

**CONFIRMED MINUTES OF THE AUDIT COMMITTEE
HELD ON FRIDAY 13 JUNE 2014 AT 9.30 AM
IN THE COMMITTEE ROOM AT GREEN LANE**

Present

Ian Butchart	Chair
Ian Swain	Independent Governor
Bob Kerr	Independent Governor
Mark Stokeld	Independent Governor

Also in attendance

Martin Raby	Principal
Stuart Slorach	Vice Principal Resources
Jackie White	Clerk to the Corporation Board
Steven Bainbridge	KPMG
James Robson	KPMG

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<u>AC13 651</u>	<u>DECLARATION OF INTEREST</u> There were no declarations of interest.	
<u>AC13 652</u>	<u>APOLOGIES FOR ABSENCE</u> Apologies for absence were received from Clare Leece, Baker Tilly. Ian Butchart reported that Patricia Oswald had resigned as an independent member of the Corporation Board. In light of this the Auditors were asked their advice on membership composition and they suggested that the number of independent members seemed to be the norm. However they noted that some Colleges had an independent member who was not on the Board and this was noted.	
<u>AC13 653</u>	<u>UNCONFIRMED MINUTES OF THE LAST MEETING HELD ON 28 FEBRUARY 2014</u> The minutes of the Audit Committee meeting held on 28 February 2014 were agreed as a true and accurate record.	
<u>AC13 654</u>	<u>MATTERS ARISING</u> Min Ref: AC13 649 – the Principal confirmed that he had discussed the frequency of meetings with the Auditors who confirmed that three meetings per year would suffice.	Clerk
<u>AC13 655</u>	<u>EXTERNAL AUDIT PLAN 2014/15</u> The Vice Principal Resources spoke to the previously circulated report on behalf of Baker Tilly. Having informed members of the engagement objectives and the audit approach, timetable and scope he referred members to the key risks affecting the Plan. Stuart indicated that the areas of Income recognition, pension scheme liabilities, going concern, management override of	

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<p>controls, restructuring costs, buildings works and subcontract arrangements were to be looked at. The audit fees were confirmed as £15,000. Ian Butchart drew member's attention to page 27-30 Emerging issues, particularly with regard to Corporate Identity Fraud and asked Stuart to ensure staff were made aware of the issues.</p>	VP Resources
<p>Whilst the report was noted it was agreed that it be placed before the Board on 4 July for approval.</p>	Clerk
<p>The Committee APPROVED the External Audit Plan for 2014/15.</p>	
<p><u>AC13 656</u> <u>INTERNAL AUDIT PLAN 2014/15</u> KPMG spoke to the previously circulated report which set out the scope of work for 2014/15 which included audits for student recruitment, curriculum planning, high level financial controls, corporate governance and succession planning which were described in detail on page 8. KPMG confirmed that the plan is in line with the 3 year strategic internal audit plan and aligned to the College risk register.</p>	
<p>Whilst the report was noted it was agreed that it be placed before the Board on 4 July for approval.</p>	Clerk
<p>The Committee APPROVED the Internal Audit Plan for 2014/15.</p>	
<p><u>AC13 657</u> <u>GENERAL IT CONTROLS AUDIT REPORT</u> KPMG presented the findings from the General IT controls audit which had been undertaken. It was noted that there were 3 medium internal audit findings which related to IT Strategy, IT service management and Management of change all of which had a number of recommendations. From the discussions held in relation to IT infrastructure Internal Audit proposed that the system of internal control was satisfactory. Good practice was identified and it was noted that IT needs to make a step change to move forward. Stakeholders were interviewed and feedback received has been fed into the recommendations. Ian Butchart asked that an update be brought to a future meeting.</p>	VP Resources
<p>The Committee NOTED the General IT controls audit report.</p>	
<p><u>AC13 658</u> <u>STAKEHOLDER ENGAGEMENT</u> KPMG presented the findings from the Stakeholder Engagement audit which had been undertaken. The Committee were advised that some initial field work had been undertaken with the College prior to returning to undertake the audit. It was noted that there was 1 medium internal audit findings which related to ensuring that those with an interest in or influence over the College activities are kept informed about and involved in decision making, which had a number of recommendations. From the discussions held in relation to Stakeholder Engagement, Internal Audit proposed that the system of internal control was</p>	

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<p>satisfactory. The Principal advised members that the College is looking to develop a customer relationship management system in order to develop engagement with stakeholders. Ian questioned whether the audit looked at Governor engagement with stakeholders which KPMG confirmed that this was not within the scope of the audit. Ian went on to suggest that this might be picked up by the Principal at the Strategy Day on 27th June.</p> <p>The Committee NOTED the Stakeholder Engagement audit report.</p>	Principal
<p><u>AC13 659</u> <u>FINANCIAL FORECASTING AND BUDGETARY CONTROL</u></p> <p>KPMG presented the findings from the Financial forecasting and budgetary control audit which had been undertaken. It was noted that there was 1 internal audit findings which related to ensuring that management accounts are distributed more frequently. From the discussions held in relation to Financial forecasting and budgetary control proposed that the system of internal control was good. Some additional areas were identified in the report such as ensuring that the budgetary process was fully consultative with budget holders and that the current structure for budgetary control should be less centralised. The Vice Principal Resources noted these additional comments. Ian questioned whether it was just Academic staff who were not involved currently with the budgeting system and the Vice Principal Resources confirmed that this was the case. The Vice Principal Resources went on to confirm that a new financial costing system had been introduced with some academic staff which was proving to be useful.</p> <p>The Committee NOTED the Financial forecasting and budgetary control audit report.</p>	
<p><u>AC13 660</u> <u>LEARNER NUMBER SYSTEMS</u></p> <p>KPMG presented the findings from the Learning number systems audit which had been undertaken. It was noted that there were 2 low internal audit findings which related to Employability, enrichment and pastoral hours and start and end dates. From the discussions held in relation to Learner number systems Internal Audit proposed that the system of internal control was good. In addition Internal Audit brought the committees attention to a matter which was not raised in the main section of the report in relation to the teaching of English and Maths qualifications. The Vice Principal Resources noted these additional comments.</p> <p>The Committee NOTED the Learner number systems audit report.</p>	VP Resources
<p><u>AC13 661</u> <u>FOLLOW UP</u></p> <p>KPMG presented the report which was to provide assurance to the audit committee that all previously reported implemented recommendations have been implemented and are operating</p>	

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<p>effectively. It was noted that from the work performed on follow up of prior year recommendations, Internal Audit proposed that the system of internal control is satisfactory. One medium audit finding was identified which related to an Internal Audit tracker and if addressed would enhance the effectiveness of existing controls. In addition it was noted that there were 3 medium recommendations and 5 low recommendations from existing audits which were still outstanding. Ian Butchart asked to members that a report on H&S be brought to the next meeting.</p> <p>The Committee NOTED the Follow up audit report.</p>	<p>VP Resources</p>
<p><u>AC13 662</u> <u>INTERNAL AUDIT PROGRESS REPORT</u> KPMG confirmed that all areas of audit had been discussed in the previous reports.</p>	
<p><u>AC13 663</u> <u>INTERNAL AUDIT ANNUAL REPORT</u> KPMG spoke to the previously circulated report and confirmed that the agreed level of internal audit input of 24 days had been delivered. It was noted that the Internal Audit Service had complied with the public sector internal audit standards. In addition Internal audit were able to place reliance on the system in operation for the six areas reviewed during 2013/14 in respect of the college's ability to achieve its aims. Finally KPMG confirmed that it was their opinion that the College has adequate and effective risk management, control and governance processes to manage the achievement of the objectives.</p> <p>The Committee NOTED the Internal Audit Annual Report.</p>	
<p><u>AC13 664</u> <u>RISK MANAGEMENT UPDATE</u> The Vice Principal Resources drew the Committees attention to the updated risk register noting progress made (red text) with risks. The Committee was then advised of a significant risk in relation to Student accommodation and the risk to the College if we are not able to provide adequate accommodation for students enrolling for September 2014. It was noted that lots of work had been undertaken progressing options for the property committee. Discussions were on-going but it was looking positive. Ian Butchart noted that this issue was time sensitive and important to progress to secure enrolment of students. In addition the Vice Principal Resources highlighted a financial risk linked to student accommodation which was being quantified at the moment and that there was a need to minimise the risk to the College.</p> <p>The Committee NOTED the Risk Management update.</p>	
<p><u>AC13 665</u> <u>COMMITTEE SELF ASSESSMENT</u> The Chairman of the Committee discussed the annual process of committee self-assessment and took members through each of the areas of the proforma. The outcome was recorded.</p>	<p>Clerk</p>

AC13 666 RISK MANAGEMENT ISSUES

The Vice Principal Resources confirmed that all risk issues had been discussed under the agenda item above.

AC13 667 IEMTS TO HIGHLIGHT TO THE CORPORATION BOARD

It was noted that the following items be brought to the Corporation Boards attention:

- Agenda item 2.1 – External Audit Plan 2014/15
- Agenda item 2.2 – Internal Audit Pan 2014/15
- Agenda item 3.4 – Risk Management Risk – Student Accommodation

Clerk

AC13 668 ANY OTHER BUSINESS

The Vice Principal Resources confirmed that there was an item of additional business which would be covered under the confidential matters section of the agenda.

AC13 669 CONFIDENTIAL MATTERS

The Vice Principal Resources advised members that some fraudulent activity had been recorded on the College bank account. Three cheques had been received by the Bank which were fraudulent in addition to an attempted to set up of a standing order. The Vice Principal Resources confirmed that he was working closely with the Bank to monitor the activity and reviewing practice at the College. The Police had been made aware of the activity. It was noted that the Bank had suggested strongly to the College that they move away from cheques and make payments through BACS.

The Committee NOTED this update.

AC13 670 DATE AND TIME OF NEXT MEETING

The date and time of next meeting will be confirmed.

Signed:

Date: