



**Minutes of the Audit Committee Meeting
held on Monday 4 July 2011 at 8.30am
in Room 814 at Matthew Boulton Campus**

Present:

Mr S Pearce (Chair)
Mr G Evans (GE)
Ms M Hunt (MH)

In Attendance:

Mr C Hill (Executive Director Support Services) (CH)
Mr B Pattni (Executive Director Finance and Resources) (BP)
Dr R Minett (Executive Director Academic Affairs) (RM)
Mr M Ashton-Blanksby (RSM Tenon) (MAB)
Mr A Argyle (KPMG) (AA)
Mr Z Limbada (KPMG) (ZL)
Ms C Bennett (Clerk to the Corporation) (CEB)

Apologies for Absence:

Dr C Braddock (Principal)

Declarations of Interest

Both the internal and external Auditors to leave after Item 7 so that re-appointments can be discussed.

Declarations of Irregularities

The Clerk informed the Committee that in relation to the complaint that had been reported at the previous Audit Committee meeting, an internal investigation was carried out and no evidence of the allegation was found. The Chair of the Audit Committee, the Chair of the Corporation and the external Auditors had been informed and were satisfied with the outcome.

Item 1 - Minutes of Meeting held on 8 March 2011

MH confirmed that she was present. The Committee confirmed that, subject to the above amendment, the minutes of the meeting held on 8 March 2011 were a true and accurate record of the meeting and were therefore approved.

Matters Arising

There were no matters arising.

Item 2 – Risk Management Policy and the Risk Register

- 2.1 This item was presented by BP who informed the Audit Committee that risk management has been refined with a new Risk Management Policy that enhances the established risk management function through a more transparent and robust risk scoring matrix. BP went on to say that the internal Auditors and the College have worked together to produce this and it is ingrained in the Strategic Plan.
- 2.2 BP stated that risks have been reviewed and updated to reflect the current external environment which the College continues to monitor particularly in terms of changes to funding and policy.
- 2.3 The Chair asked the Committee for questions and comments. Committee members commented on the Risk Register and Policy being greatly improved. Questions were asked about the explicit link between the Strategic Plan and risk. The Chair then went through the Risk Register and Management provided full responses.
- 2.4 A more detailed discussion took place in relation to monitoring sickness absence. CH reported that the College is actually under the average percentage of working time lost which is very good for the sector. Discussions took place as to whether this might be an area that the internal Auditors look at as part of their contingency days for 2011/12 (subject to re-appointment).
- 2.5 AA made a general comment in relation to what has been seen at other Colleges whereby a four square box can be set out which illustrates which Committee looks at the risk and whether it is strategic or operational. GE commented that this is extremely useful as it would show clear linkage to the Strategic Framework. GE asked how often it is envisaged that updates would be provided to this Committee. BP stated that the Audit Committee will review the Risk Register at every meeting and the Corporation will see it once a year. Management will review the Risk Register on a monthly basis. The Chair added that this approach seems sensible but it would be worth sending a cover note to all Corporation members to inform them of this process.

Action:

Clerk to produce a cover note to inform all Corporation members of the approach to monitoring risk by the Corporation.

Approved:

The Audit Committee reviewed the Risk Register and Risk Policy and agreed to recommend them to the Corporation.

Item 3 – Internal Audit Reports

3.1 This item was presented by MAB. MAB informed the Committee that reports on financial controls and follow-up of Previous Internal Audit Recommendations had been carried out.

(i) Financial Controls

3.2 Turning to the report on Financial Controls first, MAB informed the Committee that an audit of key financial controls was undertaken as part of the Internal Audit Plan for 2010/11. Very little came out of this audit with the main recommendations being set out on page four of the report. BP provided an updated position in terms of the recommendations, all of which were low priority and MAB informed the Committee that the Corporation can take substantial assurance in relation to this area.

Approved:

The Audit Committee approved the Internal Audit Report relating to Financial Controls.

(ii) Follow-up of Previous Internal Audit Recommendations

3.4 MAB turned to the Follow-up Report on Previous Internal Audit Recommendations. He informed the Committee that most of the detail is set out on page two of that report and that this is a report that must be produced once a year in accordance with the Audit Code of Practice. MAB added that with the Follow-up Report no assurance as such is given but he reported to the Audit Committee that the Internal Auditors did not find any "no actions".

Approved:

The Audit Committee approved the Internal Audit Report on Follow-up of Previous Internal Audit Recommendations.

3.5 A discussion took place in relation to procurement and BP reported that a Procurement Manager is going to be appointed. BP added that this is also part of the work in trying to harmonise processes at Harborne Academy whereby procurement contracts are being negotiated. BP said that already best practice is put in place with three quotes being obtained at tender level. GE added that it would be very helpful to have as an item a paper on procurement as GE had found this extremely useful at Aston.

3.6 The Chair asked if there were any questions. The Chair asked whether the Disaster Recovery Plan was now in place. CH confirmed that this had been completed and sent for approval just a few weeks ago. CH added that a Scenario Day is going to be added to the calendar for next academic year. This will involve the Senior Team. Everyone agreed that this was a good idea. The Chair agreed that good robust systems are in place.

Action:

- Executive to discuss production of paper on procurement for next Audit meeting.
- Executive to discuss date for scenario day.

(iii) Internal Audit Charter

3.7 MAB then turned to the Internal Audit Charter and informed the Committee that this has been introduced as a result of new international standards for Internal Audit. MAB explained to the Committee what was contained in the Internal Audit Charter and informed the Committee that it needs to be signed by the Chair of the Audit Committee. A discussion took place in relation to the Charter. MAB confirmed that the Charter covers the term of appointment of the internal Auditors and that it would only change if there was a change in the Head of the Internal Audit.

Approved:

The Audit Committee agreed that the Chair of the Audit Committee would sign the Internal Audit Charter which was reviewed and approved.

Item 4 – Draft Internal Audit Plan/Audit Strategy 2011/12

4.1 MAB presented this item. He led the Audit Committee through the report which sets out the approach that the Internal Auditors have taken to develop the College's Internal Audit Plan for 2011/12. He also informed the Committee that the report provides the Corporation with a three year strategy and a more detailed plan for 2011/12. MAB highlighted key areas such as tailoring the plan around the Government Spending Review and changing landscape in FE, including fees etc. as well as the need to respond to policy and changes, for example on apprenticeships. MAB led the Committee through the timetable and asked for any questions.

4.2 CH mentioned that the timing in relation to ILT was too early as the intention is to carry out significant upgrades in this area over the summer. MAB said he would amend this to early 2012.

ACTION:

MAB to amend Internal Audit Plan 2011/12 to carry out ILT Audit early 2012 instead of Autumn Term 2011.

4.3 ZL said that on behalf of the external Auditors, they were happy with the timing from a financial stability point of view. MAB added that this College is of low risk in terms of financial stability given its recent PFA Audit receiving an outstanding result and its Internal Audit Plan receiving a green light and no major issues being flagged by the external Auditors.

- 4.4 SP asked BP if he was comfortable with the levels of fees. BP confirmed that he was. The chair also asked the external Auditors if they were comfortable with the plan and both confirmed that they were.
- 4.5 The Chair said that on behalf of the Committee, he is happy to approve the Internal Audit Plan 2011/12 and recommend it to Corporation. He added that this is obviously subject to re-appointment of the current internal Auditors which will be looked at under AOB.

The Chair asked if Item 6 could be taken at this stage prior to Item 5. This was agreed.

Item 6 – Draft External Audit Strategy and Planning Memorandum 2010/11

- 6.1 This item was presented by ZL and AA. ZL informed the Committee that the purpose of the report was for the external Auditors to brief the Audit Committee on their approach to the audit of the College for the year ended 31 July 2011 and bring a number of sector wide developments to the Audit Committee's attention. ZL led the Committee through the Audit Approach, Financial Statements Audit Risks, the Audit Team, Audit Fees, Audit Timeline and Deliverables and FE Sector Developments.
- 6.2 The Chair asked if there were any questions. A discussion took place in relation to main projects for instance the work at James Watt Campus and the timing of that work. Pensions were also discussed. A brief discussion took place about the consolidation of Harborne Academy accounts with those of the College. The Chair asked BP if he was happy with the fee quote. BP confirmed that he was. The Chair commented on the uplift to fees and BP said that he would provide more information in relation to this under AOB.
- 6.3 ZL led the Committee through the Further Education Sector Developments including; Funding and Policy Developments, the Education Bill, the WOLF Report, the Joint Audit Code of Practice (JACOP), Accounts Direction Handbook 2010/11, Going Concern and Liquidity Risk, Corporate Governance and the Bribery Act 2010 as well as changing to Financial Reporting Standards and Pension reporting. The Clerk commented that the Corporation will be provided with an update in relation to the Bribery Act at the July Corporation meeting.
- 6.4 The Chair said that he is happy to approve the External Auditors Audit Strategy and Planning Memorandum 2010/11 and recommend it to Corporation (subject to re-appointment of the external Auditors to be discussed under AOB).

Item 5 – Verbal Update on the Review of the Audit Committee's Terms of Reference

- 5.1 This item was presented by the Clerk to the Corporation. The Clerk informed the Committee that the intention had been to revise all Terms of Reference once the outcomes of the Follow-up meeting of the Task and Finish Group meeting had taken place and also when the new Committee structures were in place. However the work had already been carried out in relation to the Audit Terms of Reference by the Clerk, Chair and GE and the fact that regardless of any new committee structure the Audit Committee will still need to be part of that structure and therefore it is worth reviewing the revised Terms of Reference.
- 5.2 The Clerk informed the Audit Committee that there were no material changes to the Terms of Reference save that the Committee responsibilities in terms of risk are more expressly set out. The Clerk added that it is mainly the formatting of the Terms of Reference that has changed with more use of headings and numbering to make them much clearer. The Clerk asked for comments. GE stated that in terms of 2.5 would it be better to align Committee membership with that of Corporation membership. This was agreed. CH made the point that in terms of 5.2 any member of staff should be able to attend the meeting and this should not be restricted to Executive. This was agreed.
- 5.3 The Clerk informed the Committee that once the review of all other Terms of Reference has taken place, all Terms of Reference will be brought to its respective committee and Corporation for final approval. She added that the Audit Terms of Reference will not be brought back to the Audit Committee for approval but if there are blanket sentences that need to be added across all Terms of Reference, these will be added to the Audit Committee Terms of Reference unless they are of material significance in which case she will seek committee approval first.

ACTION:

The Clerk to make the amendments as listed above to the draft Audit Terms of Reference.

Item 7 – Verbal Update on Audit Committee Membership

- 7.1 The Clerk presented this item. First of all she thanked the Chair of Audit Committee on behalf of both the Corporation and Executive Team for all of his work as both Chair of Audit and as a Corporation Member. The Clerk went on to say that given Sally Davies had resigned from the Corporation and therefore the Audit Committee, the search process is focussed on finding an individual with the necessary financial and accounting experience.
- 7.2 The Clerk informed the Committee that this was discussed at the Governance and Search Committee meeting on the 16 June 2011. The Clerk stated that she will be meeting with potential candidates during July/August with a view to an appointment taking place in the Autumn term.

- 7.2 The Clerk informed the Committee that GE had agreed to act as interim Chair between the period 1 August 2011 to when the new Committee structure is in place unless at Corporation it is agreed that an existing member is better placed to carry out the role.
- 7.3 The Chair thanked colleagues on the Committee, both staff and members and internal and external Auditors for their work throughout his time as Chair of Audit. Members and Colleagues wished the Chair well in the future.

The internal and external Auditors left the meeting at this stage.

AOB

- In terms of appointment of the internal and external Auditors, BP led the discussion on this. BP informed the Committee that in the case of both Auditors the College went out to market to obtain three quotes and in both cases RSM Tenon and KPMG were still extremely competitive. BP added that this also works well with the fact that KPMG and RSM Tenon have been appointed as Auditors for Harborne Academy and there is a lot of work going on in that area at the moment to bring teams together such as the Finance Teams, procedures etc. BP added that going back to the 5% increase in KPMG's fees, given that BMET will be looked at as a group rather than as a College and an Academy he was less concerned about the 5% increase as this has been taken in to account when quoting for the Academies fees.
- The Chair asked how long the appointment is for? BP responded that it is the third year of a three year agreement in both cases so this appointment is for one year.
- BP added that when we get to the end of this year and go out to market we will procure as a group rather than as a separate College and Academy.
- The Chair asked if there were any further questions and Committee members confirmed there were not.

Approved:

KPMG re-appointed as the College's external Auditors for the Academic Year 2011/12 and RSM Tenon re-appointed as the College's internal Auditors for the Academic Year 2011/12.

- The Chair approved the above and agreed that the Committee would make this recommendation to Corporation at the July meeting.
- Again the Chair thanked everybody for their work and wished everybody well in the future. BP passed on the same best wishes to the Chair going forward.

The meeting then ended.

Date of next meeting: 29th November 2011

Signed.....*Kathryn James*.....Date.....*29/11/11*.....

Chair of Audit Committee