



**Minutes of the Audit Committee Meeting
held on Friday 25th June 2010 in the Moat House Boardroom,
Sutton campus at 8.00 am**

Present:

Mr S Pearce (Chair)
Ms C Levine (CL)
Mrs M Dufaye (MD)

In Attendance:

Dr C Braddock (Principal)
Mr C Hill (Executive Director Support Services) (CH)
Mr B Pattni (Executive Director Finance and Resources) (BP)
Mr J Creed (Auditor, RSM Tenon) (JC)
Mr A Argyle (Auditor, KPMG) (AA)
Mr S Ranu (Auditor, KPMG) (SR)
Mrs S Banks (Interim Clerk to the Corporation) (Clerk)

Mr S Pearce was introduced as the new Chair of the Audit Committee following the final term of office for Mr S Sharma in March.

The Chair then introduced Mrs Sue Banks as Interim Clerk in the absence of Mrs C Bennett who was on maternity leave. The Chair congratulated Mrs Bennett, on behalf of the Committee, on the recent arrival of her baby daughter.

Apologies for Absence

There were no apologies received.

There were no Declarations of Interest.

Item 1

Minutes of meeting held on 30 June 2009

The Chair asked why the minutes for 30 June 2009 were being brought to this meeting and BP confirmed that due to the former Clerk being unavailable, the minutes of the 30 June 2009 meeting were not ratified at the December meeting. A verbal report had been given at the December meeting. Mr S Sharma (the former Chair) had confirmed that they were factually accurate by email.

It was noted that under the Confidential Item of the 30 June 2009 minutes the contract value had been recorded incorrectly. This had now been amended.

Following receipt of Mr Sharma's email the minutes of 30 June 2009 were agreed as a true record. Chair to sign on receipt of email.

Minutes of meeting held on 17 March 2009

MD questioned the membership of the Principal on the sub-committees. To clarify the point it was agreed that all members were to receive the Terms of Reference once agreed.

Matters Arising

There were no matters arising.

Item 2- Strategic Planning Report

- 2.1 This item was introduced by BP and presented by JC.
- 2.2 JC confirmed that RSM Tenon a substantial assurance for this report with only 2 low priority recommendations. Some clarity was required on assurances and the SAR document. He confirmed that these were just recommendations to be followed up.
- 2.3 The Chair asked if there could be more timely reports if anything of high priority became evident. JC confirmed that if any high risks occurred they would report back to the Audit Committee in a short time. Chair suggested the Executive should put this into place and then report back to the Audit Committee.

Resolved:

The Committee noted that the overall assurance for the College was substantial and credited the College managers for their efforts.

Item 3 – Corporate Governance Report

- 3.1 JC confirmed that this also was a substantial assurance report with only 3 low priority recommendations. ISA registrations may not go forward in November 2010 but JC confirmed that their review found CRB checks were in place. He suggested that one formal single central record should be kept in HR for Governors.
- 3.2 JC reported that another low priority recommendation was the non-recording of Governor inter-action with learners. JC confirmed the need to formalise the relationship of Governors and learners.
- 3.3 The Principal stated that Governor focus groups have occurred and a Governor link scheme was being set up for the new intake of Governors where they are linked to different learning areas. This had taken place since the report had been produced.
- 3.4 JC stated that formalisation of Governor training and Governors skills with regard to CPD needed updating. He emphasised that these recommendations were of a low priority and not an issue but represent good governance and practice.

- 3.5 The Chair pointed out the statement in the report referring to the Terms of Reference. These were being reviewed and would be brought back to the Corporation meeting of the new Board. The Principal felt that it would give the new Corporation members an opportunity to amend if they felt necessary.

Resolved:

The Committee noted that the overall level of assurance for the College was substantial and credited managers for their efforts.

Item 4 – Management Information & KPIs

- 4.1 JC reported that he recognised that FE Colleges were complex with regards to KPIs. This needed to be developed further with regards HR and workforce development.
- 4.2 CH confirmed that the reporting of this data would be brought to the Employment Committee meeting following the meeting today.

Resolved:

The Committee noted that the overall assurance for the College was substantial.

Item 5 – IT Infrastructure

- 5.1 JC stated that the first recommendation was on system development with regards to redundant email accounts. These need to be removed when the person has left the organisation to reduce the risk of unauthorised access.
- 5.2 CH reported that sometimes access is needed to access data of the person who had left. The Principal also confirmed that some part-time lecturers return during a second or third term and the cost of re-opening would be higher than the cost of keeping suspending access or closing accounts.
- 5.3 JC reported on issues regarding back up of data not being documented sufficiently by Capita.
- 5.4 JC also reported on no regular restoring of data following system failure. Full restores can cause operational difficulties. CH confirmed that this was being recognised and weighing up the implications of how disruptive it was to the business.
- 5.5 The Principal commented that the IT infrastructure had been improved tremendously over the last few years and following the Corporation's decision to outsource we were now creating a more resilient IT infrastructure.

- 5.6 The Chair asked how well the business critical systems were protected and CH responded saying that they were identified in the Capita contract.

Resolved:

The Committee noted that the overall assurance for the College was substantial and credited managers for their efforts.

Item 6 – Procurement Strategy

- 6.1 JC highlighted the statement regarding cost savings due to merger and various rationalisation processes (eg outsourcing of IT services to Capita).
- 6.2 JC reported on the risk of senior management and Corporation not being provided with the relevant management information which he felt was very common in FE colleges.
- 6.3 A recommendation to look into employing Procurement Officer was suggested and JC felt that given the size and complexity of this organisation it could bring significant cost savings to the College. BP confirmed that it was hoped that someone within the college could be identified, possibly by August 2010.
- 6.4 The Principal reported that the College were taking a lead on a new procurement group that had been set up in the West Midlands.
- 6.5 The Principal thanked BP and his team on producing an excellent set of reports and also the Governors who led on all aspects of the merger. The Chair also thanked the Auditors.

Resolved:

The Committee noted that the overall assurance for the College was substantial and credited managers for their efforts.

Item 7 – Provider Financial Assurance – ESF Train to Gain

- 7.1 BP reported that this was an income source 'forced' upon us and the LSC insisted that some monies are re-issued as Train to Gain. ESF have their own criteria and part of that is audited by the new SFA.
- 7.2 BP confirmed that he had met with the SFA recently and they had reviewed the two contract values for the two contracts (Sutton and Matthew Boulton).

- 7.3 BP reported on the pleasing results from the audit and as it currently stands evidence did not show financial risk. BP confirmed the financial prudence of keeping a hold back of 10% on ESF income.

Item 8 – Audit Strategy and Planning Memorandum

- 8.1 BP introduced KPMG (external auditors). He stated that every year KPMG reviewed the accounts with regards to learning targets, funding targets, management accounts set out the risks for the College.
- 8.2 SR talked through the report starting with the points of the audit approach. He confirmed that the College were at present going through an interim regularity audit. SR stated that the financial performance had been reviewed and will report later as necessary. SR confirmed the funding body income was in a strong position.
- 8.3 Capital developments regarding potential disposals such as Josiah Mason College and the refurbishment of James Watt campus were classed as risk areas. SR confirmed that it was disappointing about the present position of Riverside. The Chair asked if the costs of Riverside had been reasonable and BP responded saying they had been in line with profiled costs incurred over a period of time. He confirmed that even if the project was approved to AIP or AID they should not be put into capital but into revenue due to the uncertainty in capital funding.
- 8.4 SR reported on the economic climate impacts and how there were a number of incidents in the sector regarding tax and falling investments and the impact these had on other colleges.
- 8.5 CL asked what impact the rise in VAT would have on the College and BP replied saying that this had been discussed at the recent Strategy and Finance meeting. He would report to the Corporation further in July.
- 8.6 The Chair asked how often the auditors came in each year and AA confirmed that they would be visible on a regular basis.
- 8.7 SR confirmed the timeline by saying that the fees were part of the management letter that would be presented at the November meeting.

Item 9 – Draft Internal Audit Plan 2010/11

- 9.1 BP reported that on an annual basis audit reviewed were completed against the risk plan approved by the Audit Committee. He had met with JC and jointly identified the risks and areas proposed for the review.

- 9.2 Payroll was considered as one of the largest 'High Risk' areas particularly with part-timers and the current economic climate to manage pay costs.
- 9.3 Learner Records and Funding were also considered high risk and would be reviewed for an extended period.
- 9.4 JC confirmed that another high risk was Human Resources with regards to Safeguarding. This was now in place ready for inspection.
- 9.5 Efficiency and Effectiveness a key area and also teaching utilisation were important and needed review.
- 9.6 The Principal suggested that as a committee the internal audit plan be changed. She suggested the move of three day resources to more added value work. The Committee agreed that was practical. The Principal confirmed a revised set of dates would be discussed with the management team.

Any other business

A discussion took place on reporting fraud to the Committee. It was suggested that this could be a standing item ('Irregularity'). The Principal confirmed that if any fraud case did arise that the Committee would be informed. BP felt that the Financial Regulations had been amended sufficiently to include the reporting of fraud.

BP stated that as the SFA had included the names of learners under item 7 (ESF Train to Gain Report), the Committee may wish to re-categorise this item as confidential. The Committee agreed.

The Chair and Auditors agreed to meet prior to the next Audit Committee meeting.

Date of next meeting: To be confirmed.

Signed (Chair) 

Date16/2/10.....