

MINUTES

Minutes of a meeting of the Corporation's Audit Committee Held on Wednesday 18 March 2009 at 5pm In Hollands House Boardroom, Yeovil College

Membership: *Paul Taylor [Chair]; Derek Esp; Derrick Goddard; *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]; *Janice Tipper [Head of Finance]; *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>These were received from Derek Esp and Derrick Goddard.</p>	
3.	<p>WELCOME and MEMBERSHIP NOTE</p> <p>Peter Thomas was welcomed to his first Audit Committee meeting.</p> <p>It was noted that Ken Comber had resigned as a Co-opted Committee member because of his recent promotion to Assistant Director of South Somerset Homes. This impacted on his time commitments and took him away from involvement in internal audit. The Committee recorded its thanks to Ken for his past contribution to its work, and requested that the Principal and Clerk investigate the possibility of approaching Ken to occasionally attend the Committee by invitation to provide a useful additional external perspective.</p> <p>The Committee also emphasised the importance of boosting its membership by recruiting at least one more governor member and perhaps a new co-opted member.</p>	<p>Principal & Clerk</p> <p>Search & Corporation</p>
4.	<p>MINUTES OF THE MEETING HELD ON 01 DECEMBER 2008</p> <p>The Committee AGREED these minutes as a correct record and APPROVED them for website publication. They were signed by the Committee Chair.</p>	
5.	<p>MATTERS ARISING FROM THE MINUTES</p> <p>The action and query sheet was reviewed and noted. An updated version of the sheet shall be distributed with these minutes.</p> <p>It was AGREED that the self-assessment actions would next be considered in Autumn 2009</p>	<p>Lily Garth</p>
6.	<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>	

Points raised in discussion included:

- IT staffing issues
- A revised action date from May 2009 to Summer 2009 for a follow-up audit of all assets, including IT
- The Estates Management action would fall out of the budget-setting process

IT Controls – Disaster Recovery Planning (Medium Priority)

During a focussed discussion of this recommendation, the following points were noted:

- There was already a Disaster Recovery Plan (DRP) in place
- A nightly IT back-up was stored off-site
- The current DRP was not as comprehensive as the Senior Leadership Team (SLT) wished it to be
- There was no capacity within SLT before the revised action date of June 2009 to revise the DRP

The Committee recorded its concerns (which extended beyond IT) about the potential vulnerability of the College caused by an outdated and unrehearsed DRP. **The Committee then AGREED that the current status of this item would be increased from amber to red.**

VP
Resources

7. **INTERNAL AUDIT REPORTS 2008/09**

The Committee received the following reports from Karen Williams of RSM Bentley Jennison.

Quality and Management Information 02.08/09

The Committee were pleased to note that the assurance opinion on this report was the highest grade of Substantial and that there were no recommendations.

The VP Resources expressed some concern that the extent of the testing on p15 3.2 was not sufficient to endorse the findings. Peter Thomas also commented that the audit findings did not reflect the Ofsted inspection outcome which was referred to in the Audit report. **RSM BJ AGREED to take this forward in a more in-depth investigation.**

RSM BJ

Tuition Fees 03.08/09

The Committee noted that the assurance opinion on this report was the highest grade of Substantial and that there were no fundamental, 1 significant and 1 merits attention recommendations.

The interrogation of the report's findings raised the following points:

- During the enrolment aspect of the audit, only part-time students had been considered, but during the finance aspect, the audit had extended to all part-time and full-time debtors. This had affected the quality and meaningfulness of the audit results.
- The Committee did not feel that a sample size of 15 (out of c4000) was sufficient. RSM BJ stated that this was a typical sample size for an audit at this level of resource and that if any of the 15 had raised issues, more extensive testing would have taken place. If the Committee wished for larger samples, that would impact on the cost/number of allocated audit days required.
- Enrolment errors were resulting in problems for the finance department further along the process.

Because of the business-critical nature of fee collection (through the whole process of enrolment/taking an order to being paid), it was AGREED that the Internal Audit Plan should be amended to address this high priority. Of the 3 audits scheduled to begin on 23 March, days should be taken from Governance (over which the Committee and SLT

RSM BJ

had no current concerns, and which could neatly be combined with Risk Management in April) and the focus on Learner Number Systems should be on the enrolment process.

The Principal also asked if RSM BJ could bring examples of Best Practice from other organisations to help improve the College's procedures in this crucial area.

Financial Accounting and Asset Controls 04.08/09

The Committee noted that the assurance opinion on this report was the middle grade of Adequate and that there were no fundamental recommendations, 4 significant one and 5 merits attention. It was also noted that at present software issues beyond the College's control were affecting the operation of the fixed asset register.

SLT's response to significant recommendation ref 4.1 was that it should be downgraded to merits attention. It was also pointed out that although the internal unauthorised amendment of access was a technically feasible risk, the complexity of the system made such action virtually impossible.

Regarding Ref 2.1: SLT and RSM BJ would agree a simple statement covering the reconciliation and control process.

8. FINANCIAL REGULATIONS

After consideration of Paper 7 which included the Resources Committee's recommendations, **the Committee RECOMMENDED the Financial Regulations to Corporation for approval with the Resources Committee's recommended alterations plus:**

Section 16.11 (formerly 16.10), paragraph 1:

The ~~director of finance~~ **vice principal resources** is responsible for ensuring the ~~Institution~~ **college** complies with its legal obligations concerning EU procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement, purchase or hire (whether or not hire purchase) with a total value exceeding a **pre-determined** threshold value; see [Appendix 2 of the Financial Procedures](#).

9. EXTERNAL AUDITORS TENDER PROCESS 2008/09

After consideration of Paper 8 and its appendices, **the Committee RECOMMENDED the following to Corporation for approval:**

- The Invitation to Tender Documents (subject to the legal check which the VP Resources would arrange before 03 April 2009)
- The delegation of the shortlisting/scoring process to the Audit Committee Chair with assistance from the VP Resources
- That the selection panel should be the Audit Committee who would be authorised to offer appointment subject to Corporation ratification
- That all of the organisations on the appendix other than RSM Bentley Jennison (who were excluded by the legal requirement that the same organisation could not supply both External and Internal Audit to the Corporation at the same time) should be invited to tender
- That the timetable would be:
 - ITT issued 03 April 2009
 - Closing date for receipt of tenders 30 April 2009
 - Shortlisting/scoring to be completed and offers to attend for interview issued by mid-May 2009
 - Interviews and appointment offer to take place during an extended Audit Committee meeting on 01 June 2009

VP
Resources

VP
Resources /
Committee
Chair / Clerk

- Corporation's ratification of the Audit Committee's decision to take place either on 29 June or 08 July 2009

10. RISK MANAGEMENT

The Committee discussed and noted the risk register paper which was presented by Paul Bowe which highlighted significant and identified risks and amendments since the last update.

Although the current register was considered adequate, the Committee and SLT agreed that the College's risk management would benefit from a completely new register with a neater grading format based on a 4x4 grid of impact and likelihood, and what the College would do in the case of any of these events happening.

11. ANY OTHER BUSINESS

Noted as none.

12. NEXT MEETING

It was noted that this would take place on **Wednesday 01 June 2009 with the following timings:**

3pm-4.30pm : Interview of short-listed external auditors

5pm-7pm : Normal meeting (RSM Bentley Jennison to join)

Meeting closed at 6.30pm

APPROVED 01 JUNE 2009