

Minutes of the meeting of the Audit Committee held at Otley College, on Friday 20th November 2009 commencing at 9.30 a.m. in room A2 at Otley College, Charity lane, Otley, Ipswich, Suffolk.

- Present:** John Clements (Chair)
 John Hammond
 Ian Norman
 John Whyman
 Helen Rumsey (External member)
- In attendance:** Philip Winfield (Principal)
 Tanya Ellingham (Financial Accountant)
 Suzanne Lane (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 01 **Private Meeting with Auditors**
 A private meeting with Internal and External Auditors was held prior to the meeting. Points of clarification raised were dealt with during the meeting of the Committee.
- Aud 02 **Apologies for Absence / Welcome**
 Apologies were received from Jane Storey and Dan Harris. The Chair welcomed John Whyman to his first meeting as a member of the Audit Committee and to Suzanne Lane representing RSM Bentley Jennison.
- Aud 03 **Timing of Agenda and Items of Other Urgent Business**
 The timing and agenda were agreed.
- Aud 04 **Minutes of the Previous Meeting**
 The minutes of the meeting held on 15th July 2009 were agreed as a correct record and signed by the Chair.
- Aud 05 **Matters Arising from Those Minutes**
 Members were advised that Corporation had approved all the recommendations made by the Committee.

There was one matter arising:
 Minute Aud 9.48: The Principal clarified the position in respect of project management made in the College response to the recommendation (action 209-1.7) in the rolling action plan.

Aud 06 **Presentation**
The Clerk gave a presentation on the role and responsibilities of the Audit Committee as part of the Governors training plan.

Action: The Clerk to forward a copy of the Turnbull report to John Hammond.

The presentation was received.

Aud 07 **Accounts 2008/09**
The Committee received for information the draft members' report and consolidated financial statements 2008/09 for Otley College and the draft Directors' report and financial statements 2008/09 for Otley College Enterprises Ltd.

The accounts were received.

Aud 08 **Financial Statements Audit**
Bill Lumsden of KPMG presented the Audit Highlights Memorandum and Management Letter on the financial statements audit for the year ended 31 July 2009. The report indicated that they (KPMG) expect to sign an unqualified audit opinion on both the financial statements and regularity audit for the year ended 31 July 2009.

The underlying trading surplus was discussed and Members were pleased with the positive result and noted this was as a result of transitional protection cushioning received during the year which would not be available in the future. Bill Lumsden gave details of the adjusted and unadjusted audit differences to the accounts and to the 6 low priority recommendations made. KPMG did not consider there to be any immediate concerns as to the financial viability of the College therefore the preparation of the accounts under the going concern basis remains appropriate. The Committee was alerted to the potential breach of the bank loan covenants should the College deficit budget prediction prove accurate. **It was resolved:**

To approve the Audit Highlights Memorandum and Management Letter on the financial statements for the year ended 31 July 2009.

Aud 09 **Annual Fraud Assessment Report.**
Mike Wainwright presented the annual fraud assessment report. There were no instances of fraud identified during the year ending July 2009 or in the interim period.

The report was considered and received.

Aud 10 **Final Internal Audit Report 2008/09**
Suzanne Lane presented the Final Internal Audit report for 2008/09 on behalf of RSM Bentley Jennison. The report summarised the activity of the Internal Audit Service (IAS) over the year with details of the audits covered and recommendations made. As a result the IAS are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

She reported that the College had performed well in respect of recommendations made when benchmarked against other colleges. After due consideration **it was resolved:**

To approve the Final Internal Audit Report for 2008/09.

- Aud 11 **Internal Audit Progress Report 2008/09**
Suzanne Lane presented the Internal Audit Progress Report for 2009/10 on behalf of the Internal Audit Service (IAS). The report summarised the actions of the IAS year to date and included client briefs on Train to Gain Funding Update 2009/10 and Further Education: General Update dated August 2009.

The report was considered and received.

- Aud 12 **Internal Audit Reports 2008/09**
Members received the two Internal Audit Reports which had been completed since the last meeting:

Katina Chapman (Head of HR) joined the meeting for this item.
Safeguarding – Every Child Matters; Members were concerned to receive the auditor's overall conclusion of limited assurance for this report which contained 1 fundamental recommendation, 1 significant and 5 areas which merit attention. The report which highlighted the increasing priority given to the subject by Ofsted identified that the College failed to comply with the requirements of its own Criminal Records Bureau Policy in that CRB disclosures have not been obtained prior to the commencement of staff being employed. The subsequent risk assessments which should have taken place prior to the CRB disclosure being returned had not been carried out. As immediate remedial action was needed to rectify this failure the recommendation is deemed by the auditors to be fundamental. Members noted the College response which accepted the issues raised but challenged the overall categorisation of the fundamental recommendation as the College comply with all legal and statutory requirements with robust pre employment checks undertaken before anyone is appointed. Katina Chapman gave details of the pre employment processes and reported that action was taken to implement risk assessments immediately the issue was raised by the auditor.

Members considered the report and were advised that the College had not been given the opportunity to respond to additional comments added to other recommendations before the final version had been published. They received confirmation that the opinion of limited assurance did not prevent an overall full opinion being given for the year ending July 2010. They were also advised that the area could be revisited to give the College the opportunity to respond to the comments added and to ensure the actions identified were being carried out. After a full discussion Members were satisfied that the required remedial actions had been implemented and **agreed:**

To approve the report subject to the area being revisited by the IAS and a report submitted to the Audit Committee at its next meeting.

The Chair thanked Katina for her attendance and she left the meeting.

Employment Taxes Review; the Committee noted as an advisory review the auditor does not give a formal assurance opinion, however Suzanne Lane explained that the results of the review would be taken into account when determining the overall opinion for the year. Members discussed the 4 merits attention recommendations and the remedial action plan arising from the report there being no recommendations considered to be of a fundamental or significant nature.

Rolling Action Plan: - Tanya Ellingham gave an update on the progress of the outstanding actions contained in the rolling action plan. The Committee reviewed the remedial actions taken and the request to remove completed actions from the plan. **It was resolved:**

To approve the recommendations.

Aud **Work Based Learning Action Plan**

13 The Committee received a report containing details of the activity which had taken place to resolve weaknesses identified in previous WBL audit report. The action plan identified progress made against the actions. There was no recommendation to remove completed actions.

The report was considered and received.

Aud **Funding Assurance Action Plan**

14 The Committee received the ILR rolling action plan arising from FE Controls Assurance and DSAT's testing audits for 2008/09. Members considered the report and noted the actions taken. There was no recommendation to remove completed actions.

The report was considered and received.

Aud **Risk Management 2008/09**

15 The Committee received the Annual Report of the Risk Management Group and noted the activities of the group during 2008/09. They noted that in the opinion of the group the College has adequate and effective management control and governance processes to manage its achievement of the College's objectives. After due consideration **it was resolved subject to agreed amendments:**

To recommend to the Corporation that the Annual Risk Management Report 2008/09, incorporating the opinion of the Risk Management Group be adopted.

Risk Management 2009/10:

The Committee received a progress report on the actions of the Risk Management group, the implementation plan and the Risk Register for 2009/10

The report was considered and received.

Aud 16 **Audit Committee Annual Report**
The Committee considered their draft 2008/09 Annual Report to the Principal as Chief Accounting Officer and the Corporation. The Committee considered its own performance and agreed its self-assessment checklist. The performance of the Internal and External Auditors was considered; Members noted the tendering exercise which would take place during 2010 for the provision of the Internal Audit Service. **It was resolved:**

- a) **Approve the 2008/09 Annual Report of the Audit Committee to the Corporation and the Principal; and**
- b) **Recommend to the Corporation that KPMG be appointed Financial Statements Auditors for the year ended 31 July 2010; and**
- c) **Recommend to the Corporation that RSM Bentley Jennison be appointed Internal Audit Service for the year ended 31 July 2010.**

Aud 17 **Financial Control Management Evaluation (FMCE)**
The Clerk advised that the LSC had introduced a new short version of the Financial Management Control Evaluation. This option of submitting a short return being available to providers who completed the full FMCE return in 2008/09, who do not wish to change last year's overall self-assessed grade and where no significant changes have occurred since last year. As the College satisfied the criteria it recommended that the short FMCE be approved. Members received and considered the document and the grades for each section. Following full discussion **it was resolved:**

To approve, subject to agreed amendments:

- a) **The Financial Control Management Evaluation**
- b) **The grade as 2 'Good'; and**
- c) **To authorise the Principal to sign on behalf of the College.**

Aud 18 **Review of Papers**
Members considered the content and format of papers for improvement. A number of amendments were discussed. It was agreed that in order to enhance monitoring of action plan progress:

- original objective dates along with any revised dates to be included in all action plans; and
- dates of last review to be included in the risk register.

Aud 19 **Date of Next Meeting.**
The date of the next meeting was agreed as Wednesday 10th March 2010 at 9.30 a.m.

The meeting closed at 12.25 p.m.

Arthur Hicks
Clerk to the Corporation
November 2009