

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 21 JUNE 2012

Meeting commenced: 18.10

Meeting ended: 21.10

PRESENT

Mr Michael Axelrod	Independent Member	
Dr Andrew Gilchrist	Independent Member	Chair
Mr Brian Smith	Independent Member	
Mrs Isobel Wallace	External Co-opted Member	

IN ATTENDANCE

Mrs Jayne Dickinson	Principal and Chief Executive
Mrs Ann-Christine Harland	Vice Principal: Finance and Resources
Mr Jonathan Ericson	Baker Tilly: External Auditor

APOLOGIES FOR ABSENCE

Ms Rosemary French	Independent Member
Mr Mike Cheetham	RSM Tenon: Internal Audit Service
Ms Lorna Raynes	RSM Tenon: Internal Audit Service
Mr Dominic Blythe	Baker Tilly: External Auditor

CLERK

Mr Melvyn Cass	Clerk to the Corporation
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The Chair welcomed Mrs Isobel Wallace to her first meeting.

AC.12.12 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.13.12 APOLOGIES FOR ABSENCE

Apologies for absence were received from one member of the Committee:
Ms Rosemary French - business commitments

AC.14.12 NOTIFICATION OF ANY OTHER BUSINESS

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

AC.15.12 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 15 MARCH 2012

The minutes of the meeting were approved and signed as a correct record.

AC.16.12 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 and reported at the meeting of the Corporation Board held on 29 March 2012.

AC.17.12 INTERNAL AUDIT ASSIGNMENT REPORT: 2011/2012

In the absence of the Internal Auditor, the Vice Principal: Finance and Resources presented the report on the internal audit reviews undertaken in March 2012 and May 2012.

INTERNAL AUDIT REPORT (3.11/12)

PARTNERSHIPS

Overall Opinion

'Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the College relies to manage this area are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of risk materialising in this area.'

Assessment

Amber

Recommendations made

High – 1

Medium – 1

Low – 1

Members noted the action taken to address these issues by 29 March 2012.

DRAFT INTERNAL AUDIT REPORT (4.11/12)

ESTATES UTILISATION

Overall Opinion

'Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.'

Assessment

Green

Recommendations made during this audit

High – 0

Medium – 0

Low - 3

RISK MANAGEMENT AND GOVERNANCE

Overall Opinion

'Taking account of the issues identified, 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.'

Assessment

Green

Recommendations made during this audit

High – 0

Medium – 0

Low – 3

LEARNER NUMBER SYSTEMS

Overall Opinion

'Taking account of the issues identified, the Board can take substantial assurance that the funding claim complies with the funding guidance.'

Assessment

Green

Recommendations made during this audit

High – 0

Medium – 1

Low - 1

LONG TERM PLANNING

Overall Opinion

'Taking account of the issues identified, 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.'

Assessment

Green

Recommendations made during this audit

High – 0

Medium – 0

Low – 0

Members noted the follow-up to be undertaken before the draft report is finalised.

FOLLOW UP OF OUTSTANDING RECOMMENDATIONS MADE IN PREVIOUS YEARS

Members considered the detailed information relative to each of the assignment reports and sought clarification where appropriate.

RESOLVED

The Audit Committee approves the Internal Audit Assignment Report (3.11/12) and the draft Internal Audit Assignment Report (4.11/12).

AC.18.12

INTERNAL AUDIT STRATEGY AND ANNUAL PLAN: 2012/2013

The Vice Principal: Finance and Resources presented, for consideration and approval, the Internal Audit Strategy and Annual Plan.

Members reviewed the key sections of the Strategic Plan

- Developing the Internal Audit Strategy
- Considerations for the Audit Committee
- Updated Strategy for Internal Audit 2012/2013 – 2014/2015
- Detailed Internal Audit Plan 2012/2013
- Emerging Issues not covered in the 2012/2013 Internal Audit Plan

Members were advised that the Plan had been drawn up, following a review of planned activity for 2011/2012 in conjunction with the College, relative to the May 2011 College Risk Management Plan to ensure that the controls to mitigate the fundamental and significant risks are reviewed on a regular basis.

Members were further advised that the areas currently designated as mandatory by the Funding Body are also included in the Plan.

Members discussed issues arising from the proposals, in particular

- the areas identified for review in 2012/2013, following a mapping of control work against key risks
- the proposed audit of Financial Planning and the nature of the audit
- the proposed audit of Governance and Risk Management, recognising the mandatory basis of the audit
- the proposed audit of Key Financial Controls and the extent to which the audit of this area of activity is considered to be appropriate
- the number of days allocated to the audit proposals
- the extent to which 'Advisory' reviews should be undertaken, noting that the audit of Significant Partnerships – Non Agency Contracts should be undertaken but that those on Quality Assurance and Curriculum Planning are not considered to be necessary at this stage.

Members agreed the need to maintain a substantial internal audit strategy but agreed also the need to make savings where it might be possible to do so.

RESOLVED

The Audit Committee

- approves the Internal Audit Strategy and Annual Plan: 2012/2013 in the number of 35 days plus the provision for the advisory review of Significant Partnerships – Non Agency Contracts
- approves the Internal Audit Fee of £21,200 + VAT in line with this recommendation.

AC.19.12

FINANCIAL STATEMENTS AUDIT STRATEGY: 2011/2012

The Financial Statements Auditor presented, for consideration and approval, the report on the proposed Audit Strategy for the year ended 31 July 2012.

Members considered the key issues arising from the report

- Audit approach, scope and timetable
- Key risks affecting the audit strategy
- Fees
- Audit engagement team
- Other matters relating to audit approach, scope and reporting
- Governance, control and independence
- Financial reporting developments

Members noted that the document outlines the key audit issues identified for the year ending 31 July 2012 and reflects discussions with the College.

Members were specifically apprised of

- the basis on which the audit is scoped to ensure that sufficient and appropriate evidence is obtained
- the scoping objective
- the audit timetable and communication plan
- the key risks affecting the audit strategy, with particular reference to the decision to be taken with regard to the Lennartz 'loan'
- the detail of the fees proposals.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves

- the Financial Statements Audit Strategy: Year ended 31 July 2012
- the Audit Fee of £19,850, exclusive of necessary disbursements and VAT.

20.00 Mr Jonathan Ericson left the meeting.

AC.20.12 POLICIES AND PROCEDURES

PUBLIC INTEREST DISCLOSURE POLICY

The Clerk to the Corporation gave a verbal report advising the Committee that, during the course of the annual review of the Public Interest Disclosure Procedure, no amendment had been considered to be necessary.

Members were advised that a further review of the document would be undertaken during the course of 2012/2013, commencing in the Autumn Term.

AGREED

The Audit Committee notes

- no change is required to the current Public Interest Disclosure Policy
- the proposal to review the Public Interest Disclosure Policy during the Autumn Term 2012.

AC.21.12 RISK MANAGEMENT: SUMMER TERM 2012

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

- the monitoring of **Risk S9: 'Severe business disruption'**
- the College risk review process for the Summer Term.

Members noted, with regard to **Risk S9: 'Severe business disruption'**:

- the risk encompasses the response to external factors eg pandemics, damage to buildings, together with more localised instances, which could cause business disruption
- only minor revisions have been made to the risk factors and the plan
- the assessment for the College continues to be assessed as 'low'.

Members were advised of issues relative to the overall review process:

- **Risk S3: 'Failure to move towards 'Outstanding''**: the review of the risk in light of recent Ofsted reports, noting no overall change to this as a significant risk
- **Risk S11: 'Failure to maintain satisfactory/good financial health'**: this was re-titled to reflect the need for efficiencies to be made to drive the financial health of the College
- **Risk S10: 'Changes in policy arising from central government changes'**: the increase of this risk to a score of 5 following discussion with the Search and Governance Committee and that it remains a fundamental risk
- **Risk S6: 'Failure to attract/retain and develop staff with the required mix of skills'**: the increase in the likelihood of the difficulties relative to recent recruitment, noting that the College is increasing its in house training opportunities to existing staff to encourage upskilling
- **Risk S12: 'Failure to deliver Property Strategy'**: the impact has been increased to significant as the College is requiring the use of Gatton Point South for overflow and new project delivery.

Members were also advised that the Vice Principal: Finance and Resources has undertaken an exercise to link the risk register to the 2011/2012 Strategic Plan, thus providing a clear link between the two documents, as recommended by the Internal Audit Review in May 2012.

Members discussed issues arising from the report, in particular:

- the College's awareness of, and planning for, a major incident

- the extent of the College's awareness of the background of individual students.

Members noted the key implications arising from the report.

RESOLVED

The Audit Committee

- endorses and commends to the Corporation Board the report for Risk S9 following the meeting of the Risk Management Committee in May 2012
- endorses and commends to the Board the updated Risk Register: Summer Term 2012.

AC.22.12 TERMS OF REFERENCE AND STANDING ORDERS OF THE AUDIT COMMITTEE: 2012/2013

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

Members reviewed the document noting that there were no amendments to the current document.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves the Terms of Reference and Standing Orders of the Audit Committee: 2012/2013 and commends the document to the Corporation Board for approval.

AC.23.12 ANNUAL SCHEDULE OF BUSINESS OF THE AUDIT COMMITTEE: 2012/2013

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

Members noted that there were no changes to the schedule of business to be considered during the course of the year.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves the Annual Schedule of Business of the Audit Committee: 2012/2013.

AC.24.12 VALUE FOR MONEY

The Vice Principal: Finance and Resources, presented for information a report on Value for Money.

Members were reminded that

- the College's Strategic Aim 7 is to 'Require Value for Money in the Use of Public Funds'
- the College's Value for Money Policy requires that an annual report is submitted to the Audit Committee.

Members considered key issues arising from the report:

- Contributions from each department
- Staff utilisation
- Room utilisation
- Benchmarking of key performance indicators
- Quotations over defined levels
- Regular monitoring of costs

- Regular monitoring of income
- Class size

AGREED

The Audit Committee receives and notes the report.

AC.25.12

KPI DASHBOARD

The Committee received the KPI Dashboard: April 2012.

Members discussed issues arising from
KPI 9 – Working Time Lost (Percentage sickness)
KPI 3 – Lesson Observations (Excluding Probational and Peer Observations)

AGREED

The Audit Committee receives and notes the document.

AC.26.12

ANY OTHER BUSINESS

Members noted that there was no other business.

AC.27.12

DATES OF SCHEDULED MEETINGS: 2012/2013

Thursday 6 December 2012

Thursday 14 March 2013

Thursday 20 June 2013

All meetings commence at 18.00

SIGNED AS A CORRECT RECORD:



DATE: 6 December 2012

