

CENTRAL SUSSEX CORPORATION

Minutes of a meeting of the Audit Committee Held at 5.00 p.m. on Monday, 28th April 2008 in T11, Crawley Campus.

Membership: Mark Froud (Chair)*, Dorothy Hatfield*, Zoe Richardson*, Janak Shah*, Jon Wright (by telephone conference call)*.

Also present: Suri Araniyasundaran, Nick Whitley (Clerk), Ray Whitlock, and Mike Cheetham (Tenon) and for part of the meeting Marie Harris and Alan Hynes.

* = present

Jon Wright entered into telephone communication via a conference call at 4.59 p.m.

The Chair asked all members of staff (including the Clerk) to leave the room to enable the Committee to hold a confidential discussion with the auditors.

The Chair asked the members of staff to rejoin the meeting at 5.05 p.m.

APOLOGIES FOR ABSENCE

1. There were no apologies for absence.

DECLARATION OF INTERESTS.

2. There were no interests to declare.

MINUTES OF THE MEETING OF 6th DECEMBER 2007.

3. The minutes were signed as a correct record.

MATTERS ARISING

4. **Delays in the external audit process/26:** The Committee asked whether the pressures that had caused the delays had eased; Suri Araniyasundaran advised that there was now a full Finance Team in post.

Janek Shah joined the meeting at 5.10 p.m.

5. **Junior members of Audit staff/42:** Mike Cheetham confirmed that the Clerk had spoken with him about the reason for the grading of the "knowledge and expertise" of the internal auditors.
6. **International Financial Reporting Standard/30:** It was confirmed that the key changes to the Standard related to the reporting of the year's results after the year's accounts had been closed. There was no requirement to change any of the accounting practices or systems to meet the requirements of the Standard.
7. **The report was noted.**
8. The Withdrawals Report was reviewed and Ray Whitlock explained how it had been built up. He stressed that it was the shape of the graph that was significant rather than the absolute numbers. The graph demonstrated that, as the year progressed, there was an improvement in the timeliness of the reporting of withdrawals.

9. **The report was noted.**

It was agreed to take item 10, the Train to Gain Report next, to enable Marie Harris to leave the meeting afterwards.

INTERNAL AUDIT ASSIGNMENT REPORT: TRAIN TO GAIN

10. Mike Cheetham introduced the report, explaining that the review had focussed on the controls required to lead a consortium. The overall conclusion was that the design and operation of the risk management and internal control frameworks were weak. He stressed that, in the context of other reviews of Train to Gain that Tenon had carried out, this was not a bad report; he had seen a lot worse. The particular findings were typical; indeed there were problems with managing Train to Gain contracts throughout the country, not least because of confusion at the Learning and Skills Council (LSC) over its own rules.
11. There was one grade 1 recommendation, six grade 2 and two grade 3 recommendations. All of these had been accepted by Management and judging by the covering report appeared to have been addressed already.
12. While the consortium would not be bidding for further work there would be a "run-on" contract for the consortium for those learners who started during the current contract but had not completed their qualification by 31st July 2008. The controls would be required for the run-on contract, although the risk would be significantly reduced.
13. Marie Harris advised the Committee that going forward the College had a great deal more clarity about its role in leading a consortium and was able to be much more assertive as a result of the auditors' report.
14. The general question was raised as to why the College had got it so wrong, given that it had operated partnerships previously? Mike Cheetham responded by explaining that although there were many similarities for the Train to Gain contract requirements the LSC had not provided the necessary guidance. The audit guidance was currently being re-written.
15. Suri Araniyasundaran confirmed that the Management Fee charged by the College to consortium members covered the College's costs of managing and administering the contract. Much of the required documentation had to be completed by the consortium members, before submission to the College.
16. **It was agreed that a full set of the documentation required should be brought to the next meeting of the Committee, to enable the members of the Committee to see what had to be collated, together with a process map of how Train to Gain was managed.**
17. Marie Harris commented that there were five key documents that were essential; however the audit guidance had been open to interpretation and as a result bureaucracy had mushroomed. It was planned to streamline this, in line with advice from Tenon. She confirmed that she would also check the proposed revisions to the requirements with the LSC.
18. It was also noted that the outcome of the LSC review of the Use of Funds had been to identify a total of £1,680 to be repaid and that the LSC's judgement on the "Use of Funds" was satisfactory. The "Internal Control" had been qualified. A copy of the finalised report was still awaited from the LSC.
19. **The report was noted.**

INTERNAL AUDIT ASSIGNMENT REPORT: EXECUTIVE SUMMARY/FINANCIAL PLANNING, BUDGET SETTING, MONITORING AND FORECASTING/PROCUREMENT AND PAYMENTS/LONG TERM PLANNING/LEARNER NUMBER SYSTEMS

20. Mike Cheetham took the meeting through the Executive Summary, highlighting the key recommendations. He advised that Management had accepted all the audit findings. The main findings in respect of the Learner Number review reflected a difference in interpretation that had now been resolved; the findings in respect of the Finance Department were largely housekeeping matters.
21. The Committee were concerned at the length of time it had taken Management to respond to the Internal Auditors. It was noted that Management's primary objective had been to put the required actions in place as soon as possible; however it was stressed that, in future, the set time-scale of three weeks for the response must be adhered to unless the Chair of the Audit Committee agreed an extension of time, because of exceptional circumstances.
22. The Committee focussed attention on the Procurement Report; it was considered that this was a key process for the College and was not sufficiently tightly or well controlled.
23. Suri Araniyasundaran responded by pointing out that almost all the recommendations related to good or improved practice, rather than to a lack of controls. In general there were tight controls; however the College was not always following best practice. The introduction of Government Procurement Cards (GPC) had been intended to make the procurement system more efficient without losing control; the initial phase (which was in place when the auditors had reviewed it) allowed for expenditure of no more than £5k for 6 cards.
24. The new finance system would make a significant difference to the processes.
25. The Committee reiterated its concern that controls may be in place but that the process was not being followed. This was an area requiring vigilance and needed to be improved.
26. **It was agreed that the 2008/2009 Audit Programme should include a review of the procurement function to check that the controls and processes were in place and being followed.**
27. Concern was expressed that the budget holders to whom purchasing was being devolved may not have the necessary skills. Suri Araniyasundaran confirmed that procurement would continue to be handled as a central function. On the whole the College had a very good record of controlling expenditure; however there were specific training needs for certain individuals (rather than at a more general level).
28. **The Executive Summary Report was received.**
29. **The Financial Planning, Budget Setting, Monitoring and Forecasting Report was received.**
30. **The Procurement and Payments Report was received.**
31. **The Long Term Planning Report was received.**
32. **The Learner Number Systems Report was received.**

LSC AUDIT TEAM REVIEW: QUALIFYING CONSTRUCTION WORKERS VIA OSAT

33. The Clerk introduced this item, drawing attention to the Executive Summary, which gave the auditor's opinion that both the Use of Funds and Internal Controls were satisfactory.

34. The auditors had not found any funding errors within the sample they checked; however there was an over claim of £1983 that was identified. This was an amount that the College had already identified prior to the audit, but had been advised by the LSC Officers to leave uncorrected until after the audit.

35. **The report was received.**

REVIEW OF FINANCIAL WAIVERS

36. The financial waivers were reviewed; the Clerk gave a fuller account of the pepper spray incident. He confirmed that the formal disciplinary procedures had been followed in respect of the perpetrators and that an insurance claim was being pursued with the College's insurers.

38. **The report was noted.**

REVIEW OF COMPLAINTS

39. It was noted that there had been a reduction in the number of complaints; the Committee was interested to know whether this was because the College had improved its processes or whether people were by-passing the Complaints Procedure.

40. Alan Hynes confirmed that there had been no changes to the Complaints Procedure and that staff were well aware of it; as far as he could tell the drop in complaints represented a real reduction. The reduction in complaints about parking probably reflected the fact that learners had adjusted to the parking charges. Another significant factor was that a number of complaints by groups of learners had been recorded on an individual basis; there had not been any group complaints in the latest period.

41. It was considered that complaints were being well handled by the College.

42. **The report was noted.**

REVIEW OF SENIOR POSTHOLDER EXPENSES

43. The expenses were reviewed and no concerns were raised.

REVIEW OF ANY IRREGULARITIES, FRAUD, CORRUPTION OR IMPROPRIETY

44. **The report was noted.**

ANY OTHER BUSINESS

45. Jon Wright advised the Committee that he would be transferring to the Middle East on a full time basis from the end of June and would not be in a position to continue serving as a Committee Member. It was with regret therefore that he was tendering his resignation.

46. The Chair of the Committee thanked him on behalf of both the Committee and the Corporation for all he had done on behalf of the College and the Audit Committee.

There being no other business, the meeting closed at 6.00 p.m.

The next meeting of the Committee is scheduled for Monday 30th June 2008.