



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON  
TUESDAY 23 JUNE 2015 AT 9.30 AM IN THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Jonathan McCluskey

In attendance: Michael Ford (*Business Improvement Director*)  
Sitha Khanan (*KPMG – External Auditors*)  
Will Simpson (*Grant Thornton – Internal Auditors*)  
Mike Rowley (*KPMG – External Auditors*)  
Paul Steeples (*Chief Finance Officer*)  
Heather Simcox (*Clerk*)  
Rose Matthews (*Assistant Clerk*)

	Action	Date
<b>32/14-15 Apologies for absence</b>		
There were no apologies for absence.		
The Chair welcomed Paul Steeples, the new Chief Finance Officer to the Committee.		
<b>33/14-15 Declaration of Interests and Eligibility and Quorum</b>		
No new declarations had been received, all members were eligible and the meeting was confirmed to be quorate.		
HLS was a Director of the Derby College Education Trust and declared an interest in the Derby College Education Trust item.		
<b>34/14-15 Minutes of the last meeting</b>		
The minutes of the meeting held on 24 March were approved and signed as a true record.		
<b>35/14-15 Matters arising</b>		
17/13-14.2 Space Utilisation: The Chief Finance Officer (CFO) confirmed he had begun consideration of this and further detailed discussions would take place.		
The Director of Corporate Affairs reminded members of the MIS review that was now underway.		
08/14-15 The CFO advised the College had recently engaged with recruitment agencies for an additional post to support the Financial Controller, and he was hopeful of recruiting within the next two to three months.		
22/14-15 Monitoring Activity - Internal and External Audit Recommendations: The SU Turn-Around Board (TAB) had been formed and three meetings had taken place. Following an NUS diagnostic report, the		

	TAB was investigating options to set up the SU as a company limited by guarantee or a charity organisation.		
23/14-15	Risk Management Report: The Director of Business Improvement had circulated a list of 'Risk Champions'.		
25/14-15	Risk Appetite Statement: The CFO clarified the Public Liability Insurance was £20m and having benchmarked with other Colleges of a similar size the average was around £19.5m.  Jonathan McCluskey asked how the College knew they needed £20m worth of cover and suggested reviewing the figure with a broker for best value.  The 'netbook value of fixed assets' was £96m for July last year and this had been included in the report.  The Director of Business Improvement had defined 'core and non-core business' within the report.  <b>The revised statement was approved by the Committee.</b>	CFO	Nov '15
27/14-15	Risk Management Framework: <b>The Committee approved the revised Risk Management Framework.</b>		
28/14-15	Risk Register: The DFE and Ofsted Reports had been circulated to members. The Director of Business Improvement had addressed the risk ratings and other actions in the revised Register.		
30/14-15	Assurance Plan 2014-15: These items would be covered under the main agenda.		
36/14-15	<b>External Audit Plan and Strategy for 2014-15 Financial Statements</b>  Mike Rowley (MR) and Sitha Khanan (SK) of KPMG presented the External Audit Planning Memorandum.  MR drew the Committee's attention to page 7 - materiality had increased to £835K. Rosilyn Green questioned if this increase had any impact on the balance sheet and MR agreed significant corrections would be reported.  Members' attention was further drawn to: <ul style="list-style-type: none"> <li>• Page 9 and 'significant risks'; SK highlighted the risk from recognition of tuition fee and education contract income;</li> <li>• Page 11 and Financial Performance; based on the January Management Accounts, the operating surplus has been restated to £100k.</li> <li>• Pay costs were favourable due to a freeze on increments and vacancy drift.</li> <li>• PCA proceeds would not be received by the year end; the Director of Corporate Affairs questioned the figure of £940K, and the CFO confirmed the net figure was £660 plus VAT.</li> <li>• Property matters in general were discussed, including opportunities in the future.</li> </ul> Rosilyn referred to the Audit Fee on page 17 and the assumption to meet appropriate professional standards and asked when the		

Auditors would decide if they needed to carry out further work and if it would impact on the quoted fees. MR confirmed there would not be any impact on fees quoted.

### **37/14-15 Internal Audit Reports 2014-15**

#### General Ledger

Will Simpson (WS) presented the Internal Audit Report on General Ledger.

The overall finding assessment was green. However, it was raised that all members of the Finance team, including the Financial Controller, had access rights to post journals on the finance system, which the Audit Team did not consider provided an appropriate segregation of duties to reduce risk. This had been raised as a medium priority and it was recommended access rights be reviewed.

The CFO said the team was small and it was difficult to regulate such duties. Not all the team have access to the full ledger. The Financial Controller can post journals but rarely did. The CFO recommended the accounts were posted monthly. He said he recognised it was a risk but not substantial.

Members acknowledged this assessment.

#### Corporate Credit Cards

It was noted that Corporate Credit Cards were used as an alternative method to reduce the cost of purchasing and processing for low value goods. The Audit Team gave an overall assessment of green, with two recommendations:

- the College should undertake a periodic review of the corporate cards in use;
- the procedures surrounding corporate cards should be re-communicated and all log sheets reviewed to ensure they have been authorised by line managers and are supported by appropriate documentation.

Rosslyn Green asked why the overall assessment was green, and yet two medium recommendations had been made. WS responded that the areas of strong/good practice mitigated to a degree against these items.

The CFO confirmed actions would be taken in line with the recommendations made.

### **38/14-15 Internal Audit Progress Report 2014-15/Annual Internal Audit Report 2014-15 and Internal Audit Plan 2015-16**

#### Progress Report to the Audit Committee

The Annual Report had been delayed due to the timings of the payroll and expenses and follow up of audit recommendation reviews, which were planned for July 2015. The 2014-15 report would be submitted during the summer, and presented to the first meeting of the Committee in 2015-16.

#### Internal Audit Plan 2015-16

WS presented a proposed Internal Audit Plan for 2015-16 based

upon 21 days of core financial reviews and additional audit areas for consideration.

The Chair said this would be reviewed by the Committee once the auditors had left the meeting.

**39/14-15 Apprenticeship Value Stream Mapping**

The Director of Business Improvement presented a report, which provided an update on the Value Stream Mapping process currently being implemented to improve the processes within Apprenticeships in the College.

Apprenticeships had been identified on the risk register (Risk 22) and as a result a report had been requested to provide assurance to the Committee.

Improvements to date were noted as:

- a review of key policies and procedures;
- introduction of a spreadsheet to assess and monitor caseloads;
- creation of an Apprenticeship Costs model;
- implementation of E-portfolio; and
- greater sharing of good practice and data scrutiny.

An Apprenticeships Project Lead had been appointed to drive the developments to completion.

The Committee requested a review of the exercise be presented at the next meeting, which defined the impact and progress to date.

MF

Nov '15

**40/14-15 Employer Engagement/Business Development KPIs**

The Committee asked for assurance at the previous meeting in relation to employer focussed provision (Risk 7).

The Employer Engagement and Business Development KPIs were an internal source of assurance presented at Business Development team meetings and the Executive team monitor progression of objectives.

The Committee requested an executive summary of KPIs.

MF

July '15

Members' attention was drawn to the exceptions, which included Adult Skills Budget and Tuition fees. The CFO informed the Committee that although the Adult Skills Budget and Apprenticeship figures had not been achieved yet, a combination of other income streams would ensure the end of year target overall will be achieved.

The Director of Business Improvement agreed to obtain from the Director of Business Development areas of key focus.

MF

July '15

**41/14-15 Risk Management 2014-15**

At the recommendation of the Committee ICCA was approached to conduct a review of the risk management process at the College. The report presented made a number of recommendations, which members considered. .

<p>The Director of Business Improvement would provide an update on recommendations and progress at the next meeting.</p>	MF	Nov '15
<p><b>42/14-15 Review of Internal and External Audit Recommendations</b></p> <p>The CFO reported that all outstanding actions had been completed and moving forward the two outstanding actions from this meeting would be reported against.</p>		
<p><b>43/14-15 Risk Register</b></p> <p>The Director of Business Improvement had revised the Risk Register following the previous meeting, and members reviewed in detail. An additional column to show the trend from the previous version had been included. It was noted the net risks were in red because all controls had not yet been implemented.</p> <p>The Committee questioned why the rating for risk 36 and risk 11 had not reduced with so many preventative measures attached to them. It was felt one preventative control was holding these back.</p> <p>The Executive Risk Management Group was asked to revisit risk 11 with regard to insurance and report back to the next meeting.</p>	MF	July '15
<p><b>44/14-15 Fraud update</b></p> <p>The Committee received a report detailing fraudulent activity against the College.</p> <p><i>Members from the audit firms left the meeting. The remaining discussions are recorded under confidential matters.</i></p>		