

Minutes of the meeting of the Audit Committee held at Otley College, on Wednesday 15<sup>th</sup> July 2009 commencing at 9.30 a.m. in room A3 at Otley College, Charity lane, Otley, Ipswich, Suffolk.

<b>Present:</b>	John Clements	(Chair)
	John Hammond	
	Ian Norman	
	Helen Rumsey	(External member)
<b>In attendance:</b>	Philip Winfield	(Principal)
	Angela Carter	(Interim Vice Principal Curriculum and Quality)
	Tanya Ellingham	(Financial Accountant)
	Mark Jones	(RSM Bentley Jennison)
	Stephen Holley	(Consultant Finance & Planning)
	Mike Wainwright	(Head of Finance)
	Arthur Hicks	(Clerk)
	Bill Lumsden	(KPMG)
	Jono West	(Head of MIS)

Aud **Private Meeting with Auditors**

9.40 A private meeting with Internal and External Auditors was held prior to the meeting.

Aud **Apologies for Absence / Welcome**

9.41 Apologies were received from Jane Storey and Dan Harris.

Aud **Timing of Agenda and Items of Other Urgent Business**

9.42 The timing and agenda were agreed.

Aud **Minutes of the Previous Meeting**

9.43 The minutes of the meeting held on 11<sup>th</sup> March 2009 were agreed as a correct record and signed by the Chair.

Aud **Matters Arising from Those Minutes**

9.44 Members were advised that Corporation had approved all the recommendations made by the Committee.

There was one matter arising not covered by the agenda.

Minute Aud 9.31: Benchmarking of the number of audit days.

It was agreed to take this item with agenda item 9.

Aud 9.45 **Financial Statements Audit Strategy (KPMG)**  
Bill Lumsden of KPMG presented the audit strategy and planning memorandum for the audit of the College Financial Statements ending July 2009. He explained that this was a new document being presented to all FE clients. He gave details of the audit approach and broad objectives of the audit planning process and highlighted the audit risks which he confirmed were fairly generic for the sector. Members noted the increase in audit fees to £17K exclusive of VAT and received assurance that an increase in fees had been agreed with the SMT last year following a number of years where fees had been held. The increase had been approved by the Committee in July 2008.  
**It was resolved:**

**To approve the report.**

Aud 9.46 **Financial Statements Update**  
Mike Wainwright gave an update on actions arising from the Financial Statements audit for year ending 2008. Members noted the progress being made and received confirmation from the Financial Statements auditor that he was satisfied with the progress made to date.

The report was considered and received.

Aud 9.47 **Internal Audit Progress Report 2008/09**  
Mark Jones presented the Internal Audit Progress Report for 2008/09 on behalf of the Internal Audit Service (IAS). The report summarised the actions of the IAS year to date. He advised that all audit work scheduled had been completed with all reports receiving a positive opinion there being no fundamental recommendations given. Members noted a number of changes to the original plan which had been at the request of management and asked that they be informed of any such future changes. **It was agreed:**

**That the Clerk would consult Members prior to any changes to the audit plan.**

The report was considered and received.

Aud 9.48 **Internal Audit Reports 2008/09**  
Members received the five Internal Audit Reports which had been completed since the last meeting:

Information Security Advisory Review; the Committee noted as an advisory review the auditor does not give a formal assurance opinion, however Mark Jones explained that the results of the review would be taken into account when determining the overall opinion for the year. Members discussed the recommendations and the remedial action plan arising from the report.

Budget Setting and Control; Members were pleased to receive the auditor's overall conclusion of substantial assurance for the report. They discussed the 2 merits attention recommendations arising from the report there being no recommendations considered to be of a fundamental or significant nature.

Student Retention and Achievement; Members were pleased to receive the auditor's overall conclusion of substantial assurance for the report. They discussed the 3 merits attention recommendations arising from the report, 1 of

which had not been accepted by the College. This related to a recommendation in respect of the discretionary nature of the 'traffic light' reports. The auditors were content to accept the College explanation. There were no recommendations considered to be of a fundamental or significant nature. The remedial action plan was considered and the 2 areas of good practice identified in the report were noted.

Risk Management; Mark Jones explained the format of the review and the 5 scale grading, risk naïve to risk enabled, against which the controls of all their clients were being assessed. The auditors' overall conclusion was that the College was risk managed the second highest grade on the scale. He advised that no FE College in their client base had achieved the highest grade of risk enabled and only 2 outside the sector. He gave assurance that although not stated in the report the IAS would be able to give a positive opinion on the internal controls in place at the College. Members discussed the 5 recommendations all of which were merit attention and the remedial action plan arising from the report.

Governance; Members were pleased to receive the auditors' overall conclusion of substantial assurance for the report. There being are no recommendations made within the report with 2 areas of good practice identified.

Rolling Action Plan: - Tanya Ellingham gave an update on the progress of the outstanding actions contained in the rolling action plan. Members noted a response to action 209-1.7 and questioned if the level of technical expertise available in the ICT department was as stated. The Committee reviewed the remedial actions taken and the request to remove completed actions from the plan. **It was resolved:**

**To approve the recommendations.**

**Action: The Principal to seek clarification of the response to action 209-1.7 of the rolling action plan.**

Aud **Progress Report on Assets and Inventories**

9.49 Mike Wainwright gave a detailed report on progress against the recommendations contained in the IAS report of Assets and Inventories received at the last meeting of the Committee. He advised that a procedure for annual verification was in place and was being implemented with members of the Finance team currently undertaking a validation of assets and stock checks in preparation of the year end accounts. Procedures for the maintenance of a write off register had been formalised and implemented with the Financial Regulations updated to take account of any changes. The Committee were apprised of the difficulties being experienced in identifying a suitable numbering system capable of being attached to individual assets due to the various differing types of equipment used throughout the College. A paint containing a form of DNA identification unique to the College was being used to security mark equipment. Governors requested further information on cost and details of how the system worked. It was agreed that future updates to the report would be received via the internal audit rolling action plan.

The report was considered and received with **Actions agreed.**

Aud **Internal Audit Strategy 2009/10 – 20011/12**

9.50 The Clerk advised that following the last meeting of the Committee the Chair of Audit Committee had met with management and considered the number of audit days and areas subjected to review by the Internal Audit Service (IAS) over the previous 4 years. They considered benchmarking data form the LSC which indicated that overall the average number of audit days undertaken in 2007/08 for clients of RSM Bentley Jennison was 38 against the College figure of 46. A meeting between the IAS and College managers then took place. The 3 year audit strategy was reviewed and the mandatory requirements and key controls were identified and considered against the risk register. The areas deemed to be in need of review were identified and prioritised and an audit plan for 2009/10 consisting of 37 days with a further 2 days contingency were agreed. Following due consideration **It was resolved:**

**To approve the Internal Audit Strategy for 2009/10 – 20011/12**

Aud **Work Based Learning Controls Assurance Report**

9.51 Bill Lumsden presented a report on the controls for Work Based Learning in the College which had been conducted by KPMG on behalf of the LSC. He reported that as a result of the work they were able to give an unqualified opinion with an overall rating of good/satisfactory. Members received details of the 4 recommendations made. He advised that a majority of the issues identified were due to the timing of the review and would have been picked up and corrected by staff as normal system checks were carried out.

The report was considered and received.

Aud **Work Based Learning Action Plan**

9.52 The Committee received a report containing details of the activity which had taken place to resolve weaknesses identified in previous WBL audit reports. The action plan identified progress made against the actions such progress being supported by the controls assurance report received earlier in the meeting. Removal of all but 2 of the actions was recommended. Members considered the recommendation **and resolved:**

**To approve the recommendation.**

Aud **Funding Assurance Report 2008-09**

9.53 Bill Lumsden presented a report following completion of the controls Funding Assurance audit of the Individual Learner Records (ILR) for 2008-09. He advised that in the auditors view the overall controls on ILR data within Otley College are Good/Satisfactory the same grade score that the college obtained in 2007-08. Members considered the changes to two control areas one moving from good to good/satisfactory with another improving from satisfactory / weak to satisfactory. The areas of weaknesses identified in the report were discussed and it was noted that non compliance of procedures relating to the College Performance Board featured in three of the recommendations. The Committee was advised that these errors would have been identified in the year end checks however appropriate action was being taken to tighten procedures.

The report was considered and received with **Actions agreed.**

Aud **Funding Assurance Action Plan**

9.54 The Committee received the ILR rolling action plan arising from FE Controls Assurance and DSAT's testing audits for 2007/08. Members considered the report and noted that 8 recommendations had been completed with a further 3 requiring further action. Members requested slight modification to the reporting format. **It was resolved:**

**To approve the recommendation.**

Aud **Risk Management 2009/10**

9.55 The Committee received a report on the actions of the Risk Management Group. They received and considered:

Risk Register 2009/10

Members considered the Risk Register containing 48 risks categorised as high medium or low. Members considered the register and noted a number of omissions in the reporting lines. The Committee was advised of changes to the rating of a small number of risks.

Implementation Plan 2009/10

Members reviewed the Implementation Plan which sets out the proposed schedule of meetings and will allow the group to achieve its objectives.

Terms of Reference 2009/10

Terms and Reference were presented with minor amendment to those agreed at the Audit Committee meeting in July 2008.

Policy 2009/10

The Risk Management Policy explains the institution's underlying approach to risk management, documents the roles and responsibilities of the Corporation, the Senior Management Team, the Risk Management Group and other key parties. Members were advised of changes to the policy to address recommendations made by the College IAS. **After due consideration it was resolved subject to agreed amendments:**

**To recommend that Corporation approve the Risk Management Group:**

- **Risk Register 2009/10**
- **Implementation Plan 2009/10**
- **Terms of Reference for 2009/10; and**
- **Risk Management Policy for 2009/10.**

Aud **Terms of Reference**

9.56 The Clerk presented revised Terms of Reference for Audit Committee. The Committee considered the level of membership and agreed an increase in the membership to four governors would enhance the performance of the Committee. After due consideration **it was agreed:**

**To recommend Search and Governance Committee give consideration to increasing governor membership of the Committee to four governors.**

Aud 9.57 **Committee Self Assessment**  
The Committee considered its own performance during 2008/09 and completed the questionnaire circulated by the Clerk. **It was agreed:**

**To approve the Committee self assessment of performance.**

Aud 9.58 **Training Needs Assessment**  
Members considered training needs of the Committee. The need for refresher training in respect of Risk Management, the responsibilities of Audit Committee and Machinery of Government changes were identified and Members asked that these be added to the Governor training plan. **It was agreed that:**

- a) **The Clerk would include those areas identified in the Governors Training plan; and**
- b) **Members would consider any individual training needs and advise the Clerk accordingly.**

Aud 9.59 **Appointment of Auditors**  
In November 2008 the Committee considered the performance of auditors and noted that the contracts for both Internal and Financial Statements Auditors had been extended the previous year. After due consideration it was agreed to extend the term of the contract of both Internal and External Auditors for a further year ending July 2010. **It was resolved**

**To approve the appointments of:**

- a) **KPMG as Financial Statements Auditors for the year ending July 2010; and**
- b) **RSM Bentley Jennison as the Internal Audit Service for the year ending July 2010.**

The Committee considered a recommendation in respect of tendering for the audit services **and resolved:**

**To:**

- a) **undertake during 2010 a tender exercise for the appointment of an Internal Audit service for year ending July 2011 onwards; and**
- b) **undertake during 2011 a tender exercise for the appointment of a Financial statements Audit service for year ending July 2012 onwards.**

Aud 9.60 **Date of Next Meeting.**  
The date of the next meeting was agreed:  
Friday 20<sup>th</sup> November 2009 at 9.30 a.m.

The meeting closed at 11.55 a.m.

Arthur Hicks  
Clerk to the Corporation  
July 2009