



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
WEDNESDAY 26 JUNE 2013 AT 9.30 AM IN THE BOARD ROOM
AT NO 2 ROUNDHOUSE ROAD**

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

In attendance: Andrew Hartley (*Chief Finance Officer*)
Heather Simcox (*Clerk*)
Mandie Stravino (*Chief Executive*)

*Calum Lynch, Will Simpson, Grant Thornton
Stephen Clark, Zubair Limbada, KPMG*

Prior to commencing formal business, Governors met in private with the representatives from Grant Thornton and KPMG. This arrangement will continue for future meetings.

	Action	Date
<i>Calum Lynch informed members that he had now replaced Ian Falconer who would shortly retire from GT. Calum briefed members on his background.</i>		
20/13 Apologies for absence		
Apologies for absence were received from Nick Freeman.		
21/13 Declaration of Interests and Eligibility and Quorum		
No declarations of interest had been received and the meeting was confirmed quorate.		
22/13 Minutes of the last meeting		
The minutes of the meeting held on 13 March 2013 were approved and signed as a true record.		
23/13 Matters arising		
15/13.1 Capital Projects: The CFO confirmed capital contract signing was now up-to-date.		
24/13 External Audit		
24/13.1 External Audit Plan and Strategy		
Stephen Clark of KPMG formally thanked the Committee for re-appointment as external auditors to the College. Stephen presented the planning document and confirmed KPMG were on site this week as their work commenced.		

The scope of the audit remained unchanged for the current year and there were no changes in accounting standards and requirements for this year.

Stephen brought members attention to changes in the finance team and confirmed there were no concerns requiring attention in terms of the audit process. Capital transaction activity was noted which would have an impact on the accounts, which the College was aware of.

In terms of regulatory and funding changes, members' attention was drawn to SORP and the new reporting standards in terms of FRS. The next year was a planning phase in introducing this and Stephen proposed providing an overview of the impact of this to a later meeting.

Zubair Limbada highlighted the contents of page 4 and 5 of the Plan and confirmed there were no plans to make changes. There was no concern in connection with meeting the deadlines. Zubair outlined the process for reporting of errors, and went on to outline the risk assessment and areas of focus for the audit. Members noted loan facilities were in place and received confirmation that there was no impact in terms of covenants.

In terms of the College's estate, valuations were discussed.

Sunny Chandhoke left the meeting. The meeting was still quorate.

Members considered accruals, liabilities and provisions and were reminded of the conditions in connection with current efficiency measures.

The Chair thanked KPMG for their presentation.

Stephen Clark and Zubair Limbada left the meeting.

25/13 Internal Audit

25/13.1 Joint Audit Code of Practice Part 2

Will Simpson of Grant Thornton informed members of consultation around the JACP Part 2 that had taken place and the background to this. It was anticipated Part 2 would come into effect from 1 August 2013. Will highlighted some key points and members discussed these in detail.

25/13.2 Internal Audit Reports 2012-13

Course Costing and Income

Will informed members of the scope of the review and outlined findings and the overall conclusion. The CFO briefed members on a new curriculum planning tool that had

recently been introduced. Members considered the proposed actions put forward by Grant Thornton and the Chief Executive explained the College's processes in connection with these. Members were reassured by the CEO and CFO that scrutiny of curriculum planning took place and was in line with both contribution targets and wider strategy.

Learner Number Systems

Will explained the scope of the review and confirmed assurance was provided in terms of design effectiveness and operating effectiveness of risk management objectives. Proposed actions were noted, as was the management's response.

Risk Management

Will confirmed this was not a process driven review and the focus was based on risk maturity. In summary, GT had assessed the College as being Risk Defined and reported that the College did have clearly defined objectives and that risks were reviewed in consultation with others to meet the needs of the College.

25/13.3 Internal Audit Draft Annual Report 2012-13

Calum presented the draft annual report for 2012-13 which contained three clean opinions for Risk Management, Corporate Governance and Internal Controls. A final report would be presented to the first meeting of the Committee in 2013-14. Calum presented a summary of the outcomes of 2012-13 reviews. Members noted the audit days had reduced by six days.

25/12.4 Internal Audit Draft Plan for 2013-14

Will confirmed GT had met with members of the management team in order to develop the Plan for 2013-14, which was presented today. Will explained GT's approach to the internal audit and highlighted section 3 which contained the proposed plan. The fee section was noted, which showed a reduction on the previous year.

The Chair sought feedback from the CFO in terms of the reduction of days and focus for internal audit. The CFO responded that the majority of the reduction was reflected as a result of the previous reviews that had taken place. GT confirmed they would be happy to provide an opinion at the year-end, 31 July 2014, with the plan that was proposed.

The Chair asked whether a follow-up review on the new curriculum planning tool should be included in the Plan, as well as a review of the College's HR arrangements.

The CFO responded that when the initial review was commissioned, it was not known that a new planning tool would be in place. The CFO felt the system and its usage would be developed and increased now that the initial implementation stage had passed. Members considered this and GT agreed to incorporate into the follow-up days.

Lin asked how the internal audit plan contributed to the College's strategy in line with national policy, such as Rigour and Responsiveness. The CFO agreed independent reviews were aimed at providing a high level of assurance on the College's activities which were following the national agenda.

Calum suggested a review of Human Resources should be planned moving forward, and also suggested a review of corporate governance should be considered. Calum reminded members of the risk of fraud particularly as colleges undertook large capital projects. The CFO confirmed that as a result of a fraud experienced last year systems had been amended and a review of this had been planned.

Members would ask the Board to consider a separate review of governance.

CHAIR 22.07.13

26/13 Monitoring Activity

26/13.1 Review of Internal and External Audit Recommendations

The CFO highlighted outstanding action points and their status, in addition to the change to the status of Environmental Sustainability, and explained reasons behind this. The CFO assured members full post project capital investment reviews were undertaken a year to eighteen months after completion. This recommendation had been re-assigned and amended to an initial six-month project review followed by a full one after eighteen months. He expanded further on other recommendations.

26/13.2 Risk Management – Updated Risk Register

The CFO confirmed amendments had now been made to the risk register following recommendations made by the Corporation. New risks had not been added since the last meeting and members were reminded the paper only showed high risks.

The CEO, Calum Lynch and Will Simpson left the meeting.

28/13 Date of Next Meeting

To be confirmed.