

**Minutes of the Audit Committee Meeting held on Monday 28 November 2011 at 2.00pm
in Conference Room 1, the Astral Centre**

Present:

Emma Beese : Staff Governor
Alan Debenham : Governor
John Eade : Assistant Governor
Deanna Law : Governor
Anne Swietlik : Chair/Governor

In attendance:

Bob Blizzard : Governor/Observer
Tina Ellis : Governor/Observer
Teresa Miller : Vice-Principal
Ruth Harrison : Assistant Principal
Dan Harris : RSM Tenon
Bill Lumsden : KPMG
Charles Reynolds : Clerk to the Corporation

The Chair welcomed all to the meeting. A special welcome was extended to Bob Blizzard and Tina Ellis who were attending as observers as part of their induction, and also Bill Lumsden from KPMG the College external auditors.

Apologies for Absence

All members were present

1.) Disclosures of Interest

There were no disclosures of interest relevant to the agenda items.

2.) Minutes of the previous meeting

The minutes of the Audit Committee meeting held on Monday 3 October 2011 were agreed to be a correct record and signed by the Chair subject to the following amendment.

Page 1, Agenda Item 2 and final line. To change 'Anne Debenham' to 'Alan Debenham.'

3.) Matters arising from the minutes not agenda items

There were no matters arising.

4.) Correspondence

There were no items of correspondence.

5.) Risk Management Update

Action

Presented by Teresa Miller who advised members that there were no significant changes from previous reports. With reference to the meeting paper, it was confirmed that the biggest risk to the College related to the need to change lecturer contracts. There was a general discussion on this point.

On a more specific point and in recognition that Corporation had updated its Strategic Aims and Objectives, Teresa Miller stressed the need to update the Strategic Risk Register accordingly and asked for volunteers from the meeting to form a short-life group to draft proposals, to come to the next meeting and prior to submission, to Corporation for approval.

Members agreed this to be a good way forward. To this end Alan Debenham, Anne Swietlik, Emma Beese and Tina Ellis agreed to work with Teresa Miller. Teresa Miller to work with the Clerk to identify dates to take this forward.

TM / Clerk

6.) Audit Reports – presented by Dan Harris

6.1) Internal Audit 2011/12

6.1a) Internal Audit Scopes

Before reviewing the internal audit scopes detailed in the meeting paper, Dan Harris advised that, in error, the scopes for the audit of Key Financial Controls, Capital Projects Review and Bursary Fund, had not been included. It was agreed that these should be forwarded to the Clerk for distribution to members.

DH / Clerk

With reference to the two internal audit scopes detailed in the meeting papers, Employer Responsive Review and Learner Records Audit-Employer Responsive, it was clarified in discussion that in fact only the second would take place.

Bob Blizzard sought clarification on whether if and if so, when the first would take place. Responding both Dan Harris and Teresa Miller confirmed it was built in to the five-year plan and it was possible that it would be carried out 2012/2013. Tina Ellis asked where the priority was for this work. In response, Teresa Miller confirmed that it was with respect to Employer Responsive Learner Records. This was the area of high priority which was why that audit was taking place. Other aspects covered by the more general Employer Responsive Review were low to medium, hence the focus on Learner Numbers.

Dan Harris confirmed a specialist team would be used for this piece of internal audit work. He also observed that with respect to the audit of the Bursary Fund, this was a brand new area of activity where the College would need to get assurance on its processes and controls. Whilst only a few audits had been carried out elsewhere all had ended in 'red' outcomes indicating the complexity of a process newly and quickly introduced.

Members thanked Dan Harris for this update.

6.1b) Progress Report

Again Dan Harris referred members to the meeting paper. It was confirmed that because of the delay in agreeing the audit plan the first audits were yet to be completed.

Guidance was sought from members on whether it would be helpful to bring any audit forward. As the plan stood only one report was due to come to the next Audit Committee meeting. In response and following discussion, it was agreed that the

internal audit work on the Bursary Fund should be brought forward, especially in light of Dan Harris comments earlier.

Finally and with reference to Appendix C, of the Progress Report, Dan Harris stressed the planned changes with respect to Financial Management and Control Evaluation as well as other proposed changes following education reform.

Once again members thanked Dan Harris for his report.

6.2) Internal Audit 2010/2011

6.2a) Internal Audit Annual Report 2010/2011

Dan Harris confirmed that there had been no changes to the draft report that had been subject to thorough review at the last meeting. It was a very positive report.

As the report had been thoroughly reviewed and as there had been no changes it was proposed by Alan Debenham and seconded by John Eade that it be recommended to Corporation for approval. The vote was unanimous in favour.

6.3) Internal Audit Provision – how to move the College forward?

The Chair introduced this item by reminding members that during the tender process it had been agreed that one of the outcomes of the process was to put in place a 'programme' that would push the College forward. It was important to be clear about how this was to be achieved and the views of the Committee were being sought.

In support of this John Eade added that following the last Audit Committee meeting, and as instructed, a small group had met and agreed that Audit Committee could contribute to this process by reviewing internal audit scopes. He observed that this involvement needed to be earlier in the process and felt there should be ways members could contribute where necessary, without waiting for a meeting. In discussion this was seen as a valuable way of adding impetus to the process.

To this end and in recognition of the need to ensure clarity of communication routes it was agreed that contact could be made with the Internal auditors at anytime and with respect to any aspect of their work via Teresa Miller. The Clerk to be used as a fall back in her absence.

Dan Harris added that it was the intention of RSM Tenon to use specialist teams where appropriate to carry out audit activity. RSM Tenon were also updating its risk maturity index which would add value and share understanding across the sector.

Alan Debenham observed this to be good and to have scopes earlier with access to the internal auditors between meetings was really helpful.

The Chair reminded those who had been involved in the tender process that there had been discussion about the College having access to a software programme to monitor audit activity at no cost.

Responding Dan Harris agreed to liaise with Teresa Miller on this point.

7.) External Audit 2010/2011

7.1) Financial Statements Management Letter

DH/TM

This item was presented by Bill Lumsden.

Referring members to the meeting paper the purpose of the audit was confirmed as was the independence of the auditors KPMG.

Each section of the Management Letter was subject to thorough review. It was confirmed that there had been a slight reduction in overall income and the outcome was currently a small deficit. However members were advised that KPMG needed to receive confirmation on income from the SFA and that it was possible that the outturn position could change. Teresa Miller advised that there was an Historic project which meant that there were no issues with respect to bank covenants on loans.

Bill Lumsden added that any additional income released following SFA confirmation would be material if it turned the small deficit into a surplus. Therefore the accounts were likely to be revised. There would however not be a qualified audit opinion.
Having thoroughly reviewed each section of the Management Letter and in recognition that further changes were possible once the SFA had provided KPMG with confirmation of income, it was proposed by John Eade and seconded by Alan Debenham that the Management Letter to recommended to Corporation for approval.

The vote was unanimous in favour.

8.) Financial Management and Control Evaluation

This item was jointly presented by Teresa Miller and the Clerk to the Corporation.

Teresa Miller confirmed the purpose of the evaluation, the process followed and the considered opinion with respect to the self-assessment grades was explained. The areas for improvement were jointly explained with the Clerk to the Corporation dealing with those developments relevant to Corporation.

The Clerk also clarified that the SFA required Audit Committee to approve the self-assessment, which was required by them by 30 November 2011, even though it was appropriate for approval by Corporation. Therefore, it would go to Corporation for endorsement at the December meeting.

Having thoroughly reviewed the proposed self-assessment it was proposed by Alan Debenham and seconded by the Chair that the document be approved and Corporation be recommended to endorse it.

The vote was unanimous in favour.

9.) Chairs Annual Report 2010/2011

The committee reviewed the Chairs annual report in detail. With respect to page 2 it was agreed to add that none of the recommendations made by the internal auditors were 'high' category. It was also agreed to emphasise on page 4 that the overall outcome was the 'highest level' that could be achieved.

Bob Blizzard asked for guidance on whether the costs for audit provision were in line with other Colleges.

Responding, Teresa Miller believed them to be in line. Internal audit costs were down on previous years significantly as there had been huge improvements made and as a consequence less time was needed.

Having thoroughly reviewed the document and subject to the agreed amendments listed above, it was proposed by Alan Debenham and seconded by Deanna Law that the Chairs Annual Report be approved.

The vote was unanimous in favour.

10.) Chairs Report to Corporation

It was agreed that the key items from the meeting were already on the Corporation agenda.

11.) Any Other Business

There were no other items of any other business.

12.) Date and Time of Next Meeting

The next meeting of the Audit Committee meeting will take place on Monday 6 February 2012 at 3:00pm. Venue, Conference Room 1 in the Astral Centre.

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