

MINUTES

Minutes of a meeting of the Corporation's Audit Committee Held on Monday 30 November 2009 at 5pm In Hollands House Boardroom, Yeovil College

Membership: *Paul Taylor [Chair]; *Paul Clowes [Co-Opted]; *Derek Esp; Derrick Goddard;
*Jo Roundell Greene; *Tim Sweeney; *Peter Thomas
[Quorum = 3 Committee members, at least 1 of whom is a Corporation member]

In attendance: *Paul Bowe [Vice Principal Resources]; *Lily Garth [Clerk]; James Hampton
[Principal]; *Shaun Hindle *[up to item 5 only]*; *Janice Tipper [Head of Finance];
*Chris Mantel and *Tracey Hill of Tenon [External Auditors]; *Caroline Edwards and
*Karen Williams of RSM Bentley Jennison [Internal Auditors]

** Indicates actual presence at this meeting*

1.	<p>DECLARATIONS OF INTEREST</p> <p>None declared.</p>
2.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Derrick Goddard and James Hampton.</p>
3.	<p>MINUTES OF THE MEETING HELD ON 30 SEPTEMBER 2009</p> <p>The Committee AGREED both sets of minutes and the appendix as correct records and APPROVED the non-confidential minutes for website publication (including the comments made under section 4). The minutes were signed by the Committee Chair.</p>
4.	<p>MATTERS ARISING (MA) FROM THE MINUTES</p> <p>The action and query sheet was reviewed. An updated version of the sheet shall be distributed with these minutes.</p>
5.	<p>TRAIN TO GAIN AUDIT</p> <p>The Committee reviewed the outcomes of this audit (the paper on which was presented by Shaun Hindle, Director of Business Training), noting:</p> <ul style="list-style-type: none"> ▪ An overall 9% error rate had been produced by extrapolating the original random sample (this had been a high value sample) ▪ Subsequent audits indicated a lower error rate, and the College was waiting to hear if the LSC would accept the lower rate, thereby avoiding (or lessening) potential clawback ▪ The financial impact of a 9% error rate would be £60,000, and for 6% would be £40,000 ▪ A 100% check of the area had now been completed, showing that there had been some slowness in reporting the withdrawal of learners which had now been addressed ▪ The rules of engagement had changed in-year ▪ The national pot of Train to Gain funds was diminishing
6.	<p>FINANCIAL STATEMENTS PAPERWORK 2008/09</p> <p>These were presented by Chris Mantel of Tenon (the External Auditors), with additional commentary from Paul Bowe (Vice Principal Resources)</p>

SLT / LSC

	<p>and Janice Tipper (Head of Finance).</p> <p>Tenon confirmed their unqualified (i.e. clean) audit opinion. The Committee noted that there were no significant regularity issues to bring to the Corporation's attention.</p> <p>The 3 recommendations would be added to the tracking list under the item usually called "Internal Audit Recommendations".</p> <p>The deadlines for all 3 recommendations were agreed, and the Committee emphasised its support for action in respect recommendation 3 (monitoring of the sales ledger), requiring a presentation on this item at its 17 March 2010 meeting.</p> <p>The information on page 3 of the management report was highlighted – particularly regarding the recent changes to 2.6 Adult Learner Responsive (ALR) Funding and the potential impact of this on future years. The Vice Principal Resources and Head of Finance explained how the College was responding to these changes.</p> <p>After discussion of the Committee's role in respect of its consideration and action of these papers (in relation to the fact that the Resources Committee was no longer in existence), these minor amendments to the documentation were suggested:</p> <ul style="list-style-type: none"> ▪ P1 use "at least" or "a minimum of", but not both, regarding the adjusted operating surplus target ▪ P2 clarify the point made regarding the operating surplus and the post FRS17 and property strategy costs deficit ▪ P3 change "many" students to "a number of our" students ▪ Reference should be made to ALR funding in the light of the point raised by auditors above. <p>The Committee then RECOMMENDED to Corporation for approval:</p> <ul style="list-style-type: none"> ▪ Financial Statements* ▪ Operating and Financial Review ▪ Statement of Corporate Governance and Internal Control ▪ Statement of Responsibilities ▪ Management Report and Annexes ▪ Letter of Representation <p>[*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:</p> <ul style="list-style-type: none"> ▪ 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] 	<p>Paul Bowe</p> <p>Paul Bowe / Janice Tipper</p>
7.	<p>FINANCIAL MANAGEMENT CONTROL EVALUATION (FMCE) 2008/09</p>	
	<p>After revisiting the notes made at the 30 September meeting regarding the background, context and process surrounding the FMCE (including noting that because of the official timescale, the draft FMCE had already been uploaded to the LSC portal), and after consideration of the contents, the Committee RECOMMENDED the FMCE to Corporation for approval.</p>	<p>Corporation</p>
8.	<p>ANNUAL REPORT OF THE AUDIT COMMITTEE 2008/09</p>	
	<p>The Committee reviewed Paper 5 which was presented by Lily Garth. After debate and noting the impact of the amendment to the Internal Auditors' Annual Report, the Committee APPROVED the report for submission to the Corporation (and to the Principal as Accounting Officer) with the clarification of which recommendations were from</p>	<p>Lily Garth / Paul Taylor</p>

	<p>PWC and which were from RSM BJ, and a note regarding the incomparability of each year because of changes in auditors and College approach.</p>	
9.	<p>INTERNAL AUDIT RECOMMENDATIONS</p> <p>The Committee reviewed the Summary Report Status of Critical, High and Medium Priority Internal Audit recommendations by PWC and Fundamental and Significant recommendations by RSM BJ.</p> <p>As at the previous two Committee meetings, the main points raised in discussion focussed on College-wide Disaster Recovery Planning (and related IT controls), revisiting the concerns raised previously over potential College vulnerabilities. As AGREED when this matter was discussed under the Committee Action and Query sheet, the Committee expected an interim report on this matter to be presented at the Awayday on 15 January 2010 before the Corporation meeting.</p> <p>Other items AGREED were:</p> <p><u>8.1 Financial Accounting and Asset Control</u> Revised action date of April 2010</p> <p><u>3.4.7 Skills Audit (revised action date of December 2009)</u> Head of HR would highlight the progress/actions on this for Corporation in December.</p>	<p>Paul Bowe / SLT</p> <p>Paul Bowe</p> <p>Paula Brown</p>
10.	<p>INTERNAL AUDIT REPORTS</p> <p>The Committee received the following reports from Karen Williams and Caroline Edwards of RSM Bentley Jennison.</p> <p><u>IT Healthcheck 12.08/09</u> This high-level review was discussed at length in the context of remarks made under item 9 above and at the previous Committee meetings. The Committee considered this to be a high risk item, and expressed its opinion that it should rank highly on the risk register.</p> <p>The Committee requested that the Principal should consider if the IT strategy needed to be classed as a Critical Success Factor and be included in the Principal's regular Corporation report.</p> <p><u>Personnel-Payroll 01.09/10</u> The Committee noted the overall Adequate outcome of this report (with Substantial assurance in respect of the design of the control framework). The Recommendations were noted and accepted.</p> <p><u>Internal Audit Progress Report 2009/10</u> The Committee noted and accepted this report.</p> <p><i>[Karen Williams and Caroline Edwards were thanked for their work. They then left the meeting.]</i></p>	<p>James Hampton</p>
11.	<p>RISK MANAGEMENT</p> <p>The VP Resources gave an on-screen presentation and demonstration of the new risk management software, explaining its approach to definition, categorisation and prioritisation.</p> <p>The Committee praised the approach and usefulness of the tool from a management perspective, and looked forward to its outcomes being refined into a digestible report for Governors. The other key item which was requested was some sort of qualification against each</p>	<p>SLT</p>

risk – e.g. if X happens what will it cost the College?

12. REMINDER OF FUTURE MEETING DATES:

The remaining 2009/10 dates were noted as:

- 5pm-7pm Wednesday 17 March 2010
- 5pm-7pm Wednesday 23 June 2010

13. ANY OTHER BUSINESS

Noted as none.

Meeting closed at 7.35pm

APPROVED 16 MARCH 2010