

Corporation Audit Committee Minutes of Meeting 63 held on 15.03.10

Present: Richard Heseltine (Chair), Gail Burrows, Grace Richardson, Philip Wright, Alastair Connell

In Attendance: Auditors: Lesley Hill (East Coast Audit Consortium (ECAC), Internal Audit Service Auditors (IAS)), Richard Lewis (Baker Tilly, Financial Statements and Regularity Auditors)
Managers: Bill Jackson (Director of Network and Information Services), Steve Rogers (Finance Manager)

63.1 Apologies

There were no apologies. However, due to the absence of the Clerk, Fiona Bagchi, Bill Jackson was appointed as temporary clerk to the meeting and Gail Burrows took the minutes.

The Chair confirmed Alastair Connell had been appointed as a Member of Audit Committee at the last Corporation Meeting and he welcomed Alastair Connell to the meeting.

63.2 Declaration of Interests: None were declared.

63.3 Minutes of Meeting 62 held on 30 November 2009

The minutes of the meeting were approved with the following amendments:

- *Under attendance and Apologies – Bill Jackson's title should read Director of Network and Information Services*
- *Second bullet point under Apologies, Benita Hill should read Benita Jones*
- *and the amendments to the action table noted under item 63.4.*

Action: Clerk

63.4 Matters Arising and actions

1. The minutes of November 2009 meeting had been amended as agreed (62.4).
2. The College's Post-Project Evaluation will be presented to the appropriate body, once all building has been completed (62.4).
3. Revised Disaster Recovery Plan – on agenda (62.4).
4. IAS report to Corporation – done (62.4).
5. IAS Performance Review – agreed to check with the Clerk to the Corporation whether this has been typed up and if it has, send out to Richard Heseltine for signing (62.4).
Action: Clerk
6. ECAC IAS re-appointment done – however, year in action should read 2009/10 not 2008/09 and Corporation meeting date in status should read Dec 2009 not 2010 (62.4).
Action: Clerk

7. 2009/10 IAS plan approved – however, date in action should read Dec 2009 not 2000 and in status, Dec 2009 not 20109 (62.4).
8. Review of IAS appointment 2010/11 – on agenda (62.4).
9. Items 9, 10, 11, 12 have been done (62.7, 62.7, 62.7, and 62.8).
10. Items 13, 14 are on agenda (62.10, 62.13).

Action: Clerk

Lesley Hill requested agenda item 9 to be moved to the last item on the agenda. This was agreed.

63.5 Risk Management Update

SR reported there was a slight change to risk item 126 that relates to two separate areas. One is the recruiting of staff, while the second refers to ensuring sufficient resources are available to employ the required staff.

Richard Heseltine recommended dividing this in to two separate items to increase clarity, when risk management was re-visited.

Risks relating to Block B could disappear on completion of all building works.

The review of the risk management update was completed.

63.6 Internal Audit Service Progress Report Review

Lesley Hill reported significant assurance was awarded following the recent Block 1 audit, with only four recommendations overall. She said the College was to be commended on this low number. Eleven and a half of the twenty five days of work (46%) have been completed and is therefore on schedule. The areas reviewed in this block were Catering, (Income and Expenditure), Educational Maintenance Allowance, Governance and Procurement & Purchase Ledger.

Catering – The full scope of the report appears in Section 3. There was one recommendation arising; that the maximum amount of information as possible from the vending machines should be extracted to support and reconcile the cash collected. Steve Rogers reported he had agreed a system would be devised to allow a reconciliation between cash collected and that banked.

Education Maintenance Allowance – The College does not make the payments itself but makes the decisions as to who should receive the payments. Areas of how communication was made to the students and the criteria applied were examined, including the January bonus. Again, one recommendation was made; the references to EMA contract Part 2 in paperwork should be updated to reflect the change of name currently in place.

Governance – Review of Governance is carried out annually. This review examined the operation of the Corporation and its Committees, ensuring Terms of Reference were in place, appointment of Chairs and Vice Chairs, publishing minutes on the web site as required and Confidential minutes and how they are dealt with. This represented a very broad range, all being satisfactory and no recommendations being made.

Richard Heseltine stated this result was due to the effectiveness of the College Clerk and the excellent work performed by her.

Procurement & Purchase Ledger – The focus was on goods / services ordered through to payment and the recording of this. Two recommendations were made. Firstly, one purchase order and related invoice had not been signed by the budget holder. It was noted this was an exception and

not an issue. Secondly, with the credit card transactions there were some that did not have supporting evidence from the budget holder.

At this point Alastair Connell queried College's ordering procedures and asked if we accepted verbal (telephone) orders. Discussions took place regarding the use of the credit card.

The review recommended a policy to be drawn up on the use of the credit card and this was agreed by Steve Rogers.

The internal audit service Block 1 reports were accepted by the Audit Committee.

63.7 Rolling Implementation

The rolling implementation plan was considered and accepted.

63.8 Financial Statements/Regularity Auditors

Richard Lewis and Lesley Hill left the meeting while discussions took place.

Steve Rogers reported the final invoiced figures from Baker Tilly re Regularity, Financial Statements and Teachers' Pension were all in line with those expected. There was an additional cost of £500 + VAT, authorised by Steve Rogers, relating to work on depreciation.

These were accepted by the Audit Committee.

The Performance Review was discussed and Richard Heseltine recommended all the "High" boxes to be ticked as have been done in the past.

Re-appointment of Baker Tilly as financial statements/regularity auditors was discussed. With LSC funding finishing and the local authority (LA) taking over there is a grey area re auditors. Will the LA require their own auditors to perform the audit or rely on the auditors already in place at an establishment? Philip Wright queried the issue of possible rotation of senior partner at Baker Tilly.

Subject to agreement of fees, the Audit Committee agreed to recommend to Corporation the re-appointment of both Baker Tilly and ECAC.

Action: Clerk/Chair

Richard Lewis and Lesley Hill rejoined the meeting.

Richard Lewis reported a suggestion of regularity audit moving across to the LA but nothing has been confirmed at present. Richard Lewis to report to the next meeting.

63.9 Review of Appointment of Internal Audit Service from 2010/11

It had been agreed earlier on the agenda that this item would be considered at the end of the meeting.

63.10 Review of LSC Circulars: LSC consultation on Part I of the *Joint Audit Code of Practice*

Steve Rogers reported he had responded to the LSC Joint Audit Code of Practice Consultation Document, requesting further clarity on local authority audit costs and who would be responsible.

Funding audits have previously been paid for by LSC, will this be reciprocated by the LA? Richard Lewis stated the consultation has still to go through its due process and hopefully, by April / May, we should see the resulting Code of Practice.

Richard Lewis stated the sector is currently very fluid; a potential change in Government could affect decisions, with even the possibility of the LSC being retained and not transferring to a LA, should a Conservative Government win the election.

63.11 Date of Next Meeting: confirmed as 14 June 2010 at 4:30pm

63.12 A.O.B: None

63.13 Risk Management

No further risks had been identified.

63.14 Meeting of Committee without presence of senior management: deemed not necessary

Lesley Hill left the meeting.

63.9 Review of Appointment of Internal Audit Service from 2010/11

Steve Rogers stated that, as with Financial Statement Auditors, it is not a good time to change auditors. The College has a good relationship with internal audit, the continuity is there, they know how the College operates and represent value for money. He would have no hesitation in recommending re-appointment, only whether it should be for one year or three, in light of the transition from LSC to LA funding.

The LA may take on internal audit themselves so a one year re-appointment may be safer. Would LA be more expensive? Would they insist on performing audit despite the fact the College had its own appointed internal auditors, resulting in a double cost? Colleges are very different to schools in the way they operate which could result in a steep learning curve for LA.

Richard Heseltine stated the College receive good value from ECAC and there would be an advantage to maintaining them.

The Committee agreed to recommend the re-appointment of ECAC as internal auditors for one year and then to re-assess or if, the Clerk to the Corporation confirmed that a formal recommendation on re-appointment was not required from the current meeting, to take this item forward to the June 2010 meeting of the Committee.

Action: Clerk/Chair

Gail Burrows
15.03.10

ACTIONS ARISING FROM AUDIT COMMITTEE MEETING 63 HELD ON 15.3.10

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	Clerk	Amend the Nov. 2009 meetings as agreed – <u>Mar. 2010.</u>	Done.
2	Clerk	Type up IAS performance review & return for signing by the Chair – <u>Mar. 2010.</u>	To be presented to the Chair for signing at the June 2010 meeting of the Committee.
3-4	Clerk	Amend dates in action table for Nov. 2009 minutes, as agreed – <u>Dec. 2009.</u>	Done.
5*	Clerk/Chair	Subject to agreement of fees, recommend to Corp re-appointment of Baker Tilly as financial statements and regularity auditors for 2009/10 audit.– <u>May 2010.</u>	Done. Re-appointment approved by Corp. at its May 2010 meeting, subject to agreement of fees. See Baker Tilly's audit strategy on the Committee's June 2010 agenda.
6*	Clerk/Chair	Subject to advice from Clerk re timing, & subject to agreement of fees, recommend to Corp. re-appointment of ECAC as IAS for one year – May <u>2010</u>	Following advice from Clerk that decision was not required at Corp.'s May 2010 meeting, it was agreed that Audit Committee should re-visit the recommendation at its June 2010 meeting when more information about IAS arrangements post-LSC might be available.

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

Fiona Bagchi
 Clerk to the Corporation
 Updated 25.5.10

Corporation Audit Committee Minutes of Meeting 64 held on 14.06.10

Present: Richard Heseltine (Chair), Gail Burrows, Grace Richardson, Philip Wright, Alastair Connell

In Attendance: Auditors: Benita Jones (East Coast Audit Consortium (ECAC), Internal Audit Service Auditors (IAS)), Richard Lewis (Baker Tilly, Financial Statements and Regularity Auditors)
Managers: Bill Jackson (Director of Network and Information Services), Alan Woodcock (Director of Resources)

64.1 Apologies

There were apologies from Steve Rogers, the College's Finance Manager.

64.2 Declaration of interests

There were no declarations of interest.

64.3 Minutes of Meeting 63 held on 15 March 2010

The minutes of meeting 63 held on 15 March 2010 were approved.

64.4 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 minutes of the November 2009 meeting had been amended, as agreed (63.3).
- 2 The Clerk would print out the internal audit service (IAS) performance review for the Chair to sign (63.4).

Action: Clerk
- 3-4 The dates in action table of the November 2009 minutes had been amended, as agreed (63.4).
- 5 Subject to agreement of fees, Corporation had approved the re-appointment of Baker Tilly as financial statements and regularity auditors for 2009/10 audit at its May 2010 meeting, on the recommendation of the Committee (63.8).
- 6 Following advice from the Clerk that a decision was not required at Corporation's May 2010 meeting, it was agreed that Audit Committee should re-visit its recommendation on the appointment of ECAC as internal auditors at its June 2010 meeting when more information about internal audit service (IAS) arrangements post-LSC might be available. It was, however, noted that no further information was currently available and noted that this item would be considered later on the agenda (63.8).

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

The Director of Resources, Alan Woodcock, spoke to the risk management register and controls document.

Members reviewed the College's risk management register and risk controls document, noting in discussion that:

- The College's risk management processes remained as previously noted i.e. an overall annual review and updating of the risk management register and the risk controls document, with other changes made as required.
- The risk controls document detailed control measures to mitigate risks.
- Risks relating to the College re-development project (e.g. financial risks, risks relating to timely completion of the project) had been reduced from "high".
- The only high risk related to unfunded growth in student numbers.
- It would be useful to know how the College's top 10 key risks compared to those of other colleges.
- Although the College had breached a bank covenant and received a waiver letter from the bank in the past, there was no risk in the register relating to the breach of bank covenants.

It was agreed that Benita Jones would approach clients to find out whether they would be willing to share details of their top 10 key risks for bench-marking purposes.

Action: BJones/Clerk

It was agreed that the Finance Manager should be asked to review the need to include in the risk management register risks arising from any possible breach of bank loan covenants.

Action: Clerk/SR

The Committee were pleased to note that the College had reduced the number of high risks recorded in the College's risk management register and approved the College's risk management register and controls documents for recommendation to Corporation.

Action: Clerk/Chair

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

- The document was intended to be an overarching document for other procedures (e.g. IT security procedures, health and safety procedures) although it was noted that they were not cross-referenced in the plan.
- The IT infrastructure (new build) internal audit report to be considered later on the agenda had noted that the College had a brief DRP in place, which had been found to need additional information on the priority of systems to be recovered and staff responsibilities and contact details.
- The College accepted that the document required further development and the Director of Resources and the Clerk had supplied the Finance Manager with examples of DRPs from other colleges.
- Running a mock disaster to check the effectiveness of procedures, once further developed, could be useful.

The Committee discussed business continuity procedures, noting that:

- The College had unwritten arrangements for the College's students to take their exams in Kelvin Hall School's gym as a result of demolition work arising from the College re-development project but did not have a formal written procedure or arrangements.
- It had previously been agreed that the Finance Manager would review business continuity planning (BCP) and the College was currently awaiting details from the Learning and Skills Improvement Service (LSIS) on an on-line BCP training course.

It was agreed that the Chair of the Audit Committee, the Director of Resources and the Finance Manager would meet to discuss Disaster Recovery Plan (DRP) and Business

Continuity Plan (BCP) procedures and would present a proposal on their development to the October 2010 meeting of the Committee.

Action: Chair/AW/SR

The Committee agreed that Corporation should be informed that the College's DRP was not being submitted to Corporation's July 2010 meeting to allow the College to work on the further development of the College's disaster recovery and business continuity planning.

Action: Clerk/Chair

64.6 Review progress report on the 2009/10 internal audit and the Block 2 reports

Benita Jones of the internal audit service (IAS) the East Coast Audit Consortium spoke to the progress report on the 2009/10 internal audit and the Block 2 reports.

(i) Progress report on the 2009/10 audit

Members noted that:

- The second block of internal audit work for 2009/2010 had been carried out at the College in May 2010
- 24 days of the 25 days allocated to the 2009/10 plan had been completed.

The Committee received a progress report on the 2009/10 internal audit plan, noting that with the exception of the production of the Internal Audit Annual Report which would be presented to the October 2010 meeting of the Audit Committee, the 2009/2010 plan was complete.

(ii) 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 so that the Corporation could 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 ending 31 July 2010.
- The internal auditors were able to provide significant assurance that the College should be able to make a full compliance statement for 2009/2010, 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 had been made as a result of the review.

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

(iii) Learner Numbers Systems

Members noted that:

- The Learner Number Systems review had sought to examine the recording of student data, with particular emphasis on the maintenance of the course masterfile and the recording of student achievements.
- The results of the audit work had been positive and the internal auditors had been able to provide significant assurance.
- One recommendation graded at the lowest grade of grade 3 (requires attention) had been made as a result of the review as a number of courses had been recorded on the course masterfile with a learning aim code which related to a different examining body, although this did not have any material effect on the college funding claim.

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

The Committee congratulated the Director of Network and Information Systems on the outcome of the review.

(iv) Personnel policies

Members noted that:

- The review of the College's personnel policies had been undertaken as part of the 2009/2010 internal audit plan and had sought to ensure that the College had comprehensive personnel policies in place which had been formally approved, widely disseminated and which were subject to regular review and updating.
- The results of the audit work had been positive and the internal auditors had been able to provide significant assurance.
- No recommendations had been made as a result of the review.

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

(v) Capital

Members noted that:

- The capital review had sought to ensure that there had been an effective application and receipt of capital grant monies and the effective monitoring of College's campus redevelopment project, focusing on the Oak building.
- The Oak building had been successfully handed over following practical completion on 26th March 2010, with staff moving into the building during Easter holiday.
- The results of the audit work were positive and the internal auditors had been able to provide significant assurance that the College had effectively monitored and controlled the Oak building project.
- The results of the audit work had been positive and the internal auditors had been able to provide significant assurance.
- No recommendations had been made as a result of the review.

It was noted that, as a result of consultants EC Harris having recently moved office, the Hobson and Porter tender documentation for the Oak Building had not been available at the time of the audit to validate information provided by the College, although this had not affected the outcome of the review and the internal auditors were satisfied that there had been a competitive process. The Director of Resources reported that the relevant documentation was now available for review by the internal auditors, should they wish to review it.

Action: AW

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

The Committee congratulated the Director of Resources and the Finance Manager on the outcome of the review and the professional way in which the re-development project had been conducted.

(vi) IT infrastructure (New build)

Members noted that:

- The review had been undertaken as part of the 2009/10 internal audit plan, to examine the IT infrastructure which was part of the campus re-development.
- While the College had a brief disaster recovery plan, the internal auditors had recommended that the plan required additional information on the priority of systems to be recovered, staff responsibilities and contact details and that the addition of a testing schedule would allow the College to be proactive in its disaster management.

- While backups of information and server states were taken regularly by the IT department and stored in the new server room in the Oak building, the internal auditors had recommended that the College should consider the purchase of a tape fire safe placed in a separate building from the primary server room to allow the secure and safe storage of backup media.
- The internal auditors had recommended that the College should agree an access policy detailing how access was granted and controlled in relation to the College's various server and communications rooms.
- The internal auditors had recommended that the College should consider the installation of a flood alert system, raising the level of power sockets in the Oak Building server room and the provision of a dedicated storage area for the IT department.
- Ten recommendations have been made as a result of the review (2 at the second highest grade of significant and 8 at the third and lowest grade of requiring attention) and the internal auditors had therefore only been able to offer limited assurance.

The Committee noted that limited assurance had been offered in respect of the IT infrastructure (new build) review, with 2 recommendations being made at grade 2 (significant) and 8 at grade 3 (requires attention).

The Committee discussed the report in detail, noting that:

- The issue of the smoke detector in one of the IT/communication rooms which had been taped on the day of the audit as a result of building work being undertaken, would be checked and, if necessary, addressed with immediate effect.
- The Director of Network and Information Systems reported that the recommendation that the College should keep the temporary server room in the Wilson as a disaster recovery room would be considered as part of the College's review of disaster recovery planning.
- The Director of Resources would discuss the estates recommendations arising from the report with Chris Wallace of ECAC.

Action AW/CW of ECAC

It was agreed that the table of recommendations attached to the IT infrastructure (New build) report would be amended to show that the recommendation relating to the Disaster Recovery Plan would be implemented by October 2010 and that the amended plan would be presented to the October 2010 meeting of the Committee.

Action: BJ/LH of ECAC

(vii) Follow Ups

Members noted that:

- The Follow Ups review had been undertaken as part of the College's annual internal audit plan for 2009/2010, to ascertain the progress made in implementing previous audit recommendations;
- A positive position had been found, with the College having fully implemented 13 of the 14 recommendations examined.
- The one recommendation outstanding related to the recommendation that payroll control account balances recorded on the financial accounting system Trial Balance should be reviewed on a monthly basis by the Finance Manager and signed off as evidence that the balances had been reviewed and confirmed as accurate.
- The outstanding recommendation would be followed up as part of next year's follow up review.

The Committee considered the Follow Up report, noting that only 1 of the 14 recommendations made in 2009 remained outstanding. It was noted that the outstanding recommendation was in the process of being implemented.

Action: SR

64.7 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, agreeing that:

- ***Recommendations on pages 2-6 had been completed and should be removed from the plan:***

Action: Clerk

- ***The recommendation on page 7, relating to revised credit card procedures, would be completed at the Corporation meeting to be held in July 2010.***

Action: Clerk

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

(i) Internal Audit Service

The Committee noted that:

- At its March 2010 meeting, the Committee had agreed to recommend to Corporation the re-appointment of the East Coast Audit Consortium as internal auditors for one year.
- Following advice from the Clerk, it was, however, agreed at the May 2010 meeting of Corporation that a decision on formal appointment should be deferred to the Corporation's July 2010, meeting to allow for the possibility that further information about the post-LSC audit regime would be known by the date of the June 2010 Audit Committee meeting
- No further information had, however, been received to date, either concerning the possibility of the local authority taking on responsibility for aspects of the internal audit regime or the regularity audit, although it was expected that this should become clearer when Part II of the Joint Audit Code of Practice (JACOP) was issued, probably during autumn term 2010.

The Committee agreed to recommend to Corporation the re-appointment of the East Coast Audit Consortium as internal auditors for one year.

Action: Clerk/Chair

(ii) Financial statements and regularity audit

The Committee noted 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 2010 meeting of the Corporation had 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 31.7.10, subject to agreement of fees.
- Baker Tilly had provided details of fees for the audit for 31.7.10 which would be considered under the next agenda item i.e. the Audit Strategy for the year ended 31.7.10.
- Proposed fees for the financial statements audit and the Teachers' Pension Scheme (TPS) certificate had increased by around 5% i.e. slightly lower than RPI of 5.1% for May 2010.

The Committee discussed Baker Tilly's fees for the audit for the year ending 31.7.10, as stated in their audit strategy for the external audit for the year ending 31.7.10, and agreed that they would report to Corporation that they were satisfactory.

Action: Clerk/Chair

64.9 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 31.7.10.

Members noted in discussion that:

- Key risks informing the audit strategy had been discussed with the College and included risks relating to funding, staff costs, accommodation strategy, financial health/going concern, bank covenants, FRS17 and the regularity review, which the Committee was satisfied covered all relevant areas.
- The LSC's Audit Code of Practice required the partner responsible for the audit to be rotated every 7 years.
- Martin Standish, who had been the partner responsible for the College's audit for 7 years, would, in relation to the audit for the year ending 31.7.10, be the partner responsible for all non-audit matters and would be available to the College and Corporation members throughout the year.
- Richard Lewis, who had been Audit Manager for 7 years, had been appointed as the Responsible Individual under the Companies Act, with responsibility for signing off the College's annual financial statements.
- John Parker had been appointed as Audit Manager.
- Baker Tilly's emerging issues report would be considered as a separate item later on the agenda.

The Committee reviewed Baker Tilly's audit strategy for the financial and regularity audits for the year ending 31.7.10, including proposed fees, and agreed to recommend it to Corporation for approval.

Action: Clerk/Chair

64.10 Regularity audit: review draft Self-Assessment Questionnaire (SAQ) for year ending 31.7.10

Members considered the draft SAQ for the year ending 31.7.10 which was to be reviewed by Baker Tilly as regularity auditors in August 2010, noting changes from the previous year's version.

The Committee reviewed and received the draft Self-Assessment (SAQ) for the year ending 31.7.10.

(Grace Richardson left the meeting).

64.11 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 Committee agreed to recommend the following revisions to the Corporation:

- ***Minor changes to the Committee's standing agenda item list and terms of reference to reflect the dissolution of the LSC from 1 April 2010 and the establishment of the Young People's Learning Agency (YPLA) and the local authority as the College's funding body.***
- ***Remaining references to the LSC in the Committee's standing agenda item list should be interpreted as advised by the YPLA or local authority or other relevant public body, as appropriate***
- ***A minor change to the Committee's terms of reference to reflect the fact that the College's legal designation from 1.4.10 was "sixth form" rather than "FE" college.***

Action: Clerk/Chair

64.12 Audit Committee members' length of office

Members received report on Committee members' length of office, noting that:

- The Chair, Richard Heseltine, had been a member of the Committee for more than 12 years.
- The Vice-Chair, Philip Wright, had been a member of the Committee for just over 6 years.
- Gail Burrows had been a member of the Committee for just over 5 years.
- Grace Richardson had joined the Committee in November 2009.
- Alastair Connell joined the Committee as an external co-opted member from December 2009, having attended the November 2009 meeting of the Committee as an observer.

The report on members' length of office was received.

64.13 Review of YPLA or local authority circulars and new regulations or other documents from outside bodies: Baker Tilly briefing on emerging issues

Members discussed a briefing from Baker Tilly on emerging issues which had been issued, and e-mailed to Committee members, before the Queen's Speech in May 2010.

Members discussed in detail the introduction of a risk-based funding audit, noting that:

- Following the re-introduction of demand-led funding, the view had been taken that all colleges should be in scope for a learner responsive funding audit, with colleges selected for the audit dependent on a number of factors.
- A college would not, however be subject to a full audit every year, unless it was judged to be particularly at high risk.
- Baker Tilly had included a list of risk factors and of concerns raised during 2009 funding audits on pages 14 and 15 of the briefing.
- Baker Tilly had also advised in the briefing that colleges should not wait for the funding body to select them for audit but that the level of assurance needed should be driven by the audit committee, and colleges should review their own processes and data.

It was agreed that the Finance Manager should be asked to review the risks at paragraph 5.5 of Baker Tilly's briefing and report to the senior management team (SMT), with details of any areas requiring attention to be brought to the Audit Committee for review.

Action: Clerk/SR

Members received a briefing from Baker Tilly on emerging issues dated May 2010, noting that an updated briefing was expected to be issued before the Committee's October 2010 meeting.

Action: Clerk

64.14 Any other business

It was noted that there was no other business.

64.15 Risk management – items identified at the meeting

The following item of potential risk was identified at the meeting:

- ***Risk relating to breach of covenants arising from the bank loan (Finance Manager to review the need for this risk to be included in the risk register).***

64.16 Future planning, including next year's meeting date

It was agreed that the Clerk would e-mail dates for 2010/11 to Committee members, managers and auditors.

Action: Clerk

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

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

Fiona Bagchi
Clerk to the Governors
9 August 2010

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	Clerk	Type up IAS performance review & return for signing by the Chair – <u>June 2010.</u>	
2	BJones of ECAC/Clerk	ECAC to approach clients re sharing details of top 10 key risks – <u>Oct. 2010.</u>	Completed. Report on the agenda.
3	Clerk/SR	Ask SR to review need for risk relating to breach of bank covenants to be added to risk management register – <u>Oct. 2010.</u>	SR: This will be added to the Risk Priorities Sheet and will be reported to Audit Committee at the appropriate meeting in 2010-11
4*	Clerk/Chair	Clerk: risk management register & risk controls document to Corp. – <u>July 2010.</u> Chair: recommend risk management register & risk controls document to Corp. – <u>July 2010.</u>	Completed. Completed. Vice-Chair recommended risk management register & risk controls document to Corp., which were approved at Corp.'s July 2010 meeting.
5	Chair/AW/SR	Chair, AW & SR to meet to discuss DRP & BCP procedures & present proposal to Committee – <u>Oct. 2010.</u>	RH, SR and AW still to meet. Clerk has obtained pilot versions of LSIS e-learning module on BCP for use by the Committee.
6*	Clerk/Chair	Inform Corp. that DRP not being presented to Corp. pending further development – <u>July 2010.</u>	Completed by Vice-Chair at Corp.'s July 2010 meeting.
7	AW	Present EC Harris' Hobson & Porter tender documentation to ECAC, if required – <u>June 2010.</u>	
8	AW/CW of ECAC	AW to discuss estates recommendations arising from the IT infrastructure (New Build) report with C Wallace of ECAC – <u>Oct. 2010.</u>	
9	BJ/LH of ECAC	BJ: amend recommendation re DRP in IT infrastructure (New Build) report to show completion date as <u>Oct. 2010.</u> LH of ECAC: present amended report to <u>Oct. 2010</u> meeting of Audit Committee.	
NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:

10	SR	Implement outstanding recommendation relating to the recommendation that payroll control account balances recorded on the financial accounting system Trial Balance should be reviewed on a monthly basis – <u>Oct. 2010.</u>	SR: This has been implemented in the new financial year and will be available for ECAC at their next follow up visit.
11	Clerk	Amend rolling implementation plan, as agreed – <u>Oct. 2010.</u>	
12	Clerk	Action from rolling implementation plan relating to revised credit card procedures to Corp. agenda – <u>July 2010.</u>	Completed. Revised credit card procedures ratified at Corp. meeting held on July 2010.
13	Clerk/Chair	Clerk: recommendation on re-appointment of ECAC as IAS for 2010/11 to Corp. agenda – <u>July 2010.</u> Chair: recommend re-appointment of ECAC as IAS for 2010/11 to Corp. – <u>July 2010.</u>	Completed. Completed. Vice-Chair made recommendation to July 2010 Corp. meeting. Corp. approved the appointment of ECAC as IAS for 2010/11.
14	Clerk/Chair	Clerk: Committee's report on Baker Tilly's fees, for audit for y.e. 31.7.10 to Corp. agenda – <u>July 2010.</u> Chair: report that Baker Tilly's fees for audit for y.e. 31.7.10 are satisfactory to Corp. – <u>July 2010.</u>	Completed. Completed. Vice-Chair made report to July 2010 Corp. meeting.
15	Clerk/Chair	Clerk: recommendation on Baker Tilly's audit strategy, including fees, for audit for y.e. 31.7.10 to Corp. agenda – <u>July 2010.</u> Chair: recommend Baker Tilly's fees for audit for y.e. 31.7.10 to Corp. – <u>July 2010.</u>	Completed. Completed. Vice-Chair made recommendation to July 2010 Corp. meeting. Corp. approved Baker Tilly's audit strategy, including fees, for audit for y.e. 31.7.10.
NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:

16	Clerk/Chair	<p>Clerk: amend Committee's standing agenda item list & terms of reference, as agreed, and place on Corp. agenda – <u>Sept. 2010.</u></p> <p>Chair: recommend Committee's revised standing agenda item list & terms of reference to Corp. a – <u>Sept. 2010.</u></p>	Done.
17	Clerk/SR	Ask SR to review risks at para. 5.5. of Baker Tilly's emerging risks briefing (may 2010) and report to SMT, with details of any areas requiring attention to be brought to Audit Committee – <u>Oct. 2010.</u>	SR: still to investigate.
18	Clerk	Include an update on Baker Tilly's emerging issues briefing to Audit Committee agenda – <u>Oct. 2010.</u>	
19	Clerk	E-mail Audit Committee meeting dates for 2010/11 to Committee members, managers and auditors – <u>July 2010.</u>	Completed.

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

CORPORATION AUDIT COMMITTEE

Minutes of Meeting 65 held on 4.10.10

- Present:** Richard Heseltine (Chair), Gail Burrows, Grace Richardson, 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

65.1 Apologies

There were apologies from Steve Rogers, Finance Manager, and from Richard Lewis of the financial statements and regularity auditors, Baker Tilly. It was noted that there was a vacancy for a co-opted Committee member.

65.2 Declaration of interests

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

65.3 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.

65.4 Minutes of Meeting 64 held on 14 June 2010

The minutes of meeting 64 held on 14 June 2010 were approved.

65.5 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 IAS performance review was signed (64.4).

- 2 The benchmarking report on top 10 key risks was on the agenda (64.5).
- 3 A risk relating to the breach of bank covenants would be added to the Risk Priorities Sheet and will be reported to Audit Committee at the appropriate meeting in 2010-11 (64.5).
Action: SR
- 4 The Committee's Vice-Chair recommended the risk management register and risk controls documents to Corporation, which were approved at Corporation's July 2010 meeting (64.5).
- 5 The Chair, Finance Manager and Director of Resources had still to meet to discuss the Disaster Recovery Plan (DRP) and business continuity planning (BCP) (64.5).
Action: Clerk/RH/SR/AW
- It was noted that the Clerk had obtained pilot versions of the LSIS e-learning module on BCP for use by the Committee.
Action: Clerk
- 6 The Vice-Chair reported to Corporation's July 2010 meeting that the College's disaster recovery policy was noted being presented, pending further development (64.5).
Action: SR/AW
- It was noted that the updated IT DRP was on the agenda.
- 7 EC Harris' Hobson and Porter tender documentation had been presented to ECAC, as agreed (64.6).
- 8 The Director of Resources had discussed the estates recommendations arising from the IT infrastructure (New Build) report with C Wallace of ECAC (64.6).
- 9 The Director of Network and Information Systems had amended the recommendation on the DRP in the IT infrastructure (New Build) report to show the completion date as October 2010, as agreed, in the rolling implementation plan. No revision to the review report was required (64.6).
- 10 The outstanding action relating to the recommendation that payroll control account balances recorded on the financial accounting system Trial Balance should be reviewed on a monthly basis had been implemented (64.6).
- 11 The rolling implementation plan had been amended, as agreed (64.7).
- 12 The revised credit card procedures had been ratified at the July 2010 meeting of Corporation (64.7).
- 13 The July 2010 meeting of Corporation approved the re-appointment of ECAC as internal auditors for 2010/11 (64.8).
- 14 The Vice-Chair reported to the July 2010 meeting of Corporation that Baker Tilly's fees for the audit for y.e. 31.7.10 were satisfactory (64.8).
- 15 Corporation approved Baker Tilly's audit strategy, including fees, for the audit for y.e. 31.7.10 at its July 2010 meeting (64.8).
- 16 Corporation approved at its September 2010 meeting the Committee's revised standing agenda item list and terms of reference (64.11).
- 17 The Finance Manager had still to review the risks at para. 5.5. of Baker Tilly's emerging risks briefing (May 2010) and report to SMT, with details of any areas requiring attention to be

brought to the Audit Committee (64.13).

Action: SR

18 There was no further update on emerging issues (64.13).

19 Meeting dates for 2001/11 had been e-mailed to Committee members, managers and auditors (64.16).

65.6 Annual review of confidential minutes

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

65.7 Risk Management and Disaster Recovery Reports

(i) Annual risk management report

The Director of Resources, Alan Woodcock, spoke to the annual risk management report.

Members noted 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 and the College considered risk management to be embedded within the College, with active staff engagement.
- 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 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.

Members discussed, in particular, the following changes to the risk register:

- The finance risks relating to Phase 1 of the redevelopment project had been reduced to zero as the project was completed on time and within budget and the risk relating to a potential overspend on Phase 2 of the redevelopment project had been reduced from high to medium as the project neared completion and the risk of overspending was reduced.
- The finance risk relating to a reduction in the level of YPLA funding per student had been increased from low to medium as a result of concerns that 16-18 funding might be subject to cuts after details of the Government's comprehensive spending review had been confirmed.
- The premises risks relating to the ongoing completion of Phase 2 of the redevelopment project had all been reduced to zero as the project neared completion and critical phases of the project had been passed without disruption to the College but a new risk, graded medium, had been introduced to reflect the risk of potential overspends on the servicing requirements of the new plant and machinery installed as a result of the redevelopment project, noting that the Director of Resources would seek to ensure that any servicing contracts offered value for money and that energy saving actions were taken where possible.
- A new health and safety risk, graded medium, had been introduced as a result of the need for the College to have a structured plan in the case of a serious pandemic outbreak.

- The personnel risk arising from the need to ensure all staff were adequately trained in all aspects of safeguarding had been reduced and had been graded low, as a widespread training programme had been implemented by the Personnel department during 2009/10. The financial and likelihood aspects of the risk relating to the College's ability to comply with its equality duties had, however, been increased from low to medium as further training on the College's Single Equality Scheme was deemed necessary. It was noted that safeguarding and equality and diversity were Ofsted contributory grades. The risk associated with problems relating to the recruitment of appropriate staff to the College had been significantly less this year with levels of applicants much higher than in previous years and the risk reduced from medium to low.

The Committee received and considered the College's annual risk management report, noting with reference to the College's risk register that the overall effect of changes made during 2009/10 had been to reduce the number of high levels risks from four in 2008-09 to one in 2009-10, which was largely due to a reduction in the levels of risk associated with Phase 2 of the redevelopment project. It was noted that the only remaining high level risk related to not all growth in 16-18 student numbers being funded by the Young People's Learning Agency (YPLA).

(ii) Risk management benchmarking report

Lesley Hill spoke to the risk management benchmarking report which had been compiled following a suggestion by the College's Audit Committee.

Members noted in discussion that:

- The exercise has been carried out to analyse the top 10 risks identified by five sixth form colleges.
- The information provided in the table should enable colleges to assess their own risks by comparison to those of similar establishments, enabling them to confirm the completeness of their own register or identify any issues which may not have been fully considered.
- The actual number of risks extracted from risk registers was between 7 and 11 as some risks had the same scores and a clear top 10 cut-off could not be identified.
- There was overlap between the College's risk register and other colleges in the following areas: inability to deal with variation in student numbers, failure to recruit to student number targets, financial health, growth in numbers of 16-18 year old students not funded.
- With reference to student numbers, it was noted that the College's planning took account of local demographics but that while pupil numbers had been falling locally in recent years, the percentage of the cohort attending the College had increased.

The Committee received the risk management benchmarking report, which compared the College's top 10 key risks with those of 5 other sixth form colleges locally. It was noted that there was a significant amount of variety in the types of risk graded as in the top 10, with it being considered likely that the top 20 risks would have shown more risks in common, but that risks relating to student numbers and funding were the most common across the survey.

65.13 Review of rolling implementation plan of auditors' recommendations: I

It was agreed that the rolling plan should be considered at this point on the agenda to allow the Director of Resources to comment on estates recommendations arising from the IT Infrastructure – New Build review. It was noted that the review had been undertaken as part of the 2009/10 internal audit plan, to examine the IT infrastructure which was part of the campus re-development.

Members noted in discussion that:

- The recommendation relating to the smoke detector, graded significant, had been completed and could be removed from the plan.

Action: Clerk

- The recommendation relating to the installation of an air conditioning unit in the communications room housing the incoming telecommunication lines, graded as requiring attention, had been completed in August 2010 and could be removed from the plan.

Action: Clerk

- The recommendation relating to the provision of a dedicated storage area for the IT department, graded as requiring attention, had been completed in August 2010 and could be removed from the plan.

Action: Clerk

- With reference to the recommendation that the College should agree an access policy detailing how access was granted and controlled in relation to the College's various server and communications rooms, graded as requiring attention, this had been agreed and should be incorporated into the College's IT Security Policy.

Action: BJ/AW

- The Director of Resources had discussed the recommendation with C Wallace of ECAC, graded as requiring attention, that the College should consider the installation of a flood alert system to the Oak server room to protect the servers from water damage, noting that the College had a flow rate monitor and had decided not to proceed with the installation of a flood alert system.
- The Director of Resources had discussed with C Wallace of ECAC the recommendation, graded as requiring attention, that the College should consider raising the level of power sockets in the Oak Building server room but had decided to take no further action.
- With reference to the recommendation, graded as requiring attention, that the College should consider wiring one of the air conditioning units in the new server room through a UPS to allow its continued operation during a power failure, that the College would shut down servers if there was an air conditioning failure and had an e-mail alert system which would alert the IT technicians during the working week and the Director of Network and Information Systems outside the working week if the servers were getting hotter.
- With reference to the recommendation, graded as requiring attention, that the College should consider keeping the server room in the Wilson building to add redundancy to the network and be set up as disaster recovery room allowing the swift recovery on the network if the primary server room suffered a disaster, a strategy had been agreed and a backup server would be situated in the Wilson communications room by December 2010.

Action: BJ

- With reference to the recommendation, graded as significant, that the College should consider the purchase of a tape fire safe placed in a separate building from the primary server room to allow the secure storage of backup media and protect it from destruction by fire, that the College were considering the purchase of a fire safe to be placed in the Ash Building.

Action: BJ

Members noted that the recommendation relating to the IT Disaster Recovery Plan would be considered at item 66.8(ii) later on the agenda.

It was noted that all recommendations would be reviewed as part of the IAS 2010/11 Follow ups review.

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

65.8 Data Protection, IT Security reports and IT DRP

(i) Annual Data Protection report

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

Members noted in discussion that:

- There had been no new systems, initiatives or alterations in procedure in the year which might serve to increase risk or exposure.
- There had been no reported data protection incidents during the year.
- The policy of briefing all new staff on data protection had continued.
- The Corero Resource Education Management System was now live, with its security model offering a greater degree of granularity than its predecessor.
- The College had developed its in-house e-record system significantly in relation to its student tracking functions and had introduced the LogMein system for staff, noting the levels of authentication required to login.
- The College had introduced access to College e-mail through Blackberry and Apple i-phones for the senior management team, noting the level of security available through each system should the 'phone be lost.

The Committee received the annual data protection report, noting that there had been no issues of concern in 2009/10.

(ii) IT Disaster Recovery Plan (DRP)

Bill Jackson, Director of Network and Information Systems, spoke to Disaster Recovery Plan (DRP).

It was noted that:

- The internal audit IT Infrastructure - New Build review had recommended that the College should build on its current disaster recovery plan including more detail on the recovery of systems, priority of systems and details of staff involvement and contact details and should add a testing schedule to allow the College to be proactive in its disaster management.
- The recommendation was graded as requiring attention

Members reviewed the plan, noting in particular:

- The sections in the plan on data and system image backups, business continuity and recovery provision, recovery methodology and example scenarios.
- The possibility of locating a server with encrypted data at another college under a reciprocal arrangement.
- The Director of Network and Information Systems intended to develop and test aspects of the plan further.
- The plan was a College document that was subject to approval and review by the College Management Committee.

It was agreed that the Disaster Recovery Plan should be renamed the IT Disaster Recovery Plan.

Action: Clerk/BJ

The Committee considered the IT Disaster Recovery Plan (DRP), noting that it would be reviewed as part of the internal audit Follow Ups review and that the Audit Committee should be provided with regular reports on the progress of the plan throughout the year.

Action: Clerk/BJ

65.9 Internal Audit Service Annual Report 2009/10

Lesley Hill of the internal audit service (IAS), the East Coast Audit Consortium (ECAC), gave a report on the IAS Annual Report 2009/10.

Members noted that:

- The internal audit work for the period from 1 August 2009 to 31 July 2010 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 had been issued during 2009/2010 covering governance, risk management processes, learner numbers systems, catering, procurement and purchase ledger, personnel policies, capital, IT infrastructure - New Build, Educational Maintenance Allowance and Follow Ups.
- The reports contained a total of 15 recommendations with 2 recommendations graded as significant both of which were contained in the IT Infrastructure – New Build report. The remaining 13 recommendations were all graded as requiring attention and no recommendations were graded as fundamental.
- 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 satisfactory.

The Committee received the Internal Audit Service Annual Report for 2009/10, 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 2009/10 should be presented to the December 2010 meeting of Corporation as an annex to the Committee's Annual Report.

Action: Clerk/Chair

65.10 Review of Internal Audit Service (IAS)

(Lesley Hill left the meeting).

(i) Review the cost of the IAS arrangements for 2009/10

The Committee reviewed the cost of the IAS audit for 2009/10 noting that:

- The Committee reviewed the cost of the previous year's IAS audit at its October meeting. The total cost of the 2009/10 internal audit was on budget at £7,625 excluding VAT i.e. 25 days @ £305 See also fees for 2009/19 at Appendix 2 of the IAS Annual Report at item 65.9 on the agenda.
- The ECAC's fees were considered competitive.

The Committee completed its review of the cost of the 2009/10 internal audit, noting that as the audit was completed within the agreed number of day and, the cost was on budget.

(i) Performance review 2009/10

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 2009/10, agreeing with the opinion expressed that the ECAC had achieved the performance measures set for 2009/10;
- the plan conformed to relevant standards and good 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 14 working days of audit reviews against a target of 20 days;
- 52% 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 IAS 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;

It was agreed that Richard Lewis of Baker Tilly should be asked concerning their relationship with ECAC at the November 2010 meeting of the Committee.

Action: Clerk/Chair

It was agreed that the Clerk would type up the results of the performance review of the IAS and return the list to the November 2010 meeting of the Committee for the Chair to sign.

Action: Clerk

(iii) Re-appointment of IAS auditors for 2010/11

Members noted that:

- Under the LSC's Audit Code of Practice, colleges appoint/re-appoint IAS auditors annually. The Audit Committee normally make a recommendation to Corporation on re-appointment following performance review of the IAS 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. Due to uncertainties relating to internal audit requirements, a decision on re-appointment was deferred to the July 2010 meeting of Corporation, which agreed to the re-appointment of the East Coast Audit Consortium (ECAC) for 2010/11.

(iv) Tendering for internal and external auditors

Members noted that the July 2010 meeting of Corporation agreed that the Audit Committee should review the need to re-tender for internal and external auditors and report to Corporation.

The Committee agreed that the need to re-tender for external and internal auditors and the proposal should take place at the Committee's November 2010 meeting, when further details of the new audit regime might be available.

(Lesley Hill returned to the meeting).

65.11 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.

The Committee considered the annual report on additional work by the internal and financial statements auditors, noting that, in 2009/10, the internal and external auditors did not undertake any additional non-routine work e.g. consultancy work.

65.12 IAS plan for 2010/11

Lesley Hill spoke to the IAS Plan 2010/11.

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 East Coast Audit Consortium was proposing to continue with existing Strategic Plans until such time as part 2 of the new Joint Audit Code of Practice was issued when strategic plans would be fully revised to take account of the revised guidance.
- It was therefore proposed that for 2010/2011, the annual plan should be drawn from year 1 of the existing strategic plan
- It was proposed that although capital appeared in the strategic plan, a review of this area should not be carried out during 2010/2011 as a similar review had been carried out during 2008/2009 with no weaknesses identified.
- It was also proposed that the number of days allocated to financial ledger maintenance be reduced from 4 to 3.
- The reviews to be carried out under sections B and C of the plan had been determined in conjunction with the College and would focus on the College's application and enrolment processes, safeguarding arrangements, IT software controls and health and safety. The total number of days remained unchanged at 25 days.
- The cost of delivering this plan was £7,900 excluding VAT (25 days @ £316), as detailed in the current contract which would expire on 31 July 2011.

The Committee reviewed the proposed internal audit plan for 2010/11 and agreed to recommend it to the December 2010 meeting of Corporation for approval.

65.13 Review of rolling implementation plan of auditors' recommendations: II

Members considered the remaining recommendations in the rolling implementation plan of auditors' recommendations, noting that recommendations relating to the IT security review had been considered earlier on the agenda. It was noted that actions which had been noted at the previous meeting 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 recommendation arising from the Learner Number Systems review that the learning aim codes recorded for all qualifications should be checked and amended where necessary, to ensure that the learning aim code reflects the correct examining body, had been completed and could be removed from the plan, noting that the College had undertaken an additional exercise in 2010 to ensure that aims were correctly recorded. It was noted that ensuring that aims were accurately recorded was complicated by the fact that learning aim codes for new vocational courses could be published close to or after the enrolment process in September.
- The recommendation arising from the Procurement and Purchase ledger review had been completed and could be removed from the plan, noting that revised credit card procedures had been ratified at the Corporation meeting held in July 2010.
- The outstanding recommendation from the Follow Ups review relating to payroll control balances had been completed and could be removed from the plan, with it being noted that a copy of the trial balance was now printed and filed in the management accounts information pack to prove that the control accounts had been reconciled

Action: Clerk

It was noted that all recommendations would be reviewed as part of the IAS 2010/11 Follow ups review.

The Committee completed its review of the rolling plan of auditors' recommendations.

65.14 Review of LSC Circulars and new regulations, reports

The Committee noted that there was nothing to receive under this item.

65.15 Annual completion of Committee performance checklist and review of PIs

The Committee reviewed its performance indicators for 2009/10 and agreed that its 2009/10 performance checklist should be considered for signing at the November 2010 meeting of the Committee.

66.16 Any other business

It was noted that there was no other business.

65.17 Risk management – items identified at the meeting

No new items of risk were identified at the meeting.

65.18 Date of next meeting: Monday 29 November 2010.

65.19 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
25.11.10

ACTIONS ARISING FROM AUDIT COMMITTEE MEETING 65 HELD ON 4.10.10

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	Clerk/SR	Ask SR to review need for risk relating to breach of bank covenants to be added to risk management register – <u>Oct. 2010.</u>	SR: This will be added to the Risk Priorities Sheet and will be reported to Audit Committee at the appropriate meeting in 2010-11
2	Chair/AW/SR	Chair, AW & SR to meet to discuss DRP & BCP procedures & present proposal to Committee – <u>Oct. 2010.</u>	RH, SR and AW still to meet.
3	Clerk	Clerk had obtained pilot versions of LSIS e-learning module on BCP for use by the Committee – <u>autumn 2010.</u>	
4	SR/AW	The Vice-Chair reported to Corporation's July 2010 meeting that the College's disaster recovery policy was noted being presented, pending further development – <u>2010/11.</u>	
5	Clerk/SR	Ask SR to review risks at para. 5.5. of Baker Tilly's emerging risks briefing (May 2010) and report to SMT, with details of any areas requiring attention to be brought to Audit Committee – <u>Oct. 2010.</u>	<i>Report to be given at meeting.</i>
6	Clerk	Amend IT infrastructure (New Build) section of the rolling plan – <u>Nov. 2010.</u>	Done.
7	BJ/AW	Access policy detailing how access granted & controlled in relation to the College's various server & communications rooms to be incorporated into the College's IT Security Policy – <u>Nov. 2010</u>	Done. Updated IT Security Policy on agenda, for information, under item on rolling implementation plan.
8	BJ	A backup server would be situated in the Wilson communications room - <u>Dec. 2010.</u>	<i>Report to be given at meeting.</i>
9	BJ	College considering the purchase of a fire safe to be placed in the Ash Building – <u>2010/11.</u>	<i>Report to be given at meeting.</i>

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
10	BJ	The Disaster Recovery Plan should be renamed the IT Disaster Recovery Plan (DRP) – <u>Nov. 2010.</u>	Done.
11	Clerk/BJ	Regular reports on development & implementation of the IT DRP to be provided to the Committee during the year – <u>2010/11.</u>	Progress report included on Nov. 2010 agenda under item on rolling implementation plan.
12*	Clerk	IAS Annual Report for 2009/10 to be presented to Corporation as an annex to the Committee's Annual Report – <u>Dec. 2010.</u>	
13	Clerk	Ask 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 IAS auditors was good – <u>Nov. 2010.</u>	
14	Clerk	Present completed IAS performance review for the Chair to sign – <u>Nov. 2010.</u>	<i>To be presented to the Nov. 2010 meeting of the Committee.</i>
15	Clerk	Remove completed recommendations from the rolling plan – <u>Nov. 2010.</u>	Done.

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

CORPORATION AUDIT COMMITTEE

Minutes of Meeting 66 held on 29.11.10

Present: Gail Burrows, Philip Wright

In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Richard Lewis (Baker Tilly, financial statements and regularity auditors), Steve Rogers, Finance Manager

Clerk: Fiona Bagchi

66.1 Apologies

There were apologies from Richard Heseltine (Chair) and Grace Richardson, (a member of the Committee. It was noted that to ensure the quoracy of the Audit Committee, the Chair of Corporation had taken Chair's action reduce the membership of the Audit Committee, during the vacancy for an external co-opted member, from 5 members with a quorum of 3 to 4 members with a quorum of 2.

66.2 Declaration of interests

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

66.3 Minutes of Meeting 65 held on 4 October 2010

The minutes of meeting 65 held on 4 October 2010 were approved, with the minor amendments proposed by the Clerk.

Action: Clerk

66.4 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 Finance Manager would review the need for risk relating to breach of bank covenants to be added to the Risk Priorities document at the next review in April 2011 (65.5).

2 The Chair, Director of Resources and the Finance Manager had still to meet to discuss disaster recovery and business continuity planning (BCP) and procedures (65.5).

Action: Chair/AW/SR

3 The Clerk had obtained pilot versions of the LSIS e-learning module on BCP for use by the Committee (65.5).

4 The Vice-Chair of the Committee had reported to Corporation's July 2010 meeting that the College's disaster recovery procedure was not being presented, pending further development. The College's IT Disaster Recovery Plan had been

presented to the October 2010 meeting of the Committee (65.5).

- 5 The Finance Manager had reviewed the risks at paragraph 5.5. of Baker Tilly's emerging risks briefing (May 2010) but considered that they were already sufficiently covered by the College's risk priorities and controls documents. It was noted that Baker Tilly's emerging issues briefing had been presented to Corporation (65.5).

It was noted that funding remained the College's main risk and that funding for growth would be funded by a lagged funding system which would be operated by the Young Peoples' Learning Agency (YPLA) which had taken over from Hull City Council as the College's funding body.

- 6 The IT infrastructure (New Build) section of the rolling plan had been amended, as agreed (65.13).
- 7 The College's updated IT Security Policy was on the agenda, for information, and detailed the College's access policy to the College's server and communications (65.13).
- 8 A report on the College's backup server would be given in the rolling implementation plan of auditors' recommendations later on the agenda (65.13).
- 9 A report on the purchase of a fire safe to be placed in the Ash Building would be given in the rolling implementation plan of auditors' recommendations later on the agenda (65.13).
- 10 The Disaster Recovery Plan had been renamed the IT Disaster Recovery Plan (DRP), as agreed (65.8).
- 11 Regular reports on development and implementation of the IT DRP would be provided to the Committee during 2010/11 through the rolling implementation plan of auditors' recommendations (65.8).
- 12 IAS Annual Report for 2009/10 would be presented to Corporation as an annex to the Committee's Annual Report in December 2010 (65.9).
- 13 Richard Lewis of Baker Tilly, the College's financial statements and regularity auditors, had confirmed that they were still content that liaison with the internal audit service (IAS) auditors was good (65.10).
- 14 The completed IAS performance review was presented to the Chair for signing at the meeting (65.10).
- 15 Completed recommendations had been removed from the rolling plan, as agreed (65.13).

66.5 Review of rolling implementation plan of auditors' recommendations, including review of revised IT Security Policy and IT Disaster Recovery Plan progress report

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting:

- The policy on access to the server and communications rooms had been incorporated into the IT Security Policy, which would be presented to the February 2011 College Management Team meeting.

- The backup server was on order and would be situated in the Ash Building, as the server which was used for nightly backups was in the Wilson Building.
- The Director of Network and Information Systems would consider including a bid for a fire safe in the summer term capital bids.
- The College had decided not to proceed with 3 recommendations relating to the new server room in the Oak Building (i.e. the installation of a flood alarm system, raising the power sockets for the servers above floor level, protecting the air-conditioning unit with a UPS and it was agreed that these should be kept in the plan until the internal audit Follow-Ups review.

The rolling implementation plan of auditors' recommendation was reviewed.

66.6 Review of the Statement of Internal Financial Control Checklist

The Finance Manager spoke to the Statement of Internal Financial Control Checklist, reporting that the checklist recorded the controls the College had in place and was reviewed annually, with any changes implemented or planned noted. It was noted that no changes had been made to the checklist in 2009/10 or were shown as planned for 2010/11.

The Committee reviewed the updated Statement of Internal Financial Control Checklist, noting that it was a comprehensive document which gave the Committee assurance concerning the College's system of internal financial control prior to receiving the College's annual financial statements.

66.7 Financial Statements/Regularity audits and Annual Financial Statements

- (i) Receive the College's annual financial statements to inform the Committee's review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control

Richard Lewis of Baker Tilly spoke to the Members' Report and Financial Statements for the year ended 31.7.10, which was discussed.

Members noted that:

- The Committee reviewed the College's Report and Annual Financial Statements annually at its second autumn term meeting to inform its review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control;
- The draft Members' Report and Financial Statements for the year ended 31.7.10 had been considered by the F&GP Committee at its meeting on 23 November 2010.

Members noted, with reference to the accounts generally, that:

- The College had declared an operating surplus of £1,000 against a budgeted deficit.
- With reference to the East Yorkshire Pension Fund, the College's pension scheme for support staff, the Statement of Total Recognised Gains and Losses (STRGL) recorded an actuarial gain of £139,000 compared to a loss of £692,000 in 2009.
- The notes to the accounts relating to pension and other obligations, using wording produced by the Association of Colleges and approved by the YPLA and SFA, stated that, "In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College has considered the LGPS scheme rules and associated members' literature and has concluded that as a result,

a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses (STRGL). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statement for the following year”.

- Net assets had increased to £17,154,000 from £10,335,000 in 2009.
- There had been an increase in loans and capital grants in relation to the College re-development project.
- The re-valuation reserve now just showed the land value i.e. £961,000.
- There had been no change to the accounting policies from the previous year.

The Committee reviewed the draft Members’ Report and Financial Statements for the year ended 31.7.10 to inform the Committee’s review of the financial statements auditors’ audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control.

Members noted that Baker Tilly anticipated issuing an unqualified audit opinion and that their opinion as expressed in the independent auditors’ report to Corporation on page 15 of the College’s Report and Financial Statements for the year ended 31.7.10 was that the financial statements gave a true and fair view and were properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency (SFA) and the Young Peoples Learning Agency (YPLA) and the Statement of Recommended Practice – Accounting for Further and Higher Education 2007.

Members considered Baker Tilly’s regularity management report for the financial year ended 31.7.10, noting that Baker Tilly anticipated issuing an unqualified audit opinion and had stated in the report appended to the College’s Report and Financial Statements that :

- ***In all material respects the expenditure disbursed and income received during the year ended 31 July 2010 had been applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.***

It was noted that the regularity audit report had been addressed to Hull City Council, which had been responsible for transmitting funding to the College between 1.4.10 and 31.7.10 but as responsibility for funding the College had passed to the Young People’s Learning Agency (YPLA) from 1.8.10, the approved and signed Report and Financial Statements would be submitted to the YPLA which would transmit it to Hull City Council.

Members agreed that on page 17 in the Statement of Total Recognised Gains and Losses, the second sentence of the text should read: “Actuarial gain/(loss) in respect of pension scheme”.

Action: SR

(ii) Financial Statements Audit Findings

Richard Lewis of Baker Tilly, the financial statements and regularity auditors, spoke to their audit findings report for the year ended 31.7.10.

Members noted that the audit findings report stated that:

- Baker Tilly had completed their financial statements audit for the year ended 31 July 2010 subject to the following outstanding information: final reconciliation statements for 2009/10 (16-18 learner responsive funding model and adult learner responsive funding model), matters connected with the post balance sheet events review and final review of the financial statements but, as noted above, they anticipated issuing an unqualified financial statements and regularity audit opinion.
- There were no issues identified during the audit of the College that were not addressed at the planning stage and highlighted in the Audit Plan.
- As noted above, following the recent Government announcements to changes in the way pensions in payment and deferred pensions were up-rated for inflation, switching from the Retail Prices index (RPI) to the Consumer Prices Index (CPI), actuaries for public sector pensions had taken this change into account when calculating the Financial Reporting Standard (FRS) 17 valuation at 31 July 2010. The change from RPI to CPI had had a significant impact on the FRS 17 deficit and as a result a past service gain had arisen which had been recorded in the STRGL. The UITF was currently in the process of consulting widely on the accounting treatment and was expected to issue final Abstract towards the end of 2010. Should this Abstract call for a different treatment, it would be necessary to reflect any change in the 2010 financial statements or as a prior period adjustment in the financial statements for the following year.
- There were no internal control issues arising that Baker Tilly considered should be brought to the attention of the Audit Committee.
- Baker Tilly considered the accounting policies adopted by the College were appropriate for the circumstances of the College and consistent with the FE sector;
- With reference to the statement of unadjusted/adjusted errors identified during the course of Baker Tilly's audit the following issues were noted: the allocation of the FRS 17 past service gain to the STRGL, in line with general guidance as noted above, and the fact that the final outturn for the year was a surplus against a budgeted deficit.
- Baker Tilly's fees were consistent with the Audit Plan.
- Baker Tilly's independence was in line with International Standard on Auditing (UK and Ireland) 260.

The Committee discussed Corporation's responsibility to assess the College's ability to continue as a going concern for at least the next twelve months to December 2011 when considering the 2009/10 financial statements for approval in December 2010, noting that:

- The College had prepared its three-year financial forecast prudently for the period to 31 July 2013 against a background of anticipated funding cuts but without knowledge of the level and timing of cuts and on the basis of this forecast the Corporation had approved the forecasts, concluding that the College was a going concern.
- Information on the impact of the cuts on individual providers was unlikely to be available before the annual financial statement were approved and possibly not before March 2011. Corporation would therefore need to confirm their assessment of the College as a going concern based on the information available in December 2010.
- There was currently nothing which suggested that the College was not a going concern.
- The Corporation and financial statements auditors would wish to review the 3-year financial plan when further information on funding was available in March 2011.

Baker Tilly congratulated the College on a clean financial statement and regularity audit opinion.

Members considered the audit findings report for the year ended 31.7.10 from Baker Tilly, the financial statements and regularity auditors, noting that the auditors anticipated issuing an unqualified audit opinion in the standard format on the financial statements.

The Committee thanked the Finance Manager and his team for their work and Baker Tilly for their conduct of the conduct of the financial statements and regularity audit.

(iii) Financial statements and regularity audit: letters of representation for recommendation to Corporation

Richard Lewis of Baker Tilly presented the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.10 which were considered.

Members noted that:

- The letters required the Corporation to confirm that the representations given to Baker Tilly in connection with the above audits and to acknowledge their responsibility for the financial statements.
- The letter remained unchanged from the previous year.
- The letters of representation should be signed before Corporation approved the financial statements.
- On receipt of the signed letters, Baker Tilly would sign off the financial statements.

The Committee agreed to recommend that Corporation should approve the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.10 for signing by the Chair of Corporation and the Principal before the approval of the financial statements for the year ended 31.7.10.

Action: Clerk/Chair

(iv) Review Corporation's signed 2006 statement on regularity, propriety and compliance and supporting checklist and decide whether it is necessary to commission an interim audit

Members noted that:

- Colleges which were prepared to sign the statement on regularity, propriety and compliance at Supplement F of the LSC's Regularity Audit Framework, were dispensed from the requirement to undergo an annual interim regularity audit.
- Corporation signed the statement and submitted it to the LSC in March 2006, on the recommendation of the Audit Committee.
- Once signed, the statement would normally dispense a college in perpetuity from the requirement to undergo an annual interim regularity audit but it was, however, regarded as best practice for Audit Committees to review the statement and accompanying suggested sources of evidence annually and make a decision on whether the dispensation was still appropriate.
- It was agreed at Audit 51 in March 2007 that the Audit Committee would, following receipt of the final management report on the regularity audit at its December meeting, review annually at that meeting the need to commission an interim regularity audit during the following spring term.

The Committee noted that:

- The regularity auditors' regularity audit opinion as expressed in the Financial Statements and Members' Report for the year ended 31.7.10 was positive and the auditors anticipated issuing an unqualified opinion on the financial statements.
- No issues relating to the regularity audit were stated in Baker Tilly's audit findings report for the year ended 31.7.10.

The Committee agreed that as the College had received a positive regularity audit report from the regularity auditors, Baker Tilly, it was not necessary to commission an interim regularity audit in 2011 and that the College's dispensation from an interim regularity by the LSC therefore remained appropriate.

- (v) Determine that copies of the financial statements auditors' management letter and the IAS annual report are sent to the YPLA

It was noted that:

- It was the College's responsibility to send the Internal Audit Service (IAS) annual report and the financial statements auditors' audit findings report to the YPLA.
- The College's internal audit service report would be sent to the LSC in December 2010, following presentation to the December 2010 meeting of Corporation by the Audit Committee.
- The financial statements auditors' audit findings report would be sent to the LSC with the members' report and financial statements for the year ended 31 July 2010.

It was agreed that the Clerk and the Finance Manager would ensure that the internal audit report 2009/10 and the financial statements auditors' audit findings report would be sent to the YPLA with the members' report and financial statements for the year ended 31 July 2010.

Action: Clerk/SR

66.8 Consider the completed LSC-YPLA FMCE for recommendation on approval to Corporation and submission to the YPLA

The Finance Manager presented the Financial Management and Control Evaluation for 2009/10 to the Committee.

Members noted that:

- The YPLA has reported that, as in previous years, and as part of the Framework for Excellence (FfE), providers in scope were required to return the FMCE to their responsible funding body.
- As the College's circumstances had not changed the College was returning the shortened version of the FMCE, showing the College's self-assessed summary grades as "Good"2.
- This was the second year that the College had returned the shortened FMCE, having returned the long FMCE in 2008.
- The improvement plan had now been reduced from 2 to 4.

As the submission date for the short return was 30 November 2010, the Committee approved the FMCE to allow it to be sent to the YPLA by 30 November 2010 and agreed to presents it to the Corporation for ratification at its December 2010 meeting.

Action: Clerk/Chair

66.9 Annual review any fraud, irregularities and "Whistleblowing" events

The Committee noted that there had been no fraud, irregularities or "Whistleblowing" events reported in 2009/10 or to date.

66.10 Annual Audit Committee Report to the Corporation and the Principal

The Committee considered the draft of its 2009/10 annual report to Corporation and the Principal as chief accounting officer.

Members noted that:

- The report recorded the Audit Committee's opinion that:

- reliance could be placed upon the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance and securing economy, efficiency and effectiveness,
- Corporation's responsibilities, included in the annual financial statements, had been satisfactorily discharged.

It was noted that the following documents would be attached to the report to be presented to Corporation:

- The IAS Annual Report 2009/10
The Financial Statements and Regularity Auditors' Audit Findings Report for the year ended 31 July 2010
- The College's annual report on risk management.

It was agreed that the Committee's Annual Report for 2009/10 should be amended to include Philip Wright in the membership list.

Action: Clerk

The Committee approved its annual report 2009/10, amended as noted above, for presentation to Corporation before Corporation considered the members' report and financial statements for the year ended 31 July 2010.

Action: Clerk/Chair

66.11 Review of LSC Circulars, new regulations, reports and/or documents from other outside bodies

It was noted that there were no documents to be considered under this item and that the revised Audit Code of Practice Part II was still awaited from the YPLA-SFA.

66.12 Consider need to tender for internal and external auditors

The Finance Manager spoke to the above item.

The Committee noted:

- It had been agreed at the July 2010 meeting of Corporation that the Audit Committee should review the issue of re-tendering for auditors and report to Corporation, Rick Welton having expressed a preference for regular retendering for auditors as an example of best practice .
- The requirements of the Audit Code of Practice (ACOP) in relation to the appointment of auditors, noting that the College's 3-year contract with the East Coast Audit Consortium (ECAC) as IAS had ended in July 2010 but as the new ACOP Part II had not been issued and details of any changes to the audit regime (e.g. in terms of audit coverage or in relation to re-tendering) were not known, the ECAC were re-appointed by Corporation in July 2010 as IAS for one year. Baker Tilly UK Audit LLP were re-appointed by Corporation in May 2010 to conduct the financial statements/regularity audit for the year ended 31.7.10. Both appointments were subject to annual performance review.
- The Finance Manager had discussed audit firms at a recent NorVlc meeting for finance managers/directors and had found that about half the sixth form colleges in Yorkshire, Humberside and the North East were using Baker Tilly as financial statements/regularity auditors.
- The number of firms offering internal and/or a financial statements/regularity audit services in the area were limited.

The Committee concluded that it would not be appropriate to consider the need to undertake re-tendering until the revised ACOP Part II had been issued by the YPLA-SFA and the requirements of the new audit regime were known and agreed to advise the Corporation accordingly.

Action: Clerk/Chair

The Committee noted that the College had previously tendered as part of a consortium of sixth form colleges to ensure that fees were competitive and noted that should it be decided to re-tender in the future, it might be appropriate to re-investigate this possibility.

66.13 Risk management update: top 10 key risks report

The Finance Manager spoke to the top 10 key risks report which was considered.

Members noted in discussion that:

- The only risk now graded high was the risk that student growth would not be fully funded.
- Most risks relating to the College re-development project had been removed.
- With reference to risks relating to recruitment, student recruitment was competitive and the effect of the Government's decision to remove the Educational Maintenance allowance (EMA) and make funding of the Common Application Process voluntary for local authorities was unknown but recent Open Evenings had been well-attended
- With reference to the risk of ineffective marketing, that the College kept the effectiveness of its marketing under continual review.

The top 10 key risks report was received, noting that funding remained the College's most significant risk.

66.14 Any other business

It was noted that there was no other business.

66.15 Risk management – items identified at the meeting

It was agreed that the Finance Manager would review the need to include breaches of bank covenant in the risk priorities/controls document before the annual April review date but it was noted that the score could be moderated at the April 2011 meeting.

Action: SR

66.16 Date of next meeting

It was noted that the Committee was next scheduled to meet on Monday 14 March 2011 at 4.30pm

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

It was noted that there was nothing to be considered under this item.

Fiona Bagchi, Clerk to the Corporation

14.2.11

ACTIONS ARISING FROM AUDIT COMMITTEE MEETING 66 HELD ON 29.11.10

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
1	Clerk	Amend minutes of Oct 2010, as agreed – <u>Nov. 2010.</u>	Done.
2	Chair/AW/SR	Chair, AW & SR to meet to discuss DRP & BCP procedures & present proposal to Committee – <u>Oct. 2010.</u>	<i>Report to be given at the meeting.</i>
3	SR	Financial Statements: page 17 in the Statement of Total Recognised Gains and Losses, the second sentence of the text should read: “Actuarial gain/(loss) in respect of pension scheme” before presentation to Corp. – <u>Nov 2010.</u>	Done.
4*	Clerk/Chair	Recommend letter of representation to Corp. for approval & signing – <u>Dec. 2011.</u>	Done. Approved at Dec. 2011 Corp. meeting.
5*	Clerk/SR	Ensure that the internal audit report 2009/10 and the financial statements auditors’ audit findings report would be sent to the YPLA with the members’ report and financial statements for the year ended 31 July 2010 - <u>Dec. 2010.</u>	Done, following approval of the members’ report and financial statements for the year ended 31 July 2010 at the Dec. 2011 meeting of Corp.
6*	Clerk/Chair	As the submission date for the FMCE return was 30.11.10, the Committee approved the FMCE to allow it to be sent to the YPLA by 30.11.10 and agreed to presents it to the Corp. for ratification at its <u>Dec. 2010</u> meeting.	Done. FMCE ratified at Dec. 2010 meeting of Corp.
7	Clerk	Audit Committee Annual Report for 2009/10 to be amended to include Philip Wright in the membership list – <u>Nov. 2010.</u>	Done.
8*	Clerk/Chair	Present Committee’s annual report 2009/10, amended as noted above, for presentation to Corp. before Corp considers the financial statements for the y.e. 31.7.10 - <u>Dec. 2010.</u>	Done.

NO.	ACTION FOR:	ACTION:	STATUS OF ACTIONS:
9*	Clerk/Chair	The Committee concluded that it would not be appropriate to consider the need to undertake re-rendering until the revised ACOP Part II had been issued by the YPLA-SFA and the requirements of the new audit regime were known and agreed to advise the Corp. accordingly – <u>Dec. 2010.</u>	Done. Corp. accepted the Committee's advice at its Dec. 2010 meeting.
10	SR	Review the need to include breaches of bank covenant in the risk priorities/controls document before the annual April review date & report to Audit Committee – <u>Mar. 2011.</u>	See agenda item 5 for report.

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

Updated 28.2.11