



Minutes of the Meeting of the Audit Committee of the Corporation

17th November 2010

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 and
Director of Corporate Services
Mr Mark Payne, Vice-Principal Finance
Mr Paul Oxtoby, Baker Tilly, Financial Statements Auditor

A52/10 Apologies for Absence

Apologies for absence were received from Mr Bill Woolhead.

A53/10 Disclosure of Interest

There were no declarations of interest.

A54/10 Minutes

(a) **The Minutes of the Meeting of 1st September 2010** were confirmed as a true record and were signed by the Chair.

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

Minute A42/10 (b) (i) (Fee Policy & Business Systems Review Update)

In response to a question from the Chair regarding the planned final meeting of the Business Systems Review Group, the Vice-Principal Finance indicated that this had taken place. The intention was to rationalise the various review bodies into one group, which had met accordingly with a view to making operations more fleet of foot. It was not intended to report specifically to Governors on this continuing work, which would be task-driven with weekly meetings taking place, but references to the work would be made in the processes to be discussed in the item on Review of Effectiveness of Revised Financial Regulations Update later on the agenda.

A55/10 Review of Committee Structure & Terms of Reference

The Clerk presented a report noting that the Corporation had set in train a review of its Committee structure and terms of reference.

As part of this, during the Autumn Term 2010 cycle of meetings each Committee was being asked to review its current terms of reference and give feedback to the Search Committee, which was co-ordinating the review for report to the Corporation.

The report summarised the background to the work of the Audit Committee and set out its current terms of reference and constitution. Also included for reference was the Committee's minute of its final self-assessment 2009/10.

Under the Articles of Government, the Corporation was required to have an Audit Committee. The Committee's terms of reference were as set out in the Funding Agency's Audit Code of Practice. It was thus recommended that on these grounds the Committee feed back to the Search Committee that no changes should be made to its terms of reference.

During discussion, members referred to their review of the Committee's schedule of meetings carried out in the previous year and re-affirmed the arrangements agreed at that time.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) To recommend to the Search Committee that no changes be made to the Audit Committee's terms of Reference.
- (c) To draw to the attention of the Search Committee that the Audit Committee currently had a vacancy in its membership and that it would like this to be filled.

A56/10 Internal Audit Progress Report

The Committee received the Internal Audit Progress Report 2010/11 issued by BDO.

This advised the Committee of performance against the Internal Audit Operational Plan 2010/11, which was being delivered in three blocks with three reviews being undertaken in each block. Details of the dates and reviews agreed in the plan were given.

The Clerk reported that, following intervention by the Chair, the Block 3 reviews which had originally been planned to commence on 24th May 2011 would now commence on 26th April 2011 in order to provide sufficient time for the report on them to be presented to the June 2011 meeting of the Committee.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) To endorse the dates indicated for the audit reviews.

A57/10 Monitoring Implementation of Audit Recommendations

The Vice-Principal Finance presented a report updating members on progress in monitoring Internal Audit recommendations and setting out proposed arrangements for monitoring recommendations in the future.

The general approach to agreeing recommendations was that BDO should continue to develop recommendations that were specific, measurable and targeted. Where appropriate, values, timescales and precise actions should be included in recommendations. This would also assist in measuring whether recommendations had been implemented.

As regards the recommendations register, it was proposed that for 2010/11 the existing register should continue to be maintained broadly in its current form but with revised status indicators. It was further

proposed that the administrative and operational management of the register and the updating processes should be led by the new Contracts, Administration & Procurement Department. This Department reported to the Vice-Principal Finance, so Executive responsibility for the function would remain unchanged. Proposals for the nature of follow-up by the Internal Auditor were also made.

Members discussed the report, scrutinising the current state of implementation of recommendations and the timescales for this, particularly in relation to the high level recommendations. Members also examined the proposed reporting arrangements.

Members were keen to reduce the size of the register in order to allow best scrutiny at meetings. The Vice-Principal Finance indicated that the Contracts team would work on the format and content of the register to seek to bring this about.

During further discussion, members commented on the need to take a pragmatic approach, to be mindful of risks and to take into account the affect of changes over time with regard to recommendation implementation. It was important for members to be assured that all the necessary controls were in place.

The Vice-Principal Finance indicated that the audit approach was to move more to trust but with intervention taking place as necessary and backed by the Committee if problems were experienced. Report was also made on discussions with BDO on the matter in the context of the challenges facing the sector and the College. The report had been shared with BDO and some comments from them had been incorporated. Nothing would be removed from the register without this being reported to the Committee.

The Committee resolved:

- (a) Receive and note the content of the report.
- (b) To note the progress in implementing recommendations set out within it.
- (c) To note the 2007/08 monitoring register annexed to the report.
- (d) To approve the proposals for taking forward the arrangements for monitoring the implementation of recommendations set out in the report and to endorse these for implementation.

A58/10 Review of Effectiveness of Revised Financial Regulations – Update

The Vice-Principal Finance presented a report providing an update to on the effectiveness of the Financial Regulations approved by the Corporation at its meeting of December 2008.

This updated the analysis presented to the last meeting and detailed the extent of non-compliance with procurement procedures. Generally

there had been a decrease in the levels of non-compliance. Following the staffing review in the summer 2010 the Contracts, Administration & Procurement team was now established and some early work had been undertaken in order to bring about fuller compliance in this area.

The Internal Auditor had provided some benchmarking information relating to procurement non-compliance in other public bodies which suggested a figure between 12% and 15%. In September 2010, the first full month with the new Procurement team in place, the College's figure had been 3%. In an update to the report, the Vice-Principal Finance informed members that the October 2010 figure was 6%. Members were asked to reflect on the position given the College's performance against the benchmark.

In discussing the report, members noted that it was intended in the next report to include information on how the monitoring was taking place. The Vice-Principal Finance gave examples of how the Procurement team was saving money. In response to a question, the Vice-Principal Finance indicated that he was not aware that any non-compliance had resulted in a loss to the College.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) To commend the College's performance in improving the compliance situation.
- (c) That the next report should include information on the size of non-compliances.

A59/10

Members Report & Financial Statements for the Year Ended 31st July 2010

Mr Oxtoby presented the draft Members' Report & Financial Statements for the Year Ended 31st July 2010. Some tidying up remained to be done but the documentation was substantially complete. The key points were identified and commented on, including the increase in collection of tuition fees that had occurred during the year.

The Vice-Principal Finance gave further information on the principal figures in respect of cash and balance sheet. Baker Tilly had worked hard to turn the documentation around in the necessary timescale and were thanked for their approach, which had been hard but fair and pragmatic.

The Committee resolved:

- (a) To receive and note the content of the Members' Report & Financial Statements 2009/10.
- (b) To note that these were to be approved by the Corporation on the recommendation of the Finance & Strategy Committee.

A60/10

Financial Statements Audit Findings Report for the Year Ended 31st July 2010

Mr Oxtoby presented the draft Audit Findings Report on the Financial Statements for year ended 31st July 2010.

This detailed coverage, audit accounting and regulatory issues identified at the planning stage and during the audit, unadjusted/adjusted misstatements, internal control issues, significant accounting policies, disclosure and estimates, uncertainties, risks, exposures, judgemental issues, going concern and independence.

Appended to the report were the draft letters of representation for the Financial Statements and Regularity Audits together with outstanding audit information.

Mr Oxtoby reported that the audit process had gone well and drew attention to the key points of the report. The Vice-Principal Finance gave updates on several of these.

During discussion, members probed aspects of the report and considered possible implications of the main items in the context of the forthcoming reductions in public expenditure. It was agreed that the covering report to the Finance & Strategy Committee and Corporation on the Members' Report & Financial Statements should highlight these issues, particularly the situation with regard to going concern.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) To recommend that the Corporation approve the letters of representation.
- (c) That the draft covering report to the Finance & Strategy Committee and Corporation be submitted to the Chair of the Audit Committee in the first instance for comment in the light of the Committee's discussion.

A61/10

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

Mr Oxtoby reported that Baker Tilly had met with the Vice-Principal Finance to discuss the Student Numbers (ILR) Audit for the Year Ended 31st July 2010 in the context of past work and the state of the sector.

The intended approach to the audit was outlined. This would be a refined approach in line with the College's value for money aspirations and would be undertaken to prepare the College for any data audit that might be carried out by the Skills Funding Agency (SFA). This was likely to happen at some stage. The ILR Audit would be based on how the SFA audits were undertaken and what the issues were, and would concentrate on the high risks. The input from the Auditors

would be strategic. A proposal would first be made to management to whom, at the last meeting, the Committee had delegated authority to commission the audit. Further report would be made to the next meeting.

The Committee resolved to note the position.

A62/10 Annual Report of the Committee to the Corporation 2009/10

The Clerk presented a report noting that under its terms of reference the Committee was required to produce an Annual Report for the Corporation and the Accounting Officer (Principal) which included the Committee's advice on the effectiveness of the College's risk management, control and governance processes.

A draft such report for 2009/10 was attached in the format set out in the Funding Agency's Guidance on the Audit Code of Practice. In some instances, text would need to be added following consideration of the relevant items at the current meeting. The Committee was asked to consider the draft text and to decide on its report to the Corporation.

The Committee resolved:

- (a) To receive and note the content of the report.
- (b) Subject to finalisation of the text as indicated, to approve the Annual Report for presentation to the Corporation; the Chair being authorised to approve the additional text.

A63/10 Recommendations for Corporation

The Committee resolved that, in addition to the recommendation made earlier in the meeting, the Corporation be recommended:

- (a) To note that arrangements had been made with the Internal Audit Service such that all 2010/11 Internal Audit work would be concluded and reported on in-year, thus avoiding problems experienced in co-ordination of same over the summer period 2010.
- (b) To note that the Committee had reviewed the arrangements for monitoring implementation of audit recommendations and approved revisions to these to take forward its monitoring role.

A64/10 Next Meeting

The Committee noted that its next meeting had been set for 5.00 pm on Wednesday 9th February 2011.

A65/10 Publication of Papers

The Committee noted that, due to their draft status, Document 6 (Members' Report & Financial Statements for the Year ended 31st July 2010) and Document 8 (Annual Report of the Committee to the Corporation 2009/10) were automatically withheld from publication under the Corporation's Standing Orders.

The Committee resolved that the other papers of the meeting be published.

A66/10 Annual Review of Clerkship of the Corporation

The Clerk presented a report noting that the Funding Agency's Audit Code of Practice contained requirements regarding clerkship of the Audit Committee. In the light of this, the Committee undertook at this time an annual review of the clerkship of the Committee.

The report set out the Funding Agency's requirements and a description of the current arrangements. The Committee was asked to consider these and to decide on clerkship for the next year.

The Clerk then withdrew from the meeting and the Committee appointed the Chair to act as Clerk to the Committee for the remainder of the item.

The Committee resolved that the current clerking arrangements should continue for the next year.

Meeting Opened: 5.00 pm

Meeting Closed: 6.34 pm

DPB