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Minutes of the Meeting of the Audit Committee of the Corporation

15th June 2011

Held in the Boardroom in the South Building

Present: Mrs Louisa Rigden (Chair)
Mr Bob Hall
Mrs Sandra Smith

In Attendance: Mr David Beckett, Clerk to the Corporation
Mr Mark Payne, Vice-Principal Finance
Mr Jim Edwards, Director Estates
Mr Kevin Bruerton, BDO, Internal Auditors
Mr Paul Taylor, BDO, Internal Auditors
Mr Paul Oxtoby, Baker Tilly, Financial Statements Auditor

A21/11 Apologies for Absence

There were no apologies for absence, all members being present.

A22/11 Disclosure of Interest

There were no declarations of interest.

A23/11 Membership

Members noted the departure from the Committee of Mr Bill Woolhead of a result of his resignation as a Governor with effect from 6th June 2011 after five years' service.

A24/11 Minutes

(a) **The Minutes of the Meeting of 9th February 2011** were confirmed as a true record and were signed by the Chair.

(b) **Matters Arising from the Minutes**

(i) **Minute A4/11 (Members' Report & Financial Statements for the Year Ended 31st July 2010)**

The Vice-Principal Finance reported that the outstanding issue on covenants had not yet been resolved but it was thought that this was now very close to resolution. Details were given. This would enable the accounts to be signed off. The SFA were aware of the situation.

(ii) **Minute A5/11 (Internal Audit Co-ordination)**

The Vice-Principal Finance reported that the revised job description for his post involving co-ordination of the Internal Audit process had now been agreed.

A25/11 Internal Audit Progress Report

Mr Paul Taylor of BDO presented members with a progress report on the Internal Audit operational plan 2010/11.

It was noted that the plan was being delivered in three blocks with three reviews being undertaken in each block. During December 2010 BDO had completed the first of the three blocks and in February 2011 had completed the second of the three blocks. In addition, fieldwork had been completed in May 2011 for Block 3 and a draft report had been issued. For each block, BDO would be presenting one report to the Committee, the second of which was being presented to the current meeting. Details of the reviews being completed within each of the blocks were given.

During discussion, members noted that the final (Block 3) Internal Audit report for the year was due to have been received at the meeting but that, for various reasons, the review had started later than planned. The Committee expressed concern at this position but received a verbal presentation confirming that there were no issues of assurance in the areas covered (Vital Signs and Risk Management & Corporate Governance) and that there were no high level recommendations.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) That for 2011/12, all Internal Audit reports should be received by the Committee in-year.
- (c) With regard to the Block 3 presentation, that the draft report be circulated to members in its current form and then again when the management responses had been prepared.

A26/11 Internal Audit Report 02, 2010/11

Mr Taylor presented Internal Audit Report 02 of 2010/11.

The levels of assurance were for College Improvement Strategy design, 'Substantial' and for operational effectiveness, 'Substantial'; for Voice of the Learner design, 'Substantial' and for operational effectiveness, 'Substantial'; and for Part-Time Lecturers design, 'Substantial' and for operational effectiveness, 'Substantial'.

Members discussed the report, examining part-time contract issues and arrangements, any links to the Quality & Performance Committee's work in respect of the Voice of the Learner and noted that BDO had refined their approach to aspects of the audit work. The Chair commented that the report was well written with specific recommendations. The Vice-Principal Finance indicated that tests had been introduced with regard to the value of recommendations after these had been discussed with managers. Mr Bruerton commented that this had added real value at the senior level which aided the process later down the line.

The Committee resolved to receive and note the content of the report.

A27/11 Monitoring Implementation of Audit Recommendations

The Vice-Principal of Finance presented a report noting that following the Block 3 Internal Audit in May 2011 BDO had issued a draft report including follow-up of prior items.

The report would receive management responses and would be finalised in due course. In the meantime recommendations not yet implemented for 2009/10 and 2008/09 were summarised at annexes to the report. The picture for 2008/09 looked better than previously

but the position for 2009/10 audits showed a significant number not yet implemented. Verbal responses were given outlining plans for addressing the situation.

In discussing the report, members queried why there were still four recommendations remaining from 2008/09. The Vice-Principal Finance responded that the managers concerned now needed to make their case to BDO on these. However, the number of recommendations was much reduced. Mr Bruerton commented that by November 2011 it was anticipated that all the recommendations would have been implemented or superseded; otherwise it would be expected that the relevant managers would attend the Committee to explain the situation.

With respect to the 2009/10 recommendations, members queried the financial implications/impact of these not having been implemented in the relevant cases. The Vice-Principal Finance gave assurance that attention to detail in the areas concerned was robust.

The Chair observed that there were College Information Systems issues in some of the recommendations. In the light of the departure of the CIS manager the timescale for the appointment of the new one was probed along with the interim arrangements. It was noted that the recommendations would be on the new manager's agenda. The Vice-Principal Finance indicated that rapid progress was expected. Members also probed how recommendations from the Block 1 and Block 2 audits were being followed up.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) That if any recommendations were still outstanding by November 2011 the relevant managers should attend the Committee to explain.

A28/11 Risk Assessment Register 2011/12

The Director of Estates presented a report noting that the College's Risk Management Group prepared an annual Risk Assessment Register which identified key risks to the organisation and assessed the level of likelihood and materiality for each risk. The current Risk Assessment Register had been reviewed and brought up to date to reflect the environment within which the College operated.

Previously, the register had included an operational action plan which was intended to address and minimise any risks. However, for 2011/12 this action plan had been removed and a more strategic approach had been taken. The register now showed the processes and forums that were in place to monitor, review and manage risks accordingly. In this way it was hoped that risk management would be embedded across the College in all relevant activities.

The Risk Assessment Register for 2011/12 was attached and the Committee was asked to recommend it for approval by the Corporation at its meeting on 6th July 2011.

Members discussed the report, noting that the 2010/11 version of the register had been used in the Block 3 audit. Mr Bruerton informed members that the revised approach was likely to extend buy-in by managers to the risk management process.

Discussion then turned to the matter of security at the College's mothballed Charterhouse premises. The Director of Estates outlined the arrangements in place for this and how the premises were to be safeguarded as one of the City's heritage buildings.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) To recommend the Risk Assessment Register 2011/12 to the Corporation for approval at its meeting on 6th July 2011.
- (c) To endorse the measures in hand to safeguard the security of the Charterhouse premises.

A29/11 Internal Audit Plan 2011/12

Mr Taylor presented the proposed Internal Audit Plan for 2011/12 which included provision for the Block 3 audit report of that year to be made to the Committee's June 2012 meeting.

In discussing the report, members noted that the number of audit days in the plan would be the same as for the current year and ascertained when each report would be received by the Committee; namely that the Internal Audit work undertaken in November 2011 would be received at the February 2012 meeting and that the work undertaken in January and April 2012 would be reported to the June 2012 meeting.

The Committee resolved to recommend that the Corporation approve the Internal Audit Plan 2011/12.

A30/11 Letter of Engagement & Fee for Audit of Financial Statements for the Year Ended 31st July 2011

Mr Paul Oxtoby of Baker Tilly presented the fee proposal for the Financial Statements and Regularity Audits 2010/11.

No change was proposed to the existing engagement letter as this remained valid; however, an amended version would be proposed for the following year.

During discussion, the Chair observed that it had been expected that the plan for the Financial Statements Audit would have been received

at the meeting. Mr Oxtoby indicated that this would be circulated to members.

The Committee resolved:

- (a) To recommend to the Corporation approval of the fee for the Financial Statements and Regularity Audits for the year ended 31st July 2011 in the sum of £21,900 plus VAT and £410 plus VAT for each pension return; and to note that the audit fee had reduced from £25,000 plus VAT in the previous year.
- (b) To note that the plan for the Financial Statements Audit 2010/11 would be circulated to members for comment when ready and to authorise the Chair to approve the plan on behalf of the Committee.
- (c) That the Financial Statements Audit strategy for the year ending 31st July 2012 be an item on its June 2012 agenda.

A31/11 ILR (Student Numbers) Audit for the Year Ended 31st July 2010

Mr Oxtoby reported that it had been agreed to take forward the ILR (Student Numbers) Audit for the year ended 31st July 2010 into the year ended 31st July 2011 to take account of the SFA Student Numbers Audit.

The first part of the audit had been completed and the draft report issued. The second part would be undertaken in September 2011; no critical issues had emerged thus far, only housekeeping items.

In response to a question for the Chair, it was reported that the lack of a postholder in the CIS Manager position had not hindered the audit and that operational controls had been examined as key risks.

The Vice-Principal Finance reported that management responses were in hand for the end of September 2011.

The Committee resolved to note the position.

A32/11 ILR (Student Numbers) Audit 2011/12

The Vice-Principal Finance proposed that in respect of the ILR for 2011/12, this in future be referred to as a review rather than an audit as the relevant funding agencies were likely to claw back money if problems were found. It was proposed that a review take place on the basis of the current year at high level with detailed reviews of ALS funding and emerging systems changes being taken into account.

The Committee resolved:

- (a) To approve the proposals made.
- (b) That it should receive a full report at its next meeting.

A33/11

Self-Assessment of the Committee's Performance 2010/11

The Clerk presented a report noting that the Corporation had approved a revised process for carrying out its annual self-assessment. The process required each Committee to carry out a self-assessment at their last meeting of the year. For the Audit Committee, this was at the present time.

The report set out the process for self-assessment and offered a review of the Committee's work in 2010/11. The Committee was asked to undertake its self-assessment and decide a grade for its performance.

In an update to the report, the Clerk informed members that attendance at meetings of the Committee including the current meeting was 93.3% compared to the target of 80%.

The Committee thereupon undertook its self-assessment, considering that its key strengths were continuous review of audit strategies and processes; holding management and Auditors to account; charging management to report on issues emerging from the Committee's discussions; openness with the Auditors; the administrative arrangements for the Committee's work and liaison with the Auditors; full discharge of funding agency requirements; very effective oversight of implementation of the protocol for provision of the Internal Audit Service; its contribution to achieving the 'Outstanding grade in the College's Financial Management & Control Evaluation; and its endorsement of and members' participation in the work of the Fee Policy and Business Systems Review Groups. The Committee considered that it had no areas for improvement.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) That its key strengths be as per its discussion and that there were no areas for improvement.
- (c) That the grade for its performance in 2010/11 be Grade 1 (Outstanding).
- (d) To note that its self-assessment would be reported to the Search Committee at its annual review meeting on 23rd November 2011 as the next stage of the self-assessment process.

A34/11

Recommendations for Corporation

The Committee resolved that, in addition to the recommendations made earlier in the meeting, the Corporation be recommended to note the levels of assurance in the Internal Audit report received at the meeting and to note the position regarding the final Internal Audit report for the year.

A35/11 Next Meeting

The Committee noted that its next meeting had been set for 5.00 pm Wednesday 16th November 2011.

A36/11 Publication of Papers

The Committee resolved that, for commercial reasons, Document 7 (Fee for Audit of Financial Statements for the Year Ended 31st July 2011) be withheld from publication and that the other papers of the meeting be published.

Meeting Opened: 5.00 pm

Meeting Closed: 6.19 pm

DPB