

**AUDIT COMMITTEE**

MEETING HELD ON THURSDAY 23 JUNE 2011

Meeting commenced: 18.05

Meeting ended: 20.50

**PRESENT**

Mr Michael Axelrod	External Co-opted Member	
Ms Rosemary French	Independent Member	
Dr Andrew Gilchrist	Independent Member	Chair

**IN ATTENDANCE**

Mrs Jayne Dickinson	Acting Principal
Mrs Ann-Christine Harland	Vice Principal: Finance and Resources
Mr Dominic Blythe	Baker Tilly: External Auditor
Mr Mike Cheetham	RSM Tenon: Internal Audit Service

**APOLOGIES FOR ABSENCE**

Mr Brian Smith	Independent Member
Mr Mike Woodall	Independent Member
Ms Lorna Raynes	RSM Tenon: Internal Audit Service
Mr Jonathan Ericson	Baker Tilly: External Auditor

**CLERK**

Mr Melvyn Cass	Clerk to the Corporation
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**AC.13.11 DECLARATION OF INTERESTS**

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

**AC.14.11 APOLOGIES FOR ABSENCE**

Apologies for absence were received from two members of the Committee:

Mr Brian Smith	-	family commitments
Mr Mike Woodall	-	business commitments

**AC.15.11 NOTIFICATION OF ANY OTHER BUSINESS**

Members agreed that there was no other business to be considered.

**AC.16.11 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 24 MARCH 2011**

The minutes of the meeting were approved, subject to minor amendment, and signed as a correct record.

**AC.17.11 MATTERS ARISING AND ACTION POINTS FROM THE MINUTES OF THE MEETING**

Members agreed that there were no matters arising from the minutes of the meeting.

Members noted that all Action Points had been satisfactorily completed.

**AC.18.11 REVIEW OF OUTSTANDING INTERNAL AUDIT ITEMS**

The Vice Principal: Finance and Resources presented an updating report on outstanding items.

Members considered the detail of the report, noting the review by the Internal Auditor of the outstanding items from 2009/2010.

Members agreed that it would be helpful if a report, updated in the light of discussion at the meeting, could be circulated following the meeting.

**AGREED**

The Audit Committee

- receives and notes the report
- requests that an updated report is circulated following the meeting.

**AC.19.11 INTERNAL AUDIT ASSIGNMENT REPORTS: 2010/2011**

**INTERNAL AUDIT ASSIGNMENT REPORT: MAY 2011 (5.10/11)**

The Internal Auditor presented the draft report on the internal audit reviews undertaken up to May 2011.

Members were advised that six areas had been the subject of internal audit, together with a follow up of previous years' recommendations, and noted the outcome for each area:

**LEARNER NUMBER SYSTEMS**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are consistently applied and effective'.

**Significant findings**

None

**GOVERNANCE**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.'

**Significant findings**

None

**RISK MANAGEMENT**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are consistently applied and effective'.

**Significant findings**

None

**FINANCIAL PLANNING, BUDGET SETTING, MONITORING AND FORECASTING**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.'

**Significant findings**

None

**PROCUREMENT AND PAYMENTS**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.'

**Significant findings**

None

**PERSONNEL**

**Audit opinion**

.....'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.'

**Significant findings**

None

Members noted that the responses and timescales included in the recommendations will be incorporated into the outstanding audit items grid for consideration at the next meeting.

Members discussed issues arising from the Report, noting that suggested amendments will be made and included in the final report.

**IT DISASTER RECOVERY REVIEW REPORT**

**Audit opinion**

.....'the Board can take reasonable assurance that the controls upon which the College relies to manage IT Disaster Recovery, as currently laid down, are well designed and complied with.

However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.'

**Design of control framework**

Three weaknesses were identified

**Application of and compliance with control framework**

One area for management attention was identified

Members discussed the issues identified and the basis on which the College is responding.

**FMCE REVIEW REPORT**

Members were advised that the report had been commissioned relative to the completion by the College of the Financial Management Control Evaluation questionnaire which was approved by the Board in December 2010.

## **DATA PROTECTION REVIEW**

Members were advised that, as a result of the deskbased Data Protection Review, the Data Protection Policy would be reviewed for consideration by the Finance and Resources Committee in the autumn term.

## **RESOLVED**

The Audit Committee

- receives and approves the draft Internal Audit Assignment Report: May 2011 (5.10/11), subject to final amendment
- receives and approves the draft IT Disaster Recovery Review Report, subject to final amendment
- receives and notes the FMCE Review Report
- notes progress as a consequence of the Data Protection Review

## **Members agreed to bring forward Agenda Item 9**

### **AC.20.11**

#### **SKILLS FUNDING AGENCY: TRAIN TO GAIN AUDIT**

The Vice Principal presented the report on the findings of the Skills Funding Agency (SFA) Audit of Train to Gain undertaken in January 2011.

Members were advised that the SFA undertakes a range of unscheduled funding audits at colleges on a regular basis and that it is required of the Audit Committee to consider all significant findings and/or recommendations and ensure that the College management takes appropriate action.

Members noted that the report on the audit of Train to Gain was now available for consideration.

#### **Audit opinion**

'As a result of our work, we have concluded that you have not met all or some of the contractual requirements attached to the payments received from the Skills Funding Agency and that you have not used the money received from the Skills Funding Agency in a way that is consistent with the purpose for which it is intended.'

Members considered issues arising from the report:

- data errors amounted to over 5% of the sample tested leading to £12k of over claim
- the areas to which the errors relate back

Members were provided with details of the response of the College to the audit and noted the basis on which the issues of concern had been and were being addressed. Of particular significance were

- increased monitoring procedures and systems have been put in place
- changes in line management responsibilities
- improvements to the workplace learner withdrawal procedure
- Train to Gain recruitment ceased with effect from 31 March 2011
- improved monitoring of Health and Safety workplace assessments

## **RESOLVED**

The Audit Committee

- receives and approves the Skills Funding Agency: Train to Gain Audit
- notes the measures being taken by the College to address the issues raised by the audit.

### **AC.21.11**

#### **INTERNAL AUDIT STRATEGIC PLAN: 2011/2012**

The Internal Auditor introduced the Internal Audit Strategy and Annual Plan.

Members reviewed the key sections of the Strategic Plan

- Developing the Internal Audit Strategy
- Updated Strategy for Internal Audit 2011/2012 – 2013/2014
- Detailed Internal Audit Plan 2011/2012
- Emerging Issues not covered in the 2011/2012 Internal Audit Plan

Members were advised that the Plan had been drawn up relative to the May 2011 College Risk Management Plan.

Members discussed issues arising from the proposals, in particular

- the proposed audit of Marketing and the nature of the audit
- the proposed audit of Estates Management and the nature of the audit
- the proposed audit of learner numbers and the extent to which this is considered essential in current circumstances
- the number of days allocated to the audit proposals, noting that fewer audit days result in less audit assurance
- the essential nature of extensive and intensive audit in the move to 'Outstanding'

Members considered the need to maintain a substantial internal audit strategy but considered also the need to make savings where it might be possible to do so. In order to do this, it was considered appropriate to maintain a core of key audit issues but to provide flexibility in the approach to the audit of Marketing and Estates Management.

#### **RESOLVED**

The Audit Committee

- approves the Internal Audit Strategy and Annual Plan: 2011/2012 subject to the revision of audit days to 36.5 plus 7 provisional days
- approves the Internal Audit Fee in line with this amendment

#### **AC.22.11**

##### **FINANCIAL STATEMENTS AUDIT STRATEGY: 2010/2011**

The Financial Statements Auditor introduced the report on the proposed Audit Strategy for 2010/2011.

Members considered the key issues arising from the report

- Audit approach, scope and timetable
- Key risks affecting the audit strategy
- Fees
- Engagement Letter

Members noted that the document outlines the key audit issues identified for the year ending 31 July 2011 and reflects discussions with the College and knowledge of the FE sector.

Members discussed, in detail

- the issues identified in the key risks affecting the audit strategy
- the basis on which Jonathan Ericson will continue as the Partner relative to the implementation of the Joint Audit Code of Practice

#### **RESOLVED**

The Audit Committee approves

- the Financial Statements Audit Strategy: Year ended 31 July 2011
- the Audit Fee of £19,500, exclusive of necessary disbursements and VAT.

#### **AC.23.11**

##### **EMERGING ISSUES IN THE SECTOR**

The Committee received a verbal report from the Financial Statements Auditor in which attention was drawn to

- the implementation of the Bribery Act with effect from 1 July 2011

- the process of consultation currently being undertaken relative to new accounting principles which will be implemented in July 2013 but which will be reflected in the College balance sheet with effect from 1 August 2012.

#### **AGREED**

The Audit Committee notes the report.

#### **AC.24.11 PUBLIC INTEREST DISCLOSURE POLICY AND PROCEDURE**

The Clerk submitted, for consideration and approval, the updated Public Interest Disclosure Procedure.

Members were advised that minor changes had been made to the original document in the light of the recent experience in dealing with a Public Interest Disclosure.

Members reviewed the procedure and suggested minor amendments.

#### **RESOLVED**

The Audit Committee approves the updated Public Interest Disclosure Procedure, as amended.

#### **AC.25.11 RISK REGISTER: SUMMER TERM 2011**

The Vice Principal: Finance and Resources presented a report which provided an update on

- the College risk management process
- the factors and actions for the risk assigned to the Committee in 2010/2011

Members noted and discussed:

- **Risk S8 'Poor alignment of strategic planning and financial planning':** 'Fundamental' risk – no change;
- **Risk S2 'Failure to achieve 19+ learner targets':** the likelihood of failure to meet the targets has increased the risk from 'Significant' to 'Fundamental';
- **Risk S3 'Failure to move to Outstanding'** 'Significant' risk – no change
- **Risk F3 'Exposure through relationships/partnerships with other providers/institutions':** 'Significant' risk – no overall change;
- **Risk S4 'Failure to achieve 16-18 learner targets':** 'Significant' risk – no overall change;
- **Risk S6 'Inability to attract/retain and develop staff with the required mix of skills':** 'Significant' risk – no overall change;
- **Risk O2 'Severe IT failure':** 'Significant' risk – no overall change;
- **Risk S12 'Failure to deliver property strategy':** 'Significant' risk – no overall change;
- **Risk C1 'Serious breaches of Health and Safety legislation':** 'Significant' risk - no overall change;
- **Risk O8 'Failure to maintain timely and accurate learner data':** 'Significant' risk - no overall change;
- **Risk C2 'Serious breaches of legislation':** 'Significant' risk – no overall change;
- **Risks S11, S10, S14, R1,R2:** reviewed by the Corporation in April;
- **Risk S9: 'Severe business disruption':** 'Significant' risk– no overall change.

Members discussed the basis on which issues under Risk S9: Severe Business Disruption would be addressed by the College.

#### **RESOLVED**

The Audit Committee endorses and commends to the Board the updated Risk Register: Summer 2011.

**AC.26.11 TERMS OF REFERENCE AND STANDING ORDERS OF THE AUDIT COMMITTEE: 2011/2012**

The Clerk presented a report which outlined the basis on which it is essential to consider, on an annual basis, the Committee's Terms of Reference and Standing Orders.

Members noted the minor amendments to be made at Paragraphs 5.3 and 7.4.

**RESOLVED**

The Audit Committee approves, subject to minor amendment, the Terms of Reference and Standing Orders of the Audit Committee: 2011/2012.

**AC.27.11 ANNUAL SCHEDULE OF BUSINESS OF THE AUDIT COMMITTEE: 2011/2012**

The Clerk presented a report which outlined the basis on which it is essential to consider, on an annual basis, the Committee's Annual Schedule of Business.

Members noted the additional items to be considered in the autumn term

- Approval of FMCE
- Approval of Regularity Audit Self Assessment

**RESOLVED**

The Audit Committee approves, subject to minor amendment, the Annual Schedule of Business of the Audit Committee: 2011/2012.

**AC.28.11 KPI DASHBOARD**

The Committee received the KPI Dashboard: April 2011 and considered the salient issues.

Members discussed issues arising from  
KPI 4 – Established Staff FTEs  
KPI 5 – Other YPLA/SFA Enrolments  
KPI 6 – Net Borrowing (£ at month end)  
KPI 8 – Working Time Lost (Percentage Sickness)

**AGREED**

The Audit Committee receives and notes the document.

**AC.29.11 ANY OTHER BUSINESS**

There was no other business

**AC.30.11 DATES OF SCHEDULED MEETINGS: 2011/2012**

Thursday 1 December 2011  
Thursday 15 March 2012  
Thursday 21 June 2012

Meetings commence at 18.00

At the conclusion of the meeting, members moved into a meeting restricted, in accordance with the requirements of the Instrument and Articles of Government and of Section 22 of the Freedom of Information Act 2000, to the members of the Audit Committee, members of the Corporation Board, the internal and external auditors and senior post-holders.

**SIGNED AS A CORRECT RECORD:**



**DATE:** 1 December 2011

