



**Minutes of the meeting of the Audit Committee**  
**held on Thursday 17<sup>th</sup> June 2010**

- Membership:**
- \* Mr Robin John
  - \* Mr Peter Hickman
  - \* Mr Chris Johnson
  - \* Mr David Lavarack
  - \* Mrs Jo Canessa
  - \* Mr Daniel Evans
- Also present:**
- \* Mr Dan Dean – Advising Officer
  - \* Mr Clive Malcolm – Horwath Clark Whitehill
- In attendance:**
- \* Mrs Sue Gunter – Clerk to the Corporation

**1. REGISTER OF INTERESTS**

The Chair asked if anyone present had any interests to declare with regard to the agenda of the meeting. None were declared.

**2. APOLOGIES FOR ABSENCE**

Geoff Bowley, Rakesh Shaunak (MacIntyre Hudson).

**3. MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 11<sup>th</sup> March 2010 were agreed and signed as a true record.

**4. MATTERS ARISING - None.**

**5. DRAFT INTERNAL AUDIT REPORT**

Prior to examining this report in detail Dan Dean drew attention to the following points. On page 3 it was noted that the minor point relating to the updating and review of policies was still outstanding. He advised that an updated schedule of policy review dates and Equality and Diversity Impact Assessments had been approved by the Policy committee at the beginning of June. The IT Disaster Recovery plan was noted as an outstanding item on page 4 and Dan Dean handed out copies of this document to governors. It was discussed briefly by the committee, who considered the various different disaster scenarios which could confront the college. He confirmed that a full system restore from backup tapes had been made.

The committee then reviewed the draft internal audit review, looking at the recommendations made, and taking those rated as “medium priority” first.

**D2 Journals** – the incident recorded appeared to be a one-off but the College agreed that more care would be taken to ensure that any inconsistencies would be highlighted by the checking and signing off procedures.

**D3 Segregation of duties in the preparation of journals** – the procedures would be amended to ensure better segregation of duties in this area.

**D7 Invoice authorisation/D9 List of Approved suppliers** – the College would introduce procurement procedures on 1<sup>st</sup> August and these would be enforced to ensure that invoices were matched to orders. A list of approved suppliers would be introduced with the new procurement procedures and it was agreed that this area should be re-visited at a future meeting.

**Action:** The committee to discuss the process for creating a list of approved suppliers once the procurement policy is in place.

**D8 Training of Finance staff** – the College accepted this recommendation.

“Low” priority items D1, D4, D5, D6 and D10 were briefly discussed and the College’s comments noted.

Chris Johnson felt that the number of audit recommendations had increased this year and asked for an explanation of this. Dan Dean advised that the College felt that too many low level items had been identified and had some issues with the way in which the audit had been conducted. This had been discussed with Horwath Clark Whitehill. Clive Malcolm confirmed that the number of recommendations did not indicate that the quality of controls was declining.

Robin John confirmed that the Committee was more concerned with the substance, rather than the quantity, of recommendations.

David Lavarack proposed approval of the draft Internal Audit Report. This was seconded by Chris Johnson and approved unanimously by the meeting.

## 6. **LETTER OF ENGAGEMENT FOR FINANCIAL STATEMENTS AND REGULARITY AUDIT**

The committee noted that the letter was in a standard format, and after a brief discussion, Chris Johnson proposed approval of the letter. This was seconded by David Lavarack and agreed unanimously by the meeting.

## 7. **AUDIT STRATEGY FOR FINANCIAL STATEMENTS AUDITOR**

The committee reviewed the audit strategy document, noting in particular the audit risks set out on page 4. Dan Dean advised that Geoff Bowley had reviewed the document in detail and was happy with it. In answer to a question from David Lavarack, Dan Dean confirmed that the materiality issue raised last year had been resolved. Peter Hickman proposed approval of the audit strategy. This was seconded by David Lavarack and approved unanimously by the meeting.

## 8. **RISK MANAGEMENT REPORT**

The committee reviewed the Risk Management Report with particular reference to the Risk Register commenting as follows:-

**Redesignation** – given the uncertainties surrounding the new Government, it was agreed that the risk levels should remain unaltered. It was agreed that issues relating to the **Common Application Process** meant that it remained a risk, but with reduced likelihood. Given the preparation made for the possibility of an **OFSTED** visit, it was agreed that the net risk should be reduced to L x M

**Refurbishment project** – Dan Dean confirmed that there was a contingency built into the budget in the event of any cost overruns, and it was agreed that this should remain as a low level net risk. The item relating to **Planning Permission** could be deleted as there were no issues relating to this at the moment. Under **Provision** a small risk remained concerning new courses, but

it was agreed that the net risk could be reduced to L x L. The committee commended the two tranche approach taken to the new **on-line applications procedures** which David Lavarack noted provided an effective large scale pilot. The position with the Elmbridge partnership was still uncertain, but the net risks could be reduced to L x L as this was likely to become less significant over time. On the contrary, under the new government there were now greater risks associated with the expansion of **academies and schools with sixth forms** and therefore it was agreed to increase the gross risk to H x M, and the net risk to M x M.

In terms of **Finance and Resources**, confirmed funding for 2010-11 shows a substantial increase due to consolidated funding for additional students which removes the risk for next year. However, it remained a risk for future years. As a new Senior Management Team has now been appointed, it was agreed that the risk relating to the **replacement of senior staff** could be deleted and the fact that three out of four new appointments were internal reduced the risk concerning the amount of time needed for the team to settle.

It was agreed that the risk of an outbreak of disease such as **swine flu** could be deleted as there was no current risk. The point relating to **enrolment in 2010** could also be deleted as arrangements have already been made to accommodate the extra expected students in 2010-11 and a new procedure should minimise the possibility of over enrolment in the future.

All agreed that this continued to be a robust live document. Chris Johnson proposed approval of the Report. This was seconded by Jo Canessa and approved unanimously by the meeting

#### **9. REVIEW OF PERFORMANCE OF INTERNAL AND EXTERNAL AUDITORS**

Dan Dean reported that the College was allocated one person for nine days instead of two people for a week to carry out the Internal Audit Review. As indicated under Item 5 above, the College had issues with the way in which the audit had been conducted which had shown an apparent lack of understanding of the Sixth Form College sector. This had been discussed with Horwath Clark Whitehill with a view to ensuring that this did not happen again. However, there was no problem with the firm as a whole.

The College was happy with the performance of the external auditors.

#### **10. LETTER RE FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)**

The committee noted the letter from the Skills Funding Agency which confirmed their agreement with the College's self-assessment of its financial management and control arrangements as "outstanding".

#### **11. ANY OTHER BUSINESS**

None.

#### **12. DATE OF NEXT MEETING – *Tuesday 23<sup>rd</sup> November 2010***

Signed.....

Date.....

