



CORPORATION AUDIT COMMITTEE MINUTES OF MEETING 60 HELD ON 15 JUNE 2009

- Present:** Richard Heseltine (Chair), Rory Clarke, Philip Wright
- In attendance:** Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network Information Services), Richard Lewis (Baker Tilly, Financial Statements & Regularity Auditors), Steve Rogers (Finance Manager)
- Clerk:** Fiona Bagchi

60.1 Apologies

There were apologies from Gail Burrows, a Committee member.

60.2 Declaration of interests

There were no declarations of interest.

60.3 Minutes of Meeting 60 held on 9 March 2009

The minutes of meeting 60 held on 9 March 2009 were approved with the following amendment: on page 1 at point 1 in the action table under Matters Arising and Actions, "present" should read "presented".

60.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The College's Post-Project Evaluation Report would be presented to the Learning and Skills Council (LSC) in due course (59.4).
Action: Clerk/AW
- 2 It was noted that the Clerk had advertise the vacancy for an external co-opted Audit Committee member on the Institute for Chartered Accountants in England and Wales' (ICAEW) *Everybody Counts* website and on the volunteer section of the ICAEW's jobs website but without success. It was noted that Richard Lewis of Baker Tilly would mention the vacancy to the Association of Chartered Certified Accountants (ACCA) locally. It was noted that the Chair of the Search Committee was following up an initial expression of interest in the position and that the Search Committee would continue to search to fill the vacancy (59.4).
Action: Clerk
- 3 It was noted that the Finance Manager and the Chair of the Audit Committee had yet to meet to further discuss business continuity planning but that the Committee would return to the issue later on the agenda when the College's Disaster Recovery Plan (DRP) was considered

- (59.4).
- 4 With reference to actions arising from the 2007/08 internal audit review remaining in the rolling implementation plan, it was noted that the internal audit Follow Up review would be considered later on the agenda (59.4).
 - 5 It was noted that the risk register had been revised to include risk arising from changes to funding arrangements following the abolition of the LSC in 2010, as agreed (59.5).
 - 6 A signed copy of the performance review of the financial statements and regularity auditors for the y.e. 31.7.08 would be kept with the signed minutes, as agreed (59.8).
 - 7 At its May 2009 meeting, Corporation approved, on the recommendation of the Audit Committee, the appointment of Baker Tilly as financial statements and regularity auditors for the audit for the financial year ending 31.7.09, subject to satisfactory agreement of their fees and receipt of a satisfactory letter of engagement (59.8).

60.5 Review of College risk management plan and disaster planning procedures for recommendation to Corporation

The Finance Manager Steve Rogers spoke to the risk management register and controls document.

Members noted in discussion that:

- some items of high risks had been removed from the plan (e.g. risks relating to the construction of the Ash Building) and others had reduced (e.g. risks relating to a rise in interest rates);
- some new risks had been added e.g. relating to the construction of the Oak Building, replacement of the LSC as the College's funding body by the local authority, new tutorial arrangements, the need to update the College's website;
- claims for the Oak Building were being paid by the LSC on a monthly basis and continuing funding from the LSC for the re-development project was not currently considered a risk although the College would continue to monitor the situation;
- the new campus should be able to accommodate 1,500 students which would allow the College sufficient room for growth over the next few years, noting that the College had received 800 applications to date for 2009/10;
- the LSC was funding growth for an additional 40 students in 2009/10 but there remained a risk that growth in student numbers above this figure would be *unfunded*.

The Committee discussed, with reference to disaster recovery planning, the College's response to a recent attack on the College's IT system by the Conficker worm, which was designed to affect operating systems.

The Director for Network and Information Systems reported that:

- the College became aware of the problem on 2.6.09 and staff were informed that all IT would be taken off-line as a precaution and to allow infected machines to be identified and cleaned and patches to be put in place;
- 40 staff volunteers had helped with the initial work of identifying infected computers;
- within 4 working days every classroom had a clean working computer attached to a projector for use by teaching staff, within 5 working days there were sufficient clean working computers for AS returners and within a week the College IT system was working normally;

- the attack had been identified early in the process, with 7 machines having been infected and the worm having penetrated as far as the domain controller;
- a subsequent potential re-infection, caused by a student using an infected data stick, had been identified and addressed immediately by IT staff;
- the College was now confident that it could withstand a Conficker attack.

The Committee discussed the above, noting that:

- the College used Sophos anti-virus software;
- Microsoft patches against Conficker had not been installed on all machines prior to the attack and considered whether the IT department currently had sufficient resources to install patches in as timely a manner as was desirable;
- all Sophos updates and Microsoft patches were now in place.

The Committee noted that the Director of Network and Information Services was reviewing the College's response to the recent attack on the College's IT system by the Conficker worm and would report to the Audit Committee in due course.

Action: Clerk/BJ

The Committee also discussed the following items of risk:

- insurance cover;
- treasury management.

It was agreed that the following items should be submitted to the Finance and General Purposes (F&GP) Committee for review:

- ***a summary of the College's insurance cover;***
- ***the College's treasury management policy.***

Action: Clerk/SR

The Committee reviewed the College's disaster recovery plan (DRP), noting that:

- the plan was brief and the College's DRP and Business Continuity planning required further development;
- the College had a separate IT disaster recovery plan which had been previously reviewed by the internal audit service but DRP was not a mandatory LSC audit review and would only be undertaken at the request of the College;
- the Finance Manager had acquired examples of DRP's from a number of other colleges and would present a draft DRP to the October 2009 meeting of the Audit Committee.

Action: SR

The Committee approved the College's risk management and disaster management plans for recommendation to Corporation.

Action: Clerk/Chair

The Committee discussed the immediate need for the College to produce a Swine 'Flu response document, noting:

- staffing and educational issues which could arise should the College be affected by a 'flu epidemic;
- that DCSF/DIUS guidance for FE colleges on responding to a 'flu epidemic had been reviewed at the April 2009 meeting of the F&GP Committee and a draft response document would be presented to the June 2009 meeting of the F&GP Committee.

The Committee agreed that, following review by the F&GP Committee, the College's Swine 'flu response document should be presented to the July 2009 meeting of Corporation for information.

Action: Clerk

60.6 Review progress report on the 2008/09 internal audit and the Block 2 reports

Lesley Hill of the internal audit service (IAS) auditors the East Coast Audit Consortium, spoke to the progress report on the 2008/09 internal audit and the Block 1 reports.

(i) Progress report on the 2007/08 audit

Members noted that:

- **the second block of internal audit work for 2008/2009 was carried out at the College in May 2009, when the remaining 5 reviews were completed;**
- **the reviews were considered in detail below.**

The Committee received a progress report on the 2008/09 internal audit plan, noting that with the exception of the production of the Internal Audit Annual Report which would be presented to the October 2009 meeting of the Audit Committee, the 2008/2009 plan was complete.

(ii) Governance processes

Members noted that:

- a review of the College's Governance arrangements was carried out annually as part of the College's internal audit plan, as required by the LSC's Audit Code of Practice;
- the focus of this work, however, changed annually and the objective of this year's review had been to review the key governance documents and how they were reviewed and updated;
- the outcome of the review had been positive, and as a result the internal auditors were offering significant assurance in respect of the areas covered by the review;
- one recommendation graded at the lowest grade (grade 3, requires attention) had been made relating to the inclusion of recent Corporation minutes on the College website.

The Committee noted that significant assurance had been offered in respect of the governance review, with one grade 3 (requires attention) recommendation being made.

(iii) Risk Management

Members noted that:

- the Learning & Skills Council (LSC), through its Audit Code of Practice, required internal auditors to carry out a review of Colleges' Risk Management processes annually;
- the objective of the review was to enable the internal auditors to confirm that the College continue to apply its risk management processes to enable Corporation to make a statement of full compliance with the Combined Code on Corporate Governance, in so far as it applies to the FE sector, in the financial statements for the year ended 31st July 2009;
- the internal auditors were able to provide significant assurance that the College should be able to make a full compliance statement for 2008/2009, provided that the College's

risks were adequately managed for the remainder of the year and an annual report on risk management was prepared;

- no recommendations were made in this report;

Members noted in discussion, with reference to the discussion of risk management and disaster planning which had taken place earlier on the agenda, that:

- the annual internal audit review of risk management was concerned with ensuring that the College had a system for identifying and responding to risks rather than identifying whether the College had identified all particular risks e.g. the need for further development of the College's DRP.

The Committee noted that significant assurance had been offered in respect of the risk management review, with no recommendations being made.

(iv) Learner Numbers Systems

Members noted that:

- the Learner Numbers review was undertaken as part of Wyke College's annual internal audit plan for 2008/2009;
- the focus of learner number systems reviews differed from year to year and the focus of the 2009 review was to examine the College's procedures in respect of enrolments and fee remission;
- as a result of the work undertaken, whilst a number of issues were identified in respect of fee remission, satisfactory enrolment procedures were found to be in place and the internal auditors were able to offer significant assurance;
- a total of 6 recommendations, all at grade 3 the lowest grade i.e. requires attention), were made as a result of this review;
- it was likely that the issues identified would have been corrected as part of the College's own data correction exercise.

The Committee noted that significant assurance had been offered in respect of the learner numbers systems review, with 6 recommendations being made at grade 3 (requires attention).

Richard Lewis reported on LSC funding reviews being undertaken by contractors, including Baker Tilly. Members noted that:

- the reviews concentrated on student record numbers, Learner Support Funds (LSF), Additional Learning Support (ALS) funds, the recording of students starting and finishing courses;
- a number of colleges had been selected for the review in 2009, including local colleges, with the outcome of most reviews being good;
- the LSC did not give colleges much notice that a review would be undertaken but, where sufficient notice had been given, the ECAC had re-focused scheduled Learner Numbers reviews;
- where Baker Tilly had been selected by the LSC to undertake a review for the LSC at a college where they were also financial statements and regularity auditors, the work for the LSC was carried out by a different regional office of Baker Tilly to avoid conflicts of interest;

- the new reviews were considered to be more focussed on risk than the previous LSC ILR reviews and drew attention to the value of colleges running D-SATs throughout the year;
- it was not yet known what audit regime would be in place following the abolition of the LSC in 2010.

(v) Payroll

Members noted that:

- the review of the Payroll system was undertaken as part of the College's 2008/2009 internal audit plan and reviewed whether staff were paid on an accurate and timely basis for duties performed;
- the results of the audit work were positive and as a result the internal auditors were able to offer significant assurance;
- two recommendations had been made as a result of this report i.e. relating to the evidencing of payroll control account reconciliations and payroll contractor invoices being checked for accuracy prior to being paid;
- both recommendations were at grade 3; the lowest grade i.e. requires attention.

The Committee noted that significant assurance had been offered in respect of the payroll review, with 2 recommendations being made at grade 3 (requires attention).

(vi) CRB checks

Members noted that:

- a review of the College's policy and procedures for carrying out Criminal Records Bureau (CRB) checks on members of staff and relevant students had been undertaken as part of the 2008/2009 internal audit plan;
- the review aimed to review whether the College had clear policies in place with regard to CRB checks and that checks were carried out on a timely basis on all staff and relevant students;
- the internal auditors were able to offer significant assurance that the College had effective processes in place to enable CRB checks to be carried out in a timely manner;
- no recommendations were deemed necessary as a result of this review;
- at present, in line with the practice of most colleges, only new members of staff were checked but once the Independent Safeguarding Authority requirements in relation to this were in force, all staff would be checked over a 5 year period, beginning with new staff.

The Committee asked for clarification as to whether the College's current contracts and disciplinary procedures would allow staff to be dismissed if the College were to become aware of a relevant conviction following appointment but after the ending of the probationary period and agreed that the issue should be referred to the Personnel Committee for further review.

Action: Clerk/MWR

The Committee noted that significant assurance had been offered in respect of the Criminal Records Bureau (CRB) review, with no recommendations being made.

(vii) Follow Ups

Members noted that:

- the Follow Ups review had been undertaken as part of the College's annual internal audit plan for 2008/2009, to ascertain the progress made in implementing previous audit recommendations;
- a positive position was found, with the College having fully implemented 7 of the 8 recommendations examined;
- the one recommendation outstanding related to the accurate recording on a timely basis of A2 General Studies non-attenders/leavers, although it was noted that the situation had improved since 2008;
- the outstanding recommendation would be followed up as part of next year's follow up review.

The Committee considered the Follow Us report, noting that only 1 of the 8 recommendations made in 2008 remained outstanding.

60.7 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting that, with the exception of the outstanding issue relating to A2 General Studies noted under the previous agenda item, that all recommendations had been implemented or would be implemented by September 2009.

60.8 Annual re-appointment financial statements and regularity auditors, including agreement of fees

The Clerk reported that:

- the Audit Committee considered the re-appointment of the financial statements and regularity auditors annually, including agreement of fees, following annual review of their performance;
- the May 2009 meeting of the Corporation approved, on the recommendation of the Audit Committee, the re-appointment of Baker Tilly as financial statements and regularity auditors for the audit for the financial year ending 31.7.09, subject to agreement of fees and receipt of a satisfactory letter of engagement;
- Baker Tilly had provided details of fees for the audit for 31.7.09 which would be considered under the next agenda item i.e. the Audit Strategy for the year ended 31.7.09;
- Baker Tilly had informed the College that, as in the previous year, the LSC did not require them to issue a new engagement letter for the financial statements and regularity audit, as the LSC's requirements remained unchanged from the letter issued for the audit for the year ended 31.7.07.

The Committee noted Baker Tilly's fees for the audit for the year ending 31.7.09 as stated in their audit strategy for the external audit for the year

ending 31.7.09 and agreed that they would report to Corporation that they were satisfactory.

Action: Clerk/Chair

The Committee agreed to recommend to Corporation that, as in the previous year, the Chair of the Audit Committee should sign a letter to be issued to Baker Tilly confirming that their re-appointment for the audit for the year ending 31 July 2009 would be on the same terms and conditions as the audits for the years ended 31 July 2007 and 31 July 2008.

Action: Clerk/Chair

60.9 Review Baker Tilly's audit strategy for recommendation to Corporation

Richard Lewis of Baker Tilly spoke in detail to the audit strategy for the financial and regularity audits for the year ending 31.7.09.

Members noted in discussion that:

- key risks informing the audit strategy had been discussed with the College;
- 2009/10 would be Martin Standish's last year as Audit Principal;
- Baker Tilly should be able to confirm the audit senior and assistant soon;
- Richard Lewis would also serve a maximum of 7 years as Audit Manager.

The Committee reviewed Baker Tilly's audit strategy for the financial and regularity audits for the year ending 31.7.09, including proposed fees, and agreed to recommend it to Corporation for approval.

60.10 Regularity audit: review draft Self-Assessment Questionnaire (SAQ) for year ending 31.7.09

Steve Rogers and the Clerk spoke to the draft SAQ for the year ending 31.7.09 which was to be reviewed by Baker Tilly as regularity auditors in August 2009.

Members reviewed changes from the previous year's SAQ, noting in particular that:

- there had been an increase in the number of thefts since the College re-development project had been in progress, noting that the F&GP Committee received an annual security report;
- actions to maintain security being taken by the College were considered;
- the March 2008 meeting of Audit Committee had noted that Corporation should receive post-implementation review of capital project and that this remained an outstanding action in 2008/09.

The Committee reviewed the draft SAQ for the year ending 31.7.09.

60.11 Review standing agenda items and terms of reference

The Clerk reported that:

- an annual review of the Committee's standing agenda item list and terms of reference was a standing agenda item for the summer term meeting of the Audit Committee;
- the Clerk was recommending no change to the Committee's standing agenda item and terms of reference.

The Committee completed its annual review of its standing agenda item list and terms of reference and agreed that no changes were required.

60.12 Review of LSC Circulars and new regulations

It was noted that there was no documents to consider under the above item.

Richard Lewis reported that Baker Tilly was holding a training course in Leeds on new audit requirements which would be attended by representatives from the LSC. It was agreed that Richard Lewis would e-mail details to the Clerk to forward onto members.

Action: RL/Clerk

60.13 Any other business

Lesley Hill reported that Martin Hill of the East Coast Audit Consortium (ECAC) would be retiring at the end of October 2009 and that his replacement would be joining the ECAC from September 2009.

The Committee sent their best wishes to Martin Hill of the east Coast Audit Consortium for his forthcoming retirement.

60.14 Risk management – items identified at the meeting

The following items of risks were identified at the meeting:

- ***IT security***
- ***The need for further development of the College DRP and Business Continuity plans***
- ***The Swine 'Flu epidemic***

60.15 Future planning, including next year's meeting date

The following provisional meeting dates were considered for 2009/10:

- Monday 12 October 2009,
- Monday 7 December 2009,
- Monday 8 March 2010,
- Monday 14 June 2010, all at 4.30pm

It was noted that the Finance Manager could not attend on 12.10.09 and agreed that the Clerk would e-mail members and auditors concerning their availability on the above dates.

Action: Clerk

60.16 Meeting of Audit Committee & auditors without the presence of senior management

It was agreed that there were no issues to consider under this item.

ACTIONS ARISING FROM AUDIT COMMITTEE MEETING 60 HELD ON 15.6.09

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	AW/Clerk	Present College's Post-Project Evaluation Report to the LSC & Corp. – <u>a long-term action.</u>	
2	Clerk	Noted that the Search Committee would continue to search for an external co-opted member of the Audit Committee and the Clerk would report on progress – <u>Oct. 2009.</u>	<i>Clerk to give report on the search for an external Committee member at the meeting. To note also that as R Clarke has decided not to seek re-appointment for a second term of office as a Corp. member, there will also be a vacancy for a Corp. member of the Audit Committee from 3.11.09.</i>
4*	Clerk/BJ	Report on review of the College's response to the recent attack on the College's IT system by the Conficker worm - <u>Oct. 2009.</u>	<i>Report to be given at meeting.</i>
5*	Clerk/SR	<u>F&GP Committee</u> to review (i) a summary of the College's insurance cover & (ii) the College's treasury management policy with reference to risk – <u>autumn 2009.</u>	
6	SR	Draft Disaster Recovery/Business Continuity Plan to Committee agenda – <u>Oct. 2009.</u>	<i>Deferred to Nov. 2009 meeting of the Audit Committee to allow Finance Manager to discuss with Chair of Audit Committee.</i>
7*	Clerk/Chair	Recommend College's risk management & disaster plans to Corp. for approval. – <u>July 2009.</u>	Done. Approved at July 2009 Corp. meeting.
8*	Clerk	College's Swine 'Flu response document to Corp. – <u>July 2009.</u>	Done. Presented to July 2009 Corp. meeting.
9*	Clerk/MWR	<u>Personnel Committee</u> to review whether staff contracts/disciplinary procedures allow a member of staff to be dismissed following a relevant conviction after appointment - <u>Nov. 2009.</u>	
10*	Clerk/Chair	to <u>Corp.</u> that Baker Tilly's fees are satisfactory – <u>July 2009.</u>	Done. Fees approved at July 2009 Corp. meeting.

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
11*	Clerk/Chair	Recommend <u>to Corp.</u> that Chair of Audit Committee issue letter to Baker Tilly confirming appointment is on same terms and conditions as in 2008 & 2007 – <u>July 2009.</u>	Done. Approved at July 2009 Corp. meeting.
12*	Clerk/Chair	Recommend to Corp. approval of Baker Tilly audit strategy for y.e. 31.7.09 – <u>July 2009.</u>	Done. Approved at July 2009 Corp. meeting.
13	RLewis/Clerk	To forward RL's e-mail re Baker Tilly training course in Leeds to Committee members – <u>June 2009.</u>	Done
14	Clerk	provisional dates for 2008/09 to Committee members – <u>2009.</u>	Done. NB the following dates which (with the exception of the June 2010 date) differ from the provisional dates considered at the June 2009 meeting have been agreed for 2009/10: 5.10.09, 30.11.09, 15.3.10, 14.6.10.

** Items marked with an asterisk show actions which will be completed by/at Corporation or a Corporation Committee other than the Audit Committee.*

Fiona Bagchi
Clerk to the Governors
7.7.09



CORPORATION AUDIT COMMITTEE MINUTES OF MEETING 61 HELD ON 5.10.09

Present: Richard Heseltine (Chair), Gail Burrows, Philip Wright

In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Alan Woodcock (Director of Resources)

Clerk: Fiona Bagchi

61.1 Apologies

There were apologies from Rory Clarke, a Committee member, and from Steve Rogers, Finance Manager, and from Richard Lewis of the financial statements and regularity auditors, Baker Tilly.

61.2 Declaration of interests

There were no declarations of interest at the start of the meeting.

61.3 Election of Chair

The Clerk reported that:

- Committee Chairs were elected annually at the first committee meeting of the academic year;
- the September 2009 meeting of Corporation had agreed that Vice- Chairs should also be elected from 2009/10.

Philip Wright nominated Richard Heseltine as Chair of the Audit Committee. The nomination was seconded by Gail Burrows.

Richard Heseltine was elected as Chair of the Audit Committee unopposed.

Gail Burrows nominated Philip Wright as Vice-Chair of the Audit Committee. The nomination was seconded by Richard Heseltine .

Philip Wright was elected as Vice-Chair of the Audit Committee unopposed.

61.7 Risk Management Report

It was agreed that, item 7, the risk management report, should be given at this point on the agenda to allow the Director of Resources to leave the meeting early.

Members noted in discussion that:

- the College's Risk Management Sub Group met annually and reviewed the risk register and work undertaken and moderated risks in line with the College's risk management criteria;
- the group's continuing aim was to reduce risk scores, where possible, through appropriate mitigating actions;
- risk management was included in staff induction;
- although the risk register was formally updated once a year, where new risks were identified during the year (e.g. issues of risk recorded at senior management team, SMT, or Corporation meetings) these were added to the register by the Finance Manager, who had taken on responsibility for risk management from the Director of Resources during the College re-development project;
- the internal audit service reviewed the risk register annually and were of the opinion that new risks were added or risks re-graded, as required, and that it was not a static document.

With reference to specific risks, it was noted that the financial risk relating to the Machinery of Government changes, which was graded high, was largely outside the College's control apart from maintaining a watching brief;

The Committee received the College's annual risk management register noting that it was a live document with active staff engagement. The Committee thanked the College's Risk Management Sub Group for their work in this area.

(Alan Woodcock, Director of Resources, left the meeting).

61.4 Minutes of Meeting 60 held on 15 June 2009

The minutes of meeting 60 held on 15 June 2009 were approved with the following amendment: Conflicker should read Conficker

Action: Clerk

61.5atters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

1 The College's Post-Project Evaluation Report would be presented to the Learning and Skills Council (LSC) in due course (60.4)

Action: Clerk/AW

2 & 3 It was noted that the Search Committee was continuing to search for an external co-opted member of the Audit Committee. The Clerk reported that an individual with accountancy expertise had approached the College seeking to offer their services as a volunteer and that the Clerk would contact them to gauge their interest in joining the Committee as an external; co-opted member (60.4).

Action: Clerk

4 The Committee received a report from the Director for Network and

Information on the College's response to the attack on the College's IT system by the Conficker worm during the summer term, noting that:

- the IT Services department had taken a more proactive stance towards operating system patches and anti-virus updates since the incident;
- Patches were being pushed out to PCs on a more frequent basis
- Logs were being monitored more closely and the IT department were identifying infected machines, or more typically infected USB sticks which had triggered PC anti-virus. Such a machine would be visited by a team member, and the user identified and given tools to clean their home PC, where appropriate.
- As a particular counter-measure against Conficker, the College had used nmap on a Linux PC to scan the College's IP address ranges for potential infected hosts.
- The IT department was also identifying machines which had not received an anti-virus update for a week or more. These machines would either receive a health visit, or the IT department would contact the staff member who used them to enquire about the well-being of the machine (60.5).

5 The F&GP Committee would review (i) a summary of the College's insurance cover & (ii) the College's treasury management policy with reference to risk (60.4).

Action: Clerk

6 It was noted that the Finance Manager and the Chair of the Audit Committee had yet to meet to further discuss business continuity planning (60.5).

7 The College's risk management and disaster plans had been approved at the July 2009 meeting of Corporation (60.5).

8 The College's Swine 'Flu response document had been presented to the July 2009 meeting of Corporation, for information, as agreed (60.5).

9 The Personnel Committee would review whether staff contracts/disciplinary procedures allow a member of staff to be dismissed following a relevant conviction after appointment(60.6).

Action: Clerk

10 July 2009 meeting of Corporation had approved Baker Tilly's fees (60.8).

13 July 2009 meeting of Corporation agreed that the Chair of the Audit Committee should issue a letter to Baker Tilly confirming their appointment for 2008 was on same terms and conditions as in 2008 and 2007 (60.8).

12 July 2009 meeting of Corporation approved Baker Tilly audit strategy for the year ended 31.7.09 (60.9)

13 Clerk had forwarded Richard Lewis's e-mail concerning a training course provided by Baker Tilly in Leeds to Committee members (60.12)

15 Provisional dates for 2009/10 had been e-mailed to members, as agreed. The following meeting dates which (with the exception of the June 2010

date) differ from the provisional dates considered at the June 2009 meeting had been agreed for 2009/10: 5.10.09, 30.11.09, 15.3.10, 14.6.10. All meetings were at 4.30pm (60.15).

61.6 Annual review of confidential minutes

The Committee noted that it had produced no minutes classed as confidential during the previous year.

61.7 Risk Management Report

It was noted that this item had been considered earlier on the agenda.

61.8 Annual Data Protection report

Bill Jackson, Director of Network and Information Systems, spoke to the annual data protection report.

Members noted that:

- there had been no new systems, initiatives or alterations in procedure in the last year which might serve to increase risk or exposure;
- the College was in the process of replacing the Mondas Resource 32000 Learner Management System with its successor, Corero Resource Education Management System
- teaching staff would have equivalent access to data as at present under the new arrangements;
- the College would consider whether the application and its underlying database was sufficiently secure and robust to support a future rollout of the student portal to students.

The Committee received the annual data protection report, noting that there had been no issues of concern in 2008/09.

61.9 Internal Audit Service Annual Report 2008/09

Lesley Hill of the internal audit service (IAS), the East Coast Audit Consortium (ECAC), gave a report on the IAS Annual Report 2008/09.

Members noted that:

- ***the internal audit work for the period from 1 August 2008 to 31 July 2009 had been carried out in accordance with the internal audit plan approved by the Corporation;***
- the plan had been carried out in 25 days, as agreed;
- 10 reports were issued during 2008/2009, including governance, risk management processes, learner number systems, local funds and grants, payroll, travel and sundry expense claims, staff development and training, CRB policy and procedures, exam fees, plus the annual Follow ups report;
- a grade of significant assurance for 9 reports had been given (a grade not being relevant in the case of the annual Follow ups report);

- the reports contained a total of 15 recommendations, all at the lowest grade of “requiring attention”;
- there were no recommendations graded as “fundamental” or “significant”;
- from their examinations the IAS had concluded that the policies, procedures and operations that the College had in place to:
 - establish and monitor the achievement of the college objectives were good,
 - identify, assess and manage the risks to achieving the college’s objectives were good,
 - advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer, were good,
 - ensure economical and efficient use of resources were good,
 - ensure compliance with the college’s policies, procedures, laws and regulations were good,
 - safeguard the college’s assets and interest from losses of all kinds, including those from fraud, irregularity and corruption, were good, and
 - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes, were good.

The Committee received the Internal Audit Service Annual Report for 2008/09, noting that the auditors overall opinion was that Wyke Sixth Form College had adequate and effective management, control and governance processes to manage its achievement of the college’s objectives.

The Committee agreed that the Internal Audit Service Annual Report for 2008/09 should be presented to the December 2009 meeting of Corporation as an annex to the Committee’s Annual Report.

Action: Clerk/Chair

The Committee noted that Benita Jones had been appointed as Director of the ECAC on Martin Hill’s retirement. The Committee expressed their thanks for the work undertaken by Martin Hill in relation to the College and wished him well in his retirement.

61.10 Review of Internal Audit Service (IAS)

(Lesley Hill left the meeting).

(i) Review the cost of the IAS arrangements for 2008/09

The Committee reviewed the cost of the IAS audit for 2008/09 noting that:

- cost per staff day was £296 plus VAT, as agreed;
- members noted that the total cost of the 2008/09 was on budget at £7,400 excluding VAT i.e. 25 days @ £296 per day;
- the ECAC’s fees were considered competitive.

The Committee completed its review of the cost of the 2008/09 internal audit, noting that as the audit was completed within the agreed number of days, the cost was as expected.

(i) Performance review 2008/09

The Clerk reported that:

- the Committee reviewed the performance of the internal audit service (IAS) annually at its October meeting, using its performance checklist.

The Committee noted that:

- it had considered the ECAC's review of their own performance at Appendix 2 of the Internal Audit Report 2008/09, agreeing with the opinion expressed that the ECAC had achieved the performance measures set for 2008/09;
- the ECAC had complied with mandatory standards/good practice e.g. the Government Internal Audit Standards and the requirements of the LSC's *Audit Code of Practice*;
- there were no issues in dispute relating to cost or coverage;
- plans and reports were useful to readers, timely and reports factually accurate;
- with reference to the timeliness of reports, that reports had been issued within 7 working days of audit reviews against a target of 20 days;
- 60% of Director and Manager time was good and a higher percentage than could be expected from the largest audit firms;
- timeliness of follow-up of implementation was good;
- senior managers' relationships with the internal auditors were good and their perception of the auditors was positive while the ECAC's use of different auditors for regular reviews ensured that an appropriate professional relationship was maintained between auditors and College staff;
- the auditors' relationship with the Audit Committee was good;
- the Clerk would e-mail Richard Lewis of Baker Tilly, the College's financial statements and regularity auditors, to ask them to confirm that they were still content that liaison with the financial statements and regularity auditors was good;

Action: Clerk

- the number of recommendations was appropriate;
- recommendations were pertinent and had led to improvements being made;
- continuity of staffing was good;
- use of staff with specialist skills was good;
- with reference to the section on reviews by the LSC, the ECAC's quality assurance measures had been reviewed by the LSC in October 2005 and their opinion was that the ECAC had adequate and effective quality assurance arrangements over its internal audit work at FE colleges, with it being noted that, as LSC reviews were conducted on a 3-yearly cycle, a further review could be expected shortly;
- the LSC was, however, due to be abolished in 2010 and it was not yet known what quality inspections would be undertaken by any successor body.

It was agreed that the Clerk would type up the results of the performance review of the IAS and return the list to the December 2009 meeting of the Committee for the Chair to sign.

Action: Clerk

It was noted that the above performance review of the internal audit service (IAS) during 2008/09 would be taken into account when considering the 2009/10 IAS contract under (iii) below.

(iii) Re-appointment of IAS auditors for 2009/10

The Clerk reported that:

- under the LSC's Audit Code of Practice, colleges appointed/re-appointed IAS auditors annually;
- under the Audit Committee's standing agenda item list, the Committee considered making a recommendation to Corporation on re-appointment of the IAS auditors following performance review at the October meeting of the Committee;

- a 3-year contract with the internal auditors, the East Coast Audit Consortium (ECAC), was approved by Corporation in July 2007, subject to satisfactory annual performance review;
- fees for the 2009/10 internal audit were shown in the internal audit plan, to be considered at item 61.12, as £7,625 excluding VAT (25 days @ £305 per day).

Having complete the 2008/09 performance review of the East Coast Audit Consortium (ECAC) and noted that the outcome was positive, it was agreed that the Committee should recommend to Corporation the re-appointment of the ECAC as auditors for the 2009/10 internal audit.

Action: Clerk/Chair

(Lesley Hill returned to the meeting).

61.11 Review of additional work undertaken by auditors in 2008/09

The Clerk reported that:

- the College's Financial Regulations approved by Corporation required that any work undertaken by the College's auditors in addition to their normal audit duties should not amount to a sum greater than the cost of the annual audit or the sum of £20,000, whichever was the lower, and should be approved by Corporation in advance of the work being carried out, as required by the LSC's Audit Code of Practice;
- the Audit Committee reviewed any such additional work undertaken annually.

Members noted that:

- the College commissioned no additional work from its internal audit service auditors, the East Coast Audit Consortium, in 2008/09;
- for the year ended 31.7.08, in addition to their normal work on the financial statements and regularity audit work, Baker Tilly provided the College with additional audit work in relation to the certificate required for the Teachers' Pension Scheme, with the cost of this additional service being specified in the audit strategy approved by Corporation;
- non-routine audit work by Baker Tilly on the model Casterbridge statements was shown in the audit strategy approved by Corporation in July 2008 and was therefore specifically approved by Corporation, with the sum involved being, in any case, below the specified limit;
- at its July 2009 meeting, Corporation approved Baker Tilly's audit strategy for the audit for the year ended 31.7.09, including, in the normal audit costs, work relating to the Teacher's Pension Scheme.

The Committee considered the annual report on additional work by the internal and financial statements auditors, noting that, in 2008/09, the internal auditors undertook no additional work and that the cost of any additional work undertaken by the financial statements/regularity auditors had been approved Corporation in the annual audit plans/was below the specified limit.

61.12 IAS plan for 2009/10

Lesley Hill spoke to the IAS Plan 2009/10.

Members noted in discussion that:

- the current Internal Audit Strategic Audit Plan was approved in 2005, covering the period 2005/2006 to 2009/2010;
- it included coverage of the mandatory areas required by the LSC's Audit Code of Practice;
- with the exception of Governance and Risk Management processes, which were required to be reviewed annually, and learner number systems which was covered on a cyclical basis, all other mandatory areas appeared only once in the 5 year strategic plan in recognition of the College's history of having sound systems in place;
- the plan provided for a total of 25 days in each year of the strategic plan;
- the proposed Annual Internal Audit Plan for 2009/2010 was drawn from year 5 of the Strategic Audit Plan and included reviews of catering, procurement and purchase ledger and personnel policies;
- following discussions with the College on appropriate risk areas drawn from the College's risk assessment, it was agreed that there should be reviews of capital and the IT infrastructure of the new building, under sections B of the plan, and Educational Maintenance Allowances (EMAs), under section C of the plan (operational areas);
- as noted above, the cost of delivering the plan as shown was £7,625 excluding VAT (i.e. 25 days @ £305 per day), as detailed in the EC AC current contract with the College.

The Committee reviewed the proposed internal audit plan for 2009/10 and agreed to recommend it to the December 2009 meeting of Corporation for approval.

Action: Clerk/Chair

The Committee noted that:

- the ECAC's current 3-year contract would end in 2010;
- the ECAC had originally been appointed as auditors by a consortium of local colleges but this was no longer in operation;
- under the LSC's Audit Code of Practice, colleges were no longer expected to go out to tender for audit services after a set number of years, unless the College's Financial Regulations required this, which was not the case at Wyke;
- the Committee would review the appointment of internal auditors from 2010/11 at its March 2010 meeting.

Action: Clerk

61.13 Review of rolling implementation plan of auditors' recommendations

Members considered the rolling implementation plan of auditors' recommendations, noting that recommendations previously reported to the Committee as having been completed had been removed from the plan.

The Committee reviewed the updated rolling implementation plan of auditors' recommendations and agreed that:

- ***the recommendations relating to payroll and exam fees had been completed and should be removed from the plan;***
- ***with reference to the learner numbers systems review, that recommendations 3, 4 and 8 should be removed from the plan as they had been completed while 5, 6, 7 and 9 should remain in the plan for further review.***

Action: Clerk

It was noted that all recommendations would be reviewed as part of the IAS 2009/10 Follow ups review.

61.14 Review of LSC Circulars, new regulations, reports: LSC guidance on completion of 2009/10 FMCE

The Clerk reported that:

- the College had completed the LSC's Financial Management Control Evaluation (FMCE) document for the first time in autumn 2008, with the self-assessed grade of "Good" subsequently confirmed by the Learning and Skills Council (LSC);
- in 2009/10, colleges could choose to complete a short version of the FMCE if they did not need to change their 2009/10 grades and the college had undergone no significant changes since the previous year;
- the short version of the FMCE comprised Part 1 (a summary of grades) and Part 2 (an improvement plan);
- colleges to be inspected in 2009/10 by Ofsted and the LSC had, however, to complete the full FMCE;
- Wyke College was last inspected by Ofsted in February 2008 and was judged to be "Good";
- under the LSC's new Common Inspection Framework (CIF) in force from 1.9.09, Ofsted could choose to inspect colleges which have been judged as "Good" or "Outstanding" at 6 year intervals;
- colleges had to upload the full FMCE to the LSC's Provider Gateway by 30.11.09 and the short FMCE by 31.12.09;
- while the full version of the FMCE remained largely unchanged from 2008/09, guidance issued by the LSC for 2009/10 stated that the Clerk should have regard to 43 questions largely taken from the LSC's Self-Assessment Report Questionnaire (the SARQ which was replaced by the FMCE in 2008/09) when answering Area 1/Section (Strategic Oversight) of the FMCE;
- in 2008/09 the Committee reviewed the College's completed SARQ (including the relevant 43 questions) for 2007/08 at its October 2008 meeting prior to reviewing the completed FMCE for 2007/08 at its December 2008 meeting.
- the College's completed FMCE for 2008/09 would be presented to the Committee on 30.11.09 for review and recommendation to Corporation.

The Committee considered revised requirements in relation to completion of the LSC's Financial Management Control Evaluation (FMCE) and agreed that, as the College's circumstances were unchanged from the previous year and the College did not expect to be inspected in 2009/10, it would be appropriate for the College to complete the short version of the FMCE.

Action: Clerk/SR

The Committee received Baker Tilly's *Emerging Issues* report for September 2009 and noted that the survey of the Machinery of Government changes was particularly useful.

The Committee discussed in detail the LSC's letter of 23 September 2009 concerning the Individualised Learner Record Data Management, which stated that there was evidence of variation of practice in data management in the sector and which set out the general standard for institutions to follow. It was noted that the College was already compliant with the guidance.

61.15 Annual completion of Committee performance checklist and review of PIs

Members reviewed its performance indicators and checklist for 2008/09, noting that:

- Committee attendance was 81;
- the target for Committee attendance was 75%;
- Committee quoracy was 100%;
- 99% of standing agenda items were considered at the relevant meeting;
- the target for timely dispatch of agendas, minutes and papers, which was 80% from 2000/01 to 2004/05, had been divided into separate targets for 2005/06 onwards of 100% for dispatch of agendas and minutes and 80% for other papers;
- in 2008/09, 100% of agendas and minutes had been sent out within the deadline, with 81% of other papers sent out within the deadline;
- completion of the Committee checklist was 100% compliant.

The Committee reviewed its performance indicators for 2008/09 and completed its 2008/09 performance checklist.

61.16 Members' length of office and Committee membership

The Clerk reported that:

- ***the Chair of the Audit Committee, Richard Heseltine was the longest serving member, having been a member of the Committee for more than 11 years;***
- ***Philip Wright had been a member of the Committee for just over 5 years;***
- ***Gail Burrows, a Support Staff member of Corporation, had been a member of the Committee for just over 4 years;***
- ***Rory Clarke had been a member of the Committee for just over 2.5 years but, as his current term of office as a Corporation member would end on 3.11.09 and he was not seeking re-appointment, his membership of the Committee would also end on that date;***
- the Committee's terms of reference require it to have five members in total and three members to be quorate;
- there was currently a vacancy for an external co-opted member of the Committee and there would be a vacancy for a Corporation member from 4.11.09;
- the Search Committee was currently searching to fill the vacancies.

The Clerk's report on Committee members' length of office and membership and agreed that the Clerk should approach Grace Richardson, who had been appointed as a Corporation member from 4.11.09, to gauge whether she would be interested in joining the Committee.

Action: Clerk

61.17 Any other business

It was noted that there was no other business.

61.18 Risk management – items identified at the meeting

No new items of risk were identified at the meeting.

61.19 Date of next meeting: Thursday 30 November 2009.

61.20 Meeting of Committee with auditors without the presence of senior management

It was noted that there were no issues to consider under this item.

Fiona Bagchi
Clerk to the Corporation
24.11.09

ACTIONS ARISING FROM AUDIT COMMITTEE MEETING 61 HELD ON 5.10.09

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	Clerk	Amend minutes, as agreed – <u>Oct. 2009.</u>	Done.
2	AW/Clerk	Present College's Post-Project Evaluation Report to the LSC & Corp. – <u>a long-term action.</u>	
3	Clerk	Noted that the Search Committee would continue to search for an external co-opted member of the Audit Committee and the Clerk would report on progress – <u>Oct. 2009.</u>	A Connell to attend Dec. 2009 meeting as an observer.
4*	Clerk/SR	<u>F&GP Committee</u> to review (i)a summary of the College's insurance cover & (ii) the College's treasury management policy with reference to risk – <u>autumn 2009.</u>	Done.
5	SR	Draft Disaster Recovery/Business Continuity Plan to future Committee agenda – <u>2009/10.</u>	
6*	Clerk/MWR	<u>Personnel Committee</u> to review whether staff contracts/disciplinary procedures allow a member of staff to be dismissed following a relevant conviction after appointment - <u>Nov. 2009.</u>	Not yet reviewed by Committee but Vice-Principal (Students and Staff Support) has confirmed that staff contracts/disciplinary procedures would allow this.
7*	Clerk	IAS report to Corp. as Annex to Committee's Annual Report – <u>Dec. 2009.</u>	
8	Clerk	Ask RH of Baker Tilly if still content with liaison with the IAS, the ECAC -- <u>Nov. 2009.</u>	
9	Clerk	Type up results of IAS performance review & return to Committee for signing --- <u>Nov. 2009.</u>	
108	Clerk/Chair	Recommend to Corp. the re-appointment of ECAC as IAS -- <u>Dec. 2009.</u>	

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
11*	Clerk/Chair	Recommend to Corp. IAS plan 2009/10 -- <u>Dec. 2009.</u>	
12	Clerk	Review of IAS from 2010/11 to Committee agenda – <u>Mar. 1010.</u>	
13	Clerk	Amend rolling plan as agreed – <u>Nov. 2009.</u>	
14	Clerk/SR	College to complete short FMCE – <u>Nov. 2009.</u>	On agenda.
15	Clerk	Gauge G Richardson's interest in joining the Committee – <u>Oct. 2009.</u>	Done. G Richardson appointed as temporary member under Chair's action for Dec. 2009 meeting of Committee with a view to the appointment being confirmed at the Dec.2 009 meeting of Corp.

* *Actions to be completed at Corporation or another Committee.*