



Minutes of a Meeting of the Audit Committee of the Board of the Corporation

held at the College on Monday 1st July 2013 at 5.30 pm

Present:

Mr G Marshall (Chair), Mr G Gibson, Mr J Davies, Mr D Temperley, Mrs G Granath.

Apologies: Mr A Croney (Principal), Ms L Robson (Baker Tilly)

In attendance:

Mrs S Oman (Director of Finance and Resources), Mr P Church (RSM Tenon), Ms C Leece (Baker Tilly), Mr M Sowerby (Clerk to the Corporation),

The Chair, Mr Marshall welcomed all attendees to the meeting.

1. Declarations of Interest

1.1 There were no declarations of interest

2. Minutes of a Meeting of the Audit Committee held on 11th March 2013

Matters Arising

2.1. Item 2.1. The Director of Finance and Resources informed Members that the sale of Langley Park is progressing and the purchaser is in the process of appointing a solicitor.

2.2. Item 3.3. The Director of Finance and Resources informed Members that data storage will be looked at as part of a much bigger storage review.

Agreed:-

2.3. THAT the Committee accept the minutes as a true record.

3. Report on outstanding audit recommendations.

3.1 The Director of Finance and Resources presented the report and explained the table at the beginning of the report. Members were informed that six low priority recommendations had been closed and work was progressing on all five medium priority recommendations.

3.2. The Director of Finance and Resources then outlined the position in relation to several recommendations, including Risk Assurance, Asset Register and Job Logging and then highlighted and explained the new recommendations, Strategic Planning, I.T.Disaster Recovery and General Ledger and Cash.

3.3. Members commented that considerable progress had been made and only two significant historic recommendations remained to be completed.

Agreed:-

3.4. THAT the Committee accept the report.

4. Risk Management – Key Risks

4.1. The Director of Finance and Resources tabled an updated version of the report. The Director of Finance and Resources informed Members that each year as part of the Strategic Review process the Risk Register is updated. The format of the Risk Register has been changed this year, in line with audit recommendations. The Director of Finance and Resources then explained in detail each part of the register. Members were informed that the revised register was very rudimentary at present but it was a good starting point and Members were asked if they had any suggestions for further improvements.

4.2. Following several comments, Members were informed that risks identified by audit, Senior Management Team, the Board and managers can all be added to the register and the Senior Management Team will be able to share the register with their teams. Ms Leece (Baker Tilly) advised Members that the Director of Finance and Resources is not solely responsible for managing the risks and suggested that an ownership column should be added to the register. The Director of Finance and Resources also asked Mr Church (RSM Tenon) if he would look at the register to see if further improvements could be made.

4.3. Following further discussion and concern that minimal Human Resource risks were included in the register, it was agreed that the wording of item 12 (Failure to develop and retain high quality staff) should be amended to include the words “at all levels”. It was further agreed that the Risk Register should be a standing item on future Audit Committee agendas.

Agreed:-

4.4 THAT the Committee approve the revised Risk Register subject to the further improvements as discussed.

5. Regularity Audit – College self-assessment

5.1 The Director of Finance and Resources explained to Members that each year the College is required to complete a self- assessment questionnaire. The questionnaire helps Baker Tilly focus on specific areas of work. The Director of Finance and Resources then highlighted each of the new items within the self- assessment.

5.2 Following a question regarding the heading “Learning and Skills Council”, Ms Leece confirmed that the self-assessment document had been around for a long time and the guidance had not been updated.

5.3. Members were advised that following Audit Committee approval the self-assessment will be sent to the Principal to be signed off.

Agreed:-

5.4 THAT the Committee approve the self- assessment questionnaire.

6. Internal Audit Reports

6.1 Mr Church (RSM Tenon) presented the following reports:

- General Ledger/ Cash and Bank
- Capital Project Management
- I.T. Disaster Recovery
- Strategic Planning
- Internal Audit Progress Report

6.2. General Ledger/ Cash and Bank. Mr Church explained each section of the report and Members were informed that the review of this service provided substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were one medium and two low priority recommendations. All of the recommendations had been accepted and agreed by management.

Agreed:-

6.3. THAT the Committee receive the report

6.4. Capital Project Management. Each section of the report was highlighted and Members were informed that the review of this service provided substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There was one low priority recommendation which had been agreed and implemented.

6.5. Following a question from the Chair, Mr Church confirmed that the audit only looked at the current financial year.

Agreed:-

6.6. THAT the Committee receive the report

6.7. I.T.Disaster Recovery. Mr Church informed Members that this audit had been carried out by RSM Tenon I.T. specialist auditors. Mr Church then outlined each section of the report and Members were informed that the review of this service provided reasonable assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were two medium and one low priority recommendations. All of the recommendations had been accepted and agreed by management.

6.8. Following a question from the Chair the Director of Finance and Resources informed Members that the recovery system has not been tested and explained the difficulties involved in testing the whole system.

Agreed:-

6.9. THAT the Committee receive the report

6.10. Strategic Planning. Mr Church outlined the College priorities for 2012/15 and then each section of the report. Members were informed that the review of this service provided substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective. There were three low priority recommendations. All of the recommendations had been accepted and agreed by management.

6.11. Following a question the Clerk confirmed that compliance with the Foundation Code is to be reviewed. Following a discussion, Members agreed that the Development Plan Key Performance Indicators (KPIs) progress should be reported to the Board.

Agreed:-

6.12 THAT the Committee receive the report

6.13. Internal Audit Progress Report. Mr Church presented the report and highlighted the audits completed and the audits still to be done.

Agreed:-

6.14. THAT the Committee receive the report

7. Strategy for Internal Audit 2013/14 – 2015/16

7.1. Mr Church presented the report and briefly outlined the changes facing the Education Sector. Members were then given details of the new Joint Audit Code of Practice (JACOP) which will come into effect from the 1st August.

7.2. Mr Church then highlighted the key areas discussed with management and the questions which the Audit Committee need to consider.

7.3. Members identified two errors within the report and questioned why the Partnership audit was not taking place until 2015/16. Mr Church reminded Members that a Partnership audit is about to be carried out this year but the 2015/16 audit could be brought forward if Members requested it.

7.4. The Director of Finance and Resources advised Members that she had found that the audit service is costing more and that more time is spent on audits at Derwentside College than in other comparable size colleges. The Director of Finance and Resources suggested that Members may want to consider reducing the service or perhaps reducing the number of audits in areas where the College has consistently scored well. More emphasis could then be placed in other areas.

7.5. Following a discussion it was agreed that a special meeting of the Audit Committee should be arranged in October, to discuss the options available. The recommendation of the Audit Committee would then be reported to the next meeting of the Board.

Agreed:-

7.6. THAT the Committee approve the current Strategy for Internal Audit.

8. Financial Statement Auditors Strategy year ending 31st July 2013

8.1 Ms Leece (Baker Tilly) presented the report and explained the scope of the financial statements audit and regularity audit. Members were then given details of the timetable and communication plan.

8.2 Ms Leece then fully explained each of the following key risk areas within the audit plan:

- Financial Health and Going Concern
- Income Recognition
- FRS17 – Retirement Benefits
- Regularity Review
- Dormant Subsidiaries

8.3 Ms Leece asked Members if they could identify any further risks to be added to the plan or if they were aware of any fraudulent activity. Members confirmed that they were not aware of any fraud but because of the issues which had arisen with one of the College partners, Members asked that a general audit of partners is included in the plan.

8.4. Ms Leece then highlighted the fees and aspects of the appendices attached to the report including the information sheet on Financial Reporting Standards (FRS).

Agreed:-

8.5. THAT the Committee approve the report.

9. Next Meeting Agenda

9.1 Items include:-

- Declaration of Interests
- Minutes/Matters arising
- Report on outstanding audit recommendations
- Internal Audit Report. – Learner Numbers Systems and Partnerships
- Annual Internal Audit Report
- Final Audit Findings Report
- Annual Report and Financial Statements
- Draft Audit Committee Report to the Board and Principal
- Review of the Financial Regulations
- Risk Register update

10. Any Other Business

10.1 There were no items of other business.

The meeting closed at 7.25pm.

Date of Next Meeting

The next meeting of the Audit Committee is 11th November 2013 at 5.30 pm