee meeting

RESOLVED:

- i **that the timetable and selection process for the appointment of an external audit service for the period 2010/2011 to 2012/2013 be approved;**
- ii **that the Chair of the Audit Committee, the Chair of the Finance and General Purposes Committee be joined by Robert Howard and Ron Melville to form the selection panel scheduled to meet on 13 May 2011.**

5. VISIT ONE 2010/2011 INTERNAL AUDIT REPORT – GENERAL LEDGER AND PETTY CASH AND CASH FLOATS

5.1 GENERAL LEDGER:

The Committee RECEIVED paper 5 – Appendix A, the report of Scrutton Bland.

NOTED:

- i areas of review;
- ii no significant irregularities were identified during the review;
- iii significant assurance level (the second highest level) given;
- iv there were four recommendations each within the low category and each of which had been agreed and implemented by management;
- v a review would be scheduled for three years time. SMT agreed to consider the way in which actions were followed up to satisfy themselves and the Committee that the necessary follow-up action had been undertaken. This will be an in-house review that will involve Scrutton Bland.
- vi the added value point had not been accepted or applied.

RESOLVED: That the management recommendations and report of Scrutton Bland in respect to the general ledger review be accepted.

5.2 PETTY CASH AND CASH FLOATS

The Committee RECEIVED paper 5 – Appendix B, the report of Scrutton Bland.

NOTED:

- i this was a review requested by management following the thefts at Crystal Palace Park Centre in 2010;
- ii a reasonable opinion on the assurance level has been issued as some areas where the adequacy or operation of controls in practice needs to be significantly improved;
- iv the auditors had visited four locations where petty cash floats are held (this excluded Rush Green which holds two floats with a combined value of less than £100);
- v there were nine recommendations (each within the low category) across four centres and each of which had been agreed and implemented by management.

RESOLVED: That the management recommendations and report of Scrutton Bland in respect to the petty cash and cash floats review be accepted.

6 VISIT TWO 2010/2011 INTERNAL AUDIT REPORT – BUDGET SETTING AND CONTROL

The Committee RECEIVED paper 6 from the Director of Finance and the report of Scrutton Bland detailing the outcomes from the review of budget setting and control.

NOTED:

- i the scope and approach of the audit;
- ii a strong level of assurance (the highest possible) was given;
- iii there were no recommendations but there were three points of added value, which it was agreed were a matter for the Finance and General Purposes Committee to consider as they fell within this Committee's terms of reference.

RESOLVED:

- i that the management recommendations and report of Scrutton Bland in respect to the review of budget setting and control be accepted;**
- ii that the value added points contained within the report be referred to the Finance and General Purposes Committee as these fall within that Committee's terms of reference.**

7 ANNUAL APPOINTMENT OF THE INDIVIDUAL LEARNER RECORD (ILR) ASSURANCE AUDITOR FOR 2010/11

The Committee RECEIVED paper 7 from the Director of Finance.

NOTED:

- i Baker Tilly has undertaken the ILR assurance work for the College since the 2004/05 financial year, providing assurance on the adequacy and effectiveness of the individual learner records that are the basis for the College's claims for SFA funding;
- ii although no longer a requirement of the SFA, or its predecessor the LSC, in 2008 the Audit Committee proposed that this assurance be retained. In addition, the financial statement and regularity auditor relies on the findings of this report in planning their audit approach;
- iii the Senior Management Team has assessed the performance of Baker Tilly in this capacity and recommends their consideration for reappointment in this capacity.

RECOMMENDATION TO THE GOVERNING BODY

- i that Baker Tilly be re-appointed as ILR assurance auditor to the College for the 2010/11 financial year;**
- ii that the audit fee for the year 1 August 2010 to 31 July 2011 to be agreed at up to £6,000 exclusive of VAT (this allows for past costs and inflation).**

8. ANNUAL APPOINTMENT OF THE FINANCIAL STATEMENT AUDITOR (AND REGULARITY AUDIT SERVICE) FOR 2010/11

The Committee RECEIVED paper 8 from the Director of Finance.

NOTED:

- i the letter of engagement between Baker Tilly, Capel Manor College and the Skills Funding Agency (SFA) states that the Governing body will reconsider the appointment of an auditor to act as the College's financial statement and regularity auditor, and agree their remuneration, on an annual basis on the recommendation of the Audit Committee;
- ii the Audit Committee has recommended that this service be put out to tender as Baker Tilly have held the appointment for a period of 10 years;
- iii the Committee agreed that all three governors on the Committee should join the Chair of the Finance and General Purposes Committee on the selection panel to consider those shortlisted for interview;
- iii the Senior Management Team has assessed the performance of Baker Tilly in these capacities and at the November 2010 meeting of the Committee reported their performance in the 2009/10 financial year as Good;
- iv notwithstanding the outcome of the tender process it was agreed that it would be prudent to reappoint Baker Tilly to carry out the 2010/2011 audit;
- v that the audit fee for 2009 and 2010 audits were as follows

	2010	2009
Financials statements audit	£18,050	£17,500
Regularity audit	£5,950	£5,800

RECOMMENDATION TO THE GOVERNING BODY

- i that subject to the outcome of the audit tender to be conducted by the Audit Committee, Baker Tilly be re-appointed as financial statement and regularity auditor to the College for the 2010/11 financial year;**
- ii that the audit fee for the year 1 August 2010 to 31 July 2011 to be agreed at a future meeting once the scope of audit is known.**

9 DATE OF NEXT MEETING: 8.30am Tuesday 5 July 2011.