



MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON MONDAY 22 NOVEMBER 2013 AT 9.45 AM IN THE BOARD ROOM AT NO 2 ROUNDHOUSE ROAD

Present: Kevin Slack (Chair), Sunny Chandhoke, Jonathan McCluskey

In attendance: Andrew Hartley (Chief Finance Officer)

Heather Simcox (Clerk)
Stephen Clark, KPMG
Zubair Limbada, KPMG
Will Simpson, Grant Thornton

Prior to commencing formal business, Governors met in private with the representatives from Grant Thornton and KPMG.

Table with 3 columns: Description, Action, Date. Rows include: 01/13-14 Apologies for absence; 02/13-14 Declaration of Interests and Eligibility and Quorum; 03/13-14 Minutes of the last meeting; 04/13-14 Matters arising; 05/13-14 Internal Audit; 05/13-14.1 Internal Audit Annual Report 2012-13.

follow-up review of the SU later in the year.

Will continued and summarised the report and members noted a reduction in cost.

05/13-14.2 2013-14 Internal Audit Reports

Invoicing and Income Collection: Will outlined the scope of the review. The overall assessment had received a green rating. Will highlighted the medium priority recommendations. The CFO responded to the points raised.

Partnerships and Collaboration: Will offered context for the review which may present risk in terms of outsourcing both delivery and quality of provision. The CFO confirmed the College was aware of the risks and had these as high profile. He outlined the nature of the provision and how this was operated. Members noted the recommendations put forward.

05/13-14.3 Internal Audit: Progress Report

Will confirmed GT were on track to deliver the Audit Plan, and informed members of one change to the Plan schedule but not the subjects.

06/13-14 External Audit

06/13-14.1 2012-13 Financial Statements and External Audit Management Letter

The CFO provided a brief summary of the Management Letter and reminded the members that the accounts presented were draft. The accounts would be presented to the Corporation for approval in December 2013. There had been no material adjustments. The CFO highlighted some areas for future consideration, including in relation to Derby College Education Trust.

Stephen Clark of KPMG went over the Executive Summary and advised management representation letters were outstanding. The CFO responded advising there was no downside risk but there could be positive movement if there was success on any of three cases which the funding agencies were currently considering. Stephen thanked the finance team and confirmed the audit had gone well. He said the overall operating position was improving as a result of actions taken during the year and acknowledged there was more to do, including property work and associated receipts. As an operating business the College was in a good position albeit, like others, sector funding made it difficult to plan.

In terms of audit issues and adjustments, Stephen referenced capital developments. Stephen said a clean management letter was issued. He highlighted page 4 which showed the balance sheet without the FRS17 costs. Members noted implications on the pension scheme. The CFO reiterated the operating costs had improved and referred members to page 5; members noted improvement of around £2million in connection with the underlying operating position. However, he confirmed the College was not complacent and further improvements on this line were targeted.

Members acknowledged observations arising from the audit and the

CFO outlined responses.

The Chair referred to page 6 and the CFO outlined cash flow and the College's overdraft facility. The impact of imminent property disposals was noted. Details of a long-term loan were noted. The pension liability was considered and members noted that this was common, as were anticipated increases.

Members considered the subsidiary company accounts, Corporate College which was dormant and MBS which was the College's commercial lettings vehicle. The Chair clarified the insurance position and was assured appropriate insurance was in place.

The Committee recommended the Management Letter to the Corporation for approval.

07/13-14 Monitoring Activity

07/13-14.1 Review of Internal and External Audit Recommendations

The CFO summarised the outstanding recommendations which related to the SU. The Chair acknowledged the positive movement of recommendations.

07/13-14.2 Risk Management: Annual Report and Risk Register

The CFO presented an overview of the annual report and reminded members of the regular review of high level risks by the Corporation. The CFO had taken the opportunity to review the register for 2013-14 and make the scoring matrix clearer. Some risks that appeared similar had been consolidated, and three new risks had been added to register in relation to the Digital Studio Colleges, Change in Funding to LEPs, and the UTC.

The risk register included a risk relating to learner outcomes at both the College and at Merrill and additional actions had been implemented to attempt to minimise this.

07/13-14.3 Fraud Risk Self-Assessment and Anti-Bribery Measures, including Policy Review (Prevention, Detection, Reporting of Fraud and Corruption)

The CFO presented an overview of the assessment of the fraud risk, controls applied and a review had been undertaken. Amendments had been made in light of the fraud the College experienced towards the end of 2011-12. Members noted there had been no instances of fraud or bribery in 2012-13.

The Audit Committee approved the 'Prevention, Detection, Reporting of Fraud and Corruption' Policy and Procedure.

08/13-14 Policy Review

08/13-14.1 Risk Management

The CFO presented a proposed risk management policy that had been amended to include definitions and guidance around evaluating and scoring risks, updated in terms of roles and responsibilities and a section on corporate governance added.

	<p>The Chair asked about Ofsted and risk associated with this. The CFO provided some examples of how an adverse Ofsted report and grading impacted. The Chair requested a report to the Board on Ofsted and risks associated with this.</p>	CFO	2014
	<p>The Committee approved the Risk Management Policy.</p>		
08/13-14.2	<p>Public Interest Disclosure (Whistleblowing) Policy</p>		
	<p>The CFO confirmed no instances of whistleblowing in 2013-14 and presented the policy, which had been updated with current titles, for approval.</p>		
	<p>The Committee approved the Public Interest Disclosure (Whistleblowing) Policy subject to amendments in terms of adding Clerk to the list of those to whom disclosures should be made, as well as telephone numbers.</p>	CFO	NOV 13
09/13-14	<p>Audit Committee Business</p>		
09/13-14.1	<p>Audit Committee Annual Report 2012-13 to the Corporation</p>		
	<p>The Committee reviewed the report, and subject to amendments made by Will Simpson, approved submission to the Corporation in December 2013.</p>	CLERK	DEC 13
09/13-14.2	<p>Terms of reference 2013-14</p>		
	<p>The Clerk presented revised terms of reference for the Committee, that had been amended to reflect some aspects of the Audit and Accountability Annex published in March 2013 and the Joint Audit Code of Practice, Pt 2, published in July 2013. Subject to amendment to point 5, which was changed to state the Corporation appoint the Chair, the Committee agreed to present the terms of reference to the Corporation in December for adoption.</p>	CLERK	DEC 13
09/13-14.3	<p>Audit Committee Self-Assessment 2012-13</p>		
	<p>The Clerk thanked members for completing the self-assessment of the Committee in 2012-13 and advised results would be considered by the Search and Governance Committee, in the first instance.</p>		
09/13-14.4	<p>Additional services undertaken by internal and external auditors</p>		
	<p>The Clerk reported that KPMG had been commissioned to undertake a review of the VI Form provision at Merrill Academy. This review was free of charge as it was covered by the free additional day provided by KPMG as part of the external audit package.</p>		

There being no further business, the meeting finished at 12.10 pm.

Signed: _____ Date: _____