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## **Minutes of the Audit Committee Meeting held on Monday 27<sup>th</sup> June 2011 at 4:30 pm in the Boardroom, Hagley Road Centre**

**Present:**

Amanda Bache  
David Darlaston (Chair)  
David Whitehouse (co-opted member)

**In attendance:**

David Beasley (Clerk)  
Steve Cutler (Assistant Principal)  
Kevin Bruerton (BDO)  
Jon Lanes (BDO)  
Paul Oxtoby (Baker Tilly)

**1 Apologies for absence**

- 1.1 The Chair welcomed Paul Oxtoby who was attending his first meeting as External Auditor, thanked members for accommodating the change in the scheduled meeting date and reported that Fred Bentley, previously Committee Vice Chair, had decided that he was unable to continue as a Governor for another term because of his other commitments, but that it was hoped that he would be able to have a continued role on the Committee for a while longer.
- 1.2 Apologies for absence had been received from Rishma Dattani and Tony Seaton.

**2 Declaration of interests**

No interests were declared.

**3 Minutes of Previous Meeting****3a Approval**

- 3a.1 The minutes of the meeting held on 10<sup>th</sup> March 2011 were agreed and signed as a true record.

**3b Matters Arising**

- 3b.1 FMCE Action Plan Steve Cutler explained that the Financial Management & Control Evaluation Return would be brought to the Committee for scrutiny, and that there would be a briefing on its content on a separate occasion.
- 3b.2 Value for Money Steve Cutler said that this topic was being addressed in an update to the Procurement Strategy, including how to measure 'cost of delivery' – this topic would then be brought back to the Committee.

**4 Items for Recommending to Corporation****4a External Audit Strategy 2010-11**

- 4a.1 Paul Oxtoby explained the overall scope of the External Audit Strategy and said that the planning process would continue over the next two months prior to commencement of the audit. He confirmed that the audit would take into account the

work of the Internal Auditors and highlighted the indicative audit timetable culminating in the submission of the financial statements and audit findings to the SFA at the end of the calendar year. Paul Oxtoby drew members' attention to the key risk areas set out in the Strategy, the proposed audit approach to address them and the statements regarding the independence of the auditors.

- 4a.2 The Committee asked if there would be any changes in the audit team this year and Paul Oxtoby replied that at this stage the firm was looking to use the same staff as last year, but that would depend on prevailing circumstances over the audit period. He confirmed that all Baker Tilly staff visiting the College would be FE licensed. In reply to the Chair, Paul Oxtoby summarised his own background and experience in the FE sector over many years.
- 4a.3 Steve Cutler confirmed that he was happy with the External Audit plan from the College's perspective.

**The Committee resolved:**

To recommend the External Audit Strategy to the Corporation for approval.

**4b Internal Audit Plan 2011-12**

- 4b.1 Jon Lanes presented the Internal Audit Plan and said that it was built around the College risk register and that the approach was based around three audit blocks as for 2010-11, phased in line with the Committee meeting schedule. He confirmed that any proposed variation in the Plan would be brought to the Committee for consideration.
- 4b.2 Referring to a question raised prior to the meeting by Tony Seaton, the Chair asked what approach would be taken should an audit be considered of the new academies linked with Kidderminster Harriers. Steve Cutler explained that the key risks relating to reliance on the continued viability of the Club and use of its facilities had been mitigated by the terms of notice put in place such that courses would continue to be able to be run up to the end of an academic year, and that a joint board was being set up to protect both parties' interests. He added that the risks were no different to those for any other College partnership. The Chair said that the Committee noted that the Internal Auditors would be looking at partnership risks in general terms and that the contract with Kidderminster Harriers was no different except in its delivery method.
- 4b.3 Jon Lanes then took the Committee through the proposed audit activities in each of the three blocks of work, noting that the FMCE Return would be looked at as part of the audit of risk management and corporate governance. The Committee questioned various aspects of the Plan, including the timing of the Equality & Diversity audit, the scope of the Procurement audit, and how the auditors would approach the Curriculum Planning audit regarding responding to employers' needs, given the changed external environment and the lack of clarity from the Local Enterprise Partnerships in this regard.
- 4b.4 Steve Cutler and the Internal Auditors confirmed that they believed that all the critical areas were addressed in the Plan. The Chair advised that given the increasing level of uncertainty around student-led funding there was a need to have a good level of assurance regarding the College's financial management systems and controls. Steve Cutler said that the key factors were (1) that the College management team had a firm grip on all the key risk areas, referring to the implementation of the Risk Management Strategy, and (2) having the appropriate level of assurance in each of the key areas of partnering, funding and recruitment. Paul Oxtoby noted that there was always the opportunity to refine the Internal Audit Plan during the year.

**The Committee resolved:**

To recommend the Internal Audit Plan 2011-12 to the Corporation for approval.

#### **4c Risk Management Strategy 2011**

4c.1 Steve Cutler summarised the changes to the previous version of the Risk Management Strategy as set out in the report, noting the additional reviews of the Risk Action Plans. He added that half-termly meetings of the Risk Management Group were being instituted. In response to the Chair, he confirmed that notwithstanding his role as chairing the Risk Management Group, he would ensure that any issues of significance would be brought to the attention of the College Executive Group.

4c.2 Governors asked concerning the definition of the College's Risk Appetite; Steve Cutler agreed that it needed adding to the document and would circulate an updated document to members following the meeting, prior to its submission to Corporation. The Committee asked for definitions of the risk evaluation criteria set out in the table at Appendix A to the Strategy as they could be interpreted differently depending on the topic concerned.

**The Committee resolved:**

To recommend the Risk Management Strategy 2011 to the Corporation for approval, subject to the actions agreed.

#### **4d Appointment/Remuneration of Internal & External Auditors**

[Paul Oxtoby, Kevin Bruerton & Jon Lanes left the room at this juncture]

4d.1 Confidential Item – Minuted Separately

4d.2 Confidential Item – Minuted Separately

[Paul Oxtoby, Kevin Bruerton & Jon Lanes rejoined the meeting at this juncture]

4d.3 The Chair said that having discussed the fees proposed by Baker Tilly and BDO, the Committee was content. He added that in the case of the Internal Audit work, additional tasks could be defined in-year if risks or circumstances required it and the Committee would be guided by the College in that regard.

**The Committee resolved:**

To recommend the proposed fees for the Internal & External Auditors to Corporation for approval.

#### **5 Reports for Information**

##### **5a Internal Audit Block 3 Report**

5a.1 Jon Lanes summarised the findings of the final block of internal audits carried out this year as set out in the report, covering Facilities Management, Student Records, Risk Management & Governance and Staff & Assessor Utilisation. The Chair said that the result of the Student Records audit was particularly pleasing as this had been an area that had had a number of recommendations in the past; this result was evidence that the systems had been robustly improved and were being used properly. The Committee asked concerning the follow-up actions identified; Jon Lanes confirmed that the majority had timescales stated and would be followed-up as part of next term's activities.

**The Committee resolved:**

To note the Report.

5a.2 The Clerk said that Governors had expressed concerns at the volume of documentation issued to them for Committee and Board meetings and that this topic was under review with the Management Team. He asked whether the audit reports

could be constructed such that there was a management summary with a separate document containing the detailed audit information. In this way Governors could more easily focus on the main audit outcomes, whilst still being able to refer to the supporting data if necessary. Kevin Bruerton confirmed that this approach could be accommodated, noting that the regulators had views on the level of data needing to be scrutinised. It was agreed that the Clerk should progress the topic with the College and the Internal Auditors.

## **5b Internal Audit Full Cost Recovery Report**

- 5b.1 Jon Lanes reminded members that this was an additional audit commissioned during the year because concerns had been raised associated with some inconsistencies being reported between the Finance Department and Business Skills on the income generated from the full cost activity. Recommendations had been made to improve certain aspects of the end-to-end process, and it had been confirmed that the inconsistencies had arisen because of process timing issues only. The Chair asked if the teams were working effectively together now, and Steve Cutler said that this was the case and that this had been assisted by Business Skills recently being connected into the College network. There was now a month-end reconciliation of any discrepancies, which were now much smaller. He said that he was pleased with the work done and the outcome.

### **The Committee resolved:**

To note the Report.

## **5c Internal Audit Progress Report**

- 5c.1 Jon Lanes presented BDO's Progress Report, saying that was effectively the annual report that would be tabled for the November Committee meeting but without the opinion. He highlighted the results of each audit undertaken as set out on pages 4-6 of the Progress Report. The Chair said that he looked forward to the addition of the Internal Audit opinion.

### **The Committee resolved:**

To note the Report.

## **5d Internal Audit Recommendations – Management Report**

- 5d.1 Steve Cutler summarised the key points in the management report that reviewed progress on the implementation of internal audit recommendations, up to and including the Block 2 audits. He reported that out of the 30 recommendations raised, 16 had been implemented, 10 were in progress and 4 were still to be actioned. Overall he was pleased at the rate of implementation of the recommendations. He noted that there was an unresolved recommendation related to the Learner Support Fund that he would be chasing up, related to the obtaining of receipts from students. The Chair suggested that the Student Governors could be asked to comment on the process, acknowledging that the sums involved were relatively small.

### **The Committee resolved:**

To note the Report.

## **6 Any Other Business**

- 6.1 The Committee asked concerning the impact of the Bribery Act on the College and the work of the Committee. Steve Cutler agreed to consider.

6.2 The Chair said that the Committee needed a nominated Vice Chair, particularly so that he or she could step in if the Chair was unable to attend a meeting. The Chair and Clerk would be in touch with members on the subject.

**7 Confidential Item Review**

7.1 It was agreed that the Clerk, the meeting Chair and the Assistant Principal Finance & Information should review draft Committee minutes regarding their confidentiality and level of business-sensitivity, balancing the requirements for openness and accountability with protecting the interests of the College.

**8 Dates of Future Meetings (all at 16:30)**

Tuesday 29<sup>th</sup> November 2011

Tuesday 6<sup>th</sup> March 2012

Tuesday 3<sup>rd</sup> July 2012

**The meeting closed at 18:25.**

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**Chair**