

AQUINAS COLLEGE AUDIT COMMITTEE

Meeting: 13 October 2008

Time: 5.30pm

Venue: The College

GOVERNORS PRESENT

Mr P Carpenter (Chairperson), Ms C Calverley, Mr A Martin. Mr A McCarthy and Fr. V. Whelan.

IN ATTENDANCE

Mr D Fletcher	Bentley Jennison
Mr K Simmons	Chadwick
Mrs E White	Chadwick
Mrs D Blackburn	Assistant Principal (Finance)
Mr T Conlon	Clerk to the Governing Body

Before the meeting started the Chairperson welcomed all the Audit representatives to their first meeting of the Audit Committee.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATION OF INTERESTS

Governors and Staff were asked to declare any interest, which they may have in any items on the Agenda for this meeting. No interests were declared.

3. COMMITTEE MINUTES

RESOLVED – That the minutes of the meeting held on 11 June 2008, copies of which had been circulated previously be approved and signed by the Chairperson as a correct record.

4. MATTERS ARISING FROM THE COMMITTEE MINUTES

There were no matters arising that were not covered by the Agenda for this meeting.

5. DRAFT STATUTORY ACCOUNTS 2007/2008

Mrs Blackburn introduced the draft Statutory Accounts for 2007/2008 that had been circulated previously and advised members that there were a number of changes from previous years that were mainly related to the standard wording of the accounts. It was noted that the Audit Committee has a corporate governance role in approving the Statutory Accounts.

A number of amendments had been identified at the meeting and a revised set of Statutory Accounts would be issued to all members incorporating these changes. In addition all members were asked to check the draft Statutory Accounts for any further mistakes or typing errors and to advise Mrs Blackburn accordingly.

There would be no need for a special meeting of the Committee to approve the Draft Statutory Accounts, the accounts remain draft until they are approved by the Governing Body and signed by the Chairperson.

6. FINANCIAL STATEMENTS AUDIT SUMMARY

Mrs White of Chadwick LLP advised members that the Audit Summary covered the Financial Statements of the College for the year ended 31 July 2008.

A discussion took place on the draft Financial Statements Audit Summary that had been prepared by Chadwick LLP on the College for the year ended 31 July 2008. Copies of the report and draft Management Letter had been circulated to members prior to the meeting. Members' attention was drawn to the Opinion section of the report and it was noted that there were no unresolved disagreements with management of the College regarding items that could be material to the accounts. An unqualified audit report on both the College's financial statements and regularity audits for the year ended 31 July 2008 would be issued.

The draft Management Letter indicates that subject to carrying out a post balance sheet events review there will be an unqualified opinion on both the Financial Statements and Regularity Audit for the year ended 31 July 2008. There were no management letter points that required to be drawn to the attention of Governors. The financial environment in the College was described as adequate and is consistent with what has been reported previously and it was noted that the college is currently classed as a Category "A" College in terms of balance sheet strength, the highest grading possible. The major redevelopment of the College will have an adverse impact on this in the short term and the College could be classed as a Category "B" next year.

The College redevelopment at a cost of £40m over the next 2-3 years has commenced. At the moment £1.9m of building works have been included within "assets under the course of construction" and have not, therefore, been depreciated. As each individual building or section is commissioned and brought into use, a transfer will need to be made from "assets in the course of construction" to freehold land and buildings and the normal depreciation policies applied.

RESOLVED: i) That the Financial Statements and Regularity Audit from Chadwick for the year ending 31 July 2008 be received.

ii) That the draft Management Letter issued by Chadwick be received

7. ANNUAL INTERNAL AUDIT REPORT

Bentley Jennison submitted the Internal Audit Annual Report for 2007/2008 and it covered the work for the period 1 August 2007 to 31 July 2008. It summarised the work undertaken, the details of which had been considered by the Audit Committee throughout the year.

Based on the work carried out, Bentley Jennison concluded that the College has adequate and effective risk management, control and governance process to manage the achievement of the College's objectives. Members noted that out of the six audits undertaken, five had received substantial or adequate assurance. There had been twenty recommendations in total and Members noted that there had not been any fundamental recommendations. Eighteen had been classed as merits attention; two as significant and all recommendations had been accepted by the College.

The report contained Benchmarking Data in respect of Annual Reports to colleges in 2007 that Bentley Jennison had produced. The tables below show the College's performance for 2007/2008, benchmarked against 2006/2007.

<u>Assurance</u>	<u>Substantial</u>	<u>Adequate</u>	<u>Limited</u>
Aquinas	80% (80%)	20% (20%)	0% (0%)

The figures in brackets are for 2006/2007.

Number of Recommendations

	<u>Fundamental</u>	<u>Significant</u>	<u>Merits Attention</u>
Aquinas No Per Report	0 (0)	0.40 (0.50)	2.60 (3.30)

The figures in brackets are for 2006/2007.

The result of the benchmarking exercise demonstrates the consistency of the College's internal controls systems over the past two years.

RESOLVED: That the Annual Internal Audit Report for 2007/2008 be received.

8. STRATEGY FOR INTERNAL AUDIT

Bentley Jennison submitted a Strategy for the provision of an Internal Audit Service for 2008/2009. The detailed Audit Plan for 2008/2009 was set out in Appendix A and the updated strategy for internal audit was included in Appendix B.

After a full discussion it was agreed that the Audit Plan for 2008/2009 would consist of 22 days and would be utilised as follows:

Student Records – Exams	reduced to 3 days instead of 4 days
IT Audit	reduced to 3 days instead of 4 days
Capital Projects	4 days
Financial Healthcheck – Assets	3 days
Governance – Instrument and Articles	3 days
Follow Up	1 day
Audit Management	reduced to 4 days instead of 5 days
Health and Safety	1 day (not originally included)

RESOLVED: i) That the revised Audit plan for 2008/2009 be approved and ii) That the updated Strategy for Internal Audit for 2008/2009 be approved.

9. INTERNAL AUDIT REPORTS

A discussion took place on the internal audit reports that had been prepared by Bentley Jennison on:

a) Financial Review – Asset Recording Controls – Substantial Assurance

The object of the audit was to evaluate the adequacy of risk management and controls within the system and the extent to which controls have been applied, with a view to delivering reasonable assurance to the Governing Body over the adequacy of the internal control system and its application in practice.

As a result of the review it was considered that the controls within the system provided substantial assurance that risks material to the achievement of the organisations objectives are adequately managed and controlled.

The main recommendations were:

i) Management should decide on the person with overall responsibility for asset security within the College. Once this has been decided, the Financial Regulations and Procedures should be amended to ensure that they reflect the current reporting structures and responsibilities. (Merits Attention)

ii) The Financial Procedures should be amended so that they detail the anticipated useful life of assets and their respective depreciation rates. (Merits Attention)

iii) Management should consider updating the fixed assets register in Finance to hold details of the location of assets, in line with the register held by the IT Department. (Merits Attention)

iv) To ensure that asset registers can be kept up to date and reduce the time at year end, all staff members should be reminded to inform Finance of disposals using the appropriate documentation. (Merits Attention)

b) Capital Project – Interim Report

The object of the audit was to evaluate the adequacy of risk management and controls within the system and the extent to which controls have been applied, with a view to delivering reasonable assurance to the Governing Body over the adequacy of the internal control system and its application in practice.

As a result of the review it was considered that the controls within the system provided substantial assurance that risks material to the achievement of the organisations objectives are adequately managed and controlled. In view of the fact that this was an Interim Report no formal assurance opinion has been given. However, the fact that no recommendations have been made to enhance the control environment demonstrates that management are taking a proactive approach towards the management of the capital project.

10. ACTION ON INTERNAL AUDIT REPORTS

Members noted the action taken by the college to implement the recommendations contained in the Internal Audit Reports.

11. RISK MANAGEMENT POLICY AND REGISTER

A copy of the revised Risk Management Policy and Register had been circulated to all members prior to the meeting.

After a full discussion it was agreed that paragraph 5 a I) should be amended to read as follows:

confirms that the institution has a clearly defined risk policy

RESOLVED: That the Risk Management Policy and Register be recommended to the Governing Body for approval.

12. RISK MANAGEMENT ANNUAL REPORT

The draft Annual Report for 2007/2008 on Risk Management had been circulated to all members prior to the meeting. Mrs Blackburn advised members that under Other Factors, Japanese knotweed on the Sunday School land had been added the Risk Register. The draft Annual Report summarised the following:

- a) The risk management approach adopted during the year
- b) Summary of performance against the College's Risk Management Plan identifying:
 - i) Any issues in each of the significant risk areas and how these were addressed.
 - ii) Details of Key Performance Indicators with comparators where possible.
 - iii) Details of any changes made to the scope of the Plan during the year as a result of new initiative/developments.
 - v) An overall summary and conclusion on the adequacy of the process in discharging the Governing Body's duties.

It was noted that whilst the risk management process is well established and the risk register is robust, the audit process within the college is still being developed. This will be finalised in 2008 and fed out across the college.

RESOLVED: That the draft Annual Report for 2007/2008 on Risk Management be recommended to the Governing Body for approval.

13. CAPITAL PROJECT RISK REGISTER

A copy of the Project Risk Register for the new capital building project had been circulated to all members of the Committee prior to the meeting, along with a Project level Scoring Scheme. Mrs Blackburn highlighted the high risk areas and updated the Committee on the latest position and advised members that some of the risks had been passed on to the contractors.

It was noted that the Register was updated on a regular basis and that two new funding areas had been included and they were i) credit crunch and how it may affect the bank facility for the loan and ii) the need to commit funding prior to the receipt of monies from the LSC.

14. AUDIT COMMITTEE ANNUAL REPORT

A discussion took place on the draft Audit Committee Annual Report that had been circulated to all members prior to the meeting. The report covered all work relating to the 2007/2008 financial year even if the Committee had dealt with the matter after the 31 July 2008. The Committee's Annual Report should advise the Governing Body when they are approving the College's Report and Financial Statements for the year ended 31 July 2008.

It was agreed that the report be submitted to the Governing Body for approval at the meeting on 11 November 2008.

15. FRAUD LOG BOOK

Mrs Blackburn advised Members that there were no incidents of fraud or corruption to report.

16. ANY OTHER BUSINESS

Mr Simmons advised members that Mrs White would be leaving Chadwick LLP but would be retained to help with training that they were going to run. It was anticipated that there would be a half day course for Audit Committee members in the Spring. A new Client Manager had been appointed to replace Mrs White. Mr Simmons would continue to attend the Audit Committee meetings.

Mr D Fletcher (Bentley Jennison), Mr K Simmons and Mrs E White (Chadwick LLP) left the meeting at this point.

17. APPOINTMENT OF INTERNAL AUDITORS

The Chairperson advised members that Bentley Jennison had indicated that if the contract for the provision of Internal Audit services to the college was for 3 years their rates would be as follows:

£387 per day, plus VAT for 2008/2009

£398 per day, plus VAT for 2009/2010

£410 per day, plus VAT for 2010/2011

The increase year on year would capped at a maximum of 3% for each year.

Bentley Jennison had indicated earlier that the fee for 2008/ 2009 would increase by 4% if the contract was for one year only.

After a full discussion it was agreed that the Governing Body be recommended to appoint Bentley Jennison as the Internal Auditors to the college for a three year period commencing on 1 August 2008 for 22 days per year.

The Chairperson of the Committee undertook to discuss with Miss Randall of Bentley Jennison the timetable for audits during 2008/2009.

RESOLVED: That the Governing Body be recommended to extend the appointment of Bentley Jennison as Internal Auditors to the college for a three year period commencing 1 August 2008.

18. DATE OF NEXT MEETINGS

Monday 28 January 2009 at 5.30pm

Signed -----
Chair of the Audit Committee

Date