

PUBLIC MINUTES



Minutes of a meeting of the Corporation's Audit Committee Held on Monday 29 November 2010 at 5pm In Hollands House Boardroom, Yeovil College

Membership: *Paul Taylor [Chair]; *Peter Thomas [Vice Chair];
Paul Clowes [Co-Opted]; *Derek Esp; Derrick Goddard; *Tim Sweeney.
[Quorum = 3 Committee members]

In attendance: *Paul Bowe [Vice Principal Resources]; *Lily Garth [Clerk];
*James Hampton [Principal]; *Janice Tipper [Head of Finance];
*Chris Mundy of Mazars LLP [Internal Auditors 10-11];
*Chris Mantel of RSM Tenon Ltd [External Auditors 09-10] (*part-meeting*).

** Indicates actual presence at this meeting*

1. DECLARATIONS OF INTEREST

None declared.

2. APOLOGIES

Apologies for absence were received from:

- Derrick Goddard
- Paul Clowes (whose emailed comments would be raised by the Chair and Clerk during the relevant items on today's agenda)

3. MINUTES OF THE MEETING HELD ON 22 SEPTEMBER 2010

The Committee AGREED the minutes as a correct record (with non-confidential sections APPROVED for website publication). The minutes were signed by the Chair.

4. MATTERS ARISING (MA) FROM THE MINUTES

The action and query sheet was reviewed. All matters arising were noted as either:

- included on today's agenda; or
- being tracked appropriately.

5. COMPUTING DISASTER RECOVERY PLAN

This comprehensive paper and attached plan (which were classed as confidential for a period of 3 years for risk management and commercial sensitivity reasons) were presented by the Head of IT Services, Richard Cranton. Issues covered in discussion included:

- the amount of improvement to risk exposure which would be achieved by the proposed £50k expenditure
- physical distance between data-sites
- location of data-sites in relation to organisations which could be perceived as potential risks/targets
- both malicious and accidental/Act of God risks
- cyber-attack
- cost and security considerations regarding back-up 'in the cloud'.

The paper and plan were praised as extremely thorough pieces of work. It was AGREED that this item could now be removed from both Committee tracking methods (A&Q and Audit Monitoring Reports).

**Clerk & VP
Resources**

6. FINANCIAL STATEMENTS AND REGULARITY PAPERWORK 2009-10

Chris Mantel presented this item, focusing on the Management Letter/Report which covered both the Financial Statements and Regularity audits. It was noted that these had been efficient and robust audits, resulting in clean/unqualified opinions. There were no significant issues which the auditors wished to draw to the Committee's or to the Corporation's attention.

The independence and objectivity of the auditors (particularly in the light of the mid-year merger of Tenon and RSM Bentley Jennison) was highlighted.

Discussion covered the detail in section 2 (Accounting Policies and practices), including the preparation of the financial statements on a going concern basis (focusing on cashflow forecasts), the Lennartz VAT issue, and the potential impact if the Urgent Issues Task Force released new guidance on public sector pensions treatment before the Financial Statements were fully signed-off.

The single grade 1 recommendation regarding Sales Ledger Controls would be added to the Committee's regular Audit Recommendations Monitoring Report.

VP Resources

A minor contextual amendment to the 'percentage of pay to income' bullet point on page 2 of the Operating and Financial Review was requested.

VP Resources

The 'total staff costs as a percentage of total income' graph within the management report annexes was the subject of scrutiny. It was clarified that use of agency staff was included in other colleges' staff costs, but that contracted-out service staff was not. The College does not currently contract-out any of its staffing needs.

The Committee RECOMMENDED to the Corporation for appropriate approval and noting the 2009/10:

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- Financial Statements*
- Operating and Financial Review
- Statement of Corporate Governance and Internal Control
- Statement of Responsibilities
- Management Report and Annexes
- Letter of Representation

[*the scope of this recommendation is compliant with the Audit Code of Practice, and the Chartered Institute Of Public Finance And Accountancy (CIPFA)'s guidelines – i.e. that:

- the financial statements are true, fair and regular
- that financial systems and information have been subjected to independent and objective review to ensure they comply with the law and with funding bodies' requirements and guidance

The Committee also wished to emphasise that it was confident about the figures contained within the Financial Statements on the basis of:

- the External Auditors' assurance
- the Committee's ability to satisfactorily relate these figures to the numbers contained within the Management Accounts which Governors had monitored throughout the year]

7. FINANCIAL MANAGEMENT CONTROL EVALUATION (FMCE) 2009-10

The Committee AGREED the grades contained within the short FMCE and APPROVED its submission to the Skills Funding Agency by 30 November 2010 (subject to post-submission ratification by the Corporation

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as permitted in the guidance).

8. ALL AUDIT RECOMMENDATIONS MONITORING REPORT

The Committee reviewed the Summary Report Status of Critical, High and Medium Priority Internal Audit recommendations by the previous Internal Auditors PWC, Fundamental and Significant recommendations by the current Internal Auditors RSM Tenon Ltd, and recommendations made by the External Auditors RSM Tenon Ltd.

The following was AGREED:

- IT Healthcheck (12.08/09) items 3.6.1 and 3.2.2 would be removed from the report
- The action date on the 2008/09 External Audit recommendation regarding UCY would remain as shown on this report (April 2010 revised to November 2010) and would turn red
- With an eye to future electronic distribution and ease of printing/reduction in costs, the colour blocking of future versions of this report would be altered to match symbols used in the Principal's Report at Corporation meetings.

VP Resources

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9. INTERNAL AUDIT REPORTS 2009-10

On the basis of the points recorded at the last Committee meeting, the Committee had expected to receive the revised final versions of the following reports from the outgoing Internal Auditors.

Minutes (confidential for 3rd party commercial reasons) removed from public website version.

10. AUDIT COMMITTEE ANNUAL REPORT

The Clerk presented the draft report for discussion and agreement by Members. One amendment regarding accepted/unaccepted audit recommendations was requested.

Clerk

Noting that all items required by the Audit Code of Practice were included, and that it reflected the work covered during the year, the Committee **APPROVED** its 2009/10 Annual Report for submission to the Board and to the Principal.

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11. HEALTH AND SAFETY ANNUAL REPORT

The Committee noted the H&S Annual Report. The comment made in respect of Equality and Diversity/Health and Safety balancing act was discussed and clarified satisfactorily.

12. INTERNAL AUDITORS 2010-11

These two items were presented to the Committee by Chris Mundy of Mazars LLP, the new Internal Auditors.

12a. Strategic Internal Audit Plan 2010-2013

It was noted that the changes requested at the last Committee meeting has been properly made in time for approval at the October Corporation meeting. No further changes were requested on this occasion.

12b. Customer Services (November 2010)

This was the first Audit Visit Report from the new Internal Auditors. It provided substantial assurance on both the adequacy of the control

environment and the effectiveness of those controls relating to the risk areas examined. Because the Committee noted that some of the assurance rested on a commitment to act on certain matters, it was AGREED that the Committee's usual follow-up monitoring would be strengthened by the **inclusion of the 'low' priority recommendations** of this specific report on the future regular 'all audit recommendations monitoring reports'.

VP Resources

13. STAFF UTILISATION (Deployment and Abatement)

This new standing agenda item was examined through on-screen data. It was noted that the College was a few percentage points ahead of the position as at this time last year. The target with the unions had been agreed as 100% plus or minus 2%.

There was a brief discussion about the problematic relationship of this measure to situations where a quick, flexible staffing response to new full-cost opportunities would be needed. The risks associated with planning/ambition/guesswork were briefly touched upon at this stage.

14. RISK MANAGEMENT UPDATE

As part of the Committee's ongoing Risk responsibilities, it was noted that the Risk Register position was unchanged from the update given to the Corporation at its meeting last week. In addition to the highest category risk, the risk around International business development was mentioned.

15. SAFER RECRUITMENT AND SAFEGUARDING AUDIT ASSESSMENT

The Chair (in his other role as Lead Safeguarding Governor) introduced this item. The Committee noted the outcome of this audit assessment as: *"the likelihood of there being a safeguarding incident, which could lead to significant damage to the college's reputation, as a result of there being insufficient controls in place, is deemed to be **highly unlikely**."*

16. REMAINING 2010/11 MEETINGS

The following dates were noted: **5pm Wednesday 16 March 2011** and 5pm Wednesday 25 May 2011.

17. ANY OTHER BUSINESS

Following the trialling of electronic distribution of papers at the November Corporation meeting, it was AGREED that this method would also be used for Audit papers wherever possible.

Meeting closed at 7.05pm

APPROVED 25 MAY 2011 (16 March 2011 meeting cancelled)