

## Doncaster College

# Minutes of the Meeting of the Audit Committee held on 8 March 2010

### Present

Robert Allen	Governor
Karen Findlayson (Chair)	Governor
Ken Hays	Governor
Gillian Knight	Governor
John Toon (Vice Chair)	Governor

The quorum for the meeting was three Members.

### In attendance

Ron Hill	Clerk to the Corporation
Ann Treacy	Acting Director of Finance
John Taylor	Interim Principal
Will Simpson	Grant Thornton (internal audit service)

The meeting started at 5.30pm.

The regular meeting for Governors with the internal audit service preceded the formal agenda.

(Ann Treacy and John Taylor joined the meeting at 5.32pm)

<b>1.</b>	<b>Apologies</b>  1.1 There were no apologies reported to the meeting.  (Gillian Knight joined the meeting at 5.33pm).  1.2 In the absence of Karen Findlayson, John Toon acted as Chair for the meeting.
<b>2.</b>	<b>Declarations of Interest</b>  2.1 The Chair reminded Members to declare their interests as and when necessary on the agenda.
<b>3.</b>	<b>Minutes of the Meeting of the Audit Committee held on 18 January 2010 and any matters arising</b>  3.1 The minutes were agreed as a true and correct record and were duly signed by the Chair.  3.2 There were no matters arising not otherwise on the agenda.
<b>4.</b>	<b>Determination of Any Other Business</b>  4.1 There were no items of Any Other Business requested.
<b>5</b>	<b>Internal Audit Service : Visit Reports</b>

a) Catering Controls

5.1 The internal audit service opinion was given as

- *In the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management;*
- *Those activities and controls were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related risk management objectives were achieved during the review.*

5.2 It was clarified that the focus of the audit review was the catering controls at The HUB.

5.3 There was one **high** priority recommendation, three **medium** priority and three **low** priority recommendations.

5.4 The Acting Director of Finance confirmed that the high priority recommendation regarding the segregation of duties in cashing up processes was already in operation.

b) Information Technology Review

5.5 The internal audit service opinion was reported as

- *Significant concerns regarding the governance and oversight of IT support, the integration of the College's central information technology services team into the wider College and the prioritisation of IT resources due to a failure to determine the College's requirements from its IT services;*
- *Overall we conclude that the risk management activities and controls that we examined were **not suitably designed** to achieve the objectives required by management.*

5.6 There were seven **high** priority recommendations and eight **medium** priority recommendations.

5.7 Governors questioned the reported estimate for the works necessary to the IT infrastructure as between £100k to £2m. The Interim Principal explained that the estimate indicated that a full review of the IT role and structure was required which could have significant financial implications.

5.8 Members requested consideration of a draft IT strategy by the end of the academic year 2009/10.

5.9 The Interim Principal informed that some recommended actions could be addressed in advance of a strategic review.

*(Karen Findlayson joined the meeting at 5.54pm).*

**RESOLVED (AC 09/10)**

***The Audit Committee resolved to request the Interim Principal to provide a timeline to the next meeting of the Board which included a clarification of relevant risks and the determination of a proposed strategic direction for the College's use of information technology for both teaching and learning and management information/organisational support.***

	<p>c) <u>Implementation of the Recovery Plan</u></p> <p>5.10 The internal audit service opinion was reported as</p> <ul style="list-style-type: none"> <li>• In the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management</li> <li>• Those activities and controls were <b>operating with sufficient effectiveness</b> to provide reasonable but not absolute assurance that the related risk management objectives were achieved during the review</li> </ul> <p>5.11 Governors were very pleased to receive the positive assurance regarding the implementation of the Recovery Plan.</p> <p>5.12 There were two <b>medium</b> priority recommendations.</p> <p>d) <u>Progress Report to the Audit Committee</u></p> <p>5.13 There were no reported amendments to the internal audit strategic plan for 2009/10. It was noted that governor development had recently been provided by the Clerk to the Corporation on the foundations of college governance.</p> <p>5.14 Governors confirmed interest in a review of human resources policies and practices to be undertaken within 2009/10. It was believed that the four unallocated audit days could be used in relation to the development of the I.T. strategy.</p> <p>5.15 Governors supported an assurance mapping development based on the National Audit Office document 'A Guide for Audit Committees'. (See item 11).</p> <p><b>RESOLVED (AC 10/10)</b></p> <p><b><i>The Audit Committee resolved to note the internal audit service reports.</i></b></p>
6	<p><b>Audit Recommendations and Actions (Composite Report)</b></p> <p>6.1 The Acting Director of Finance presented the written report which described the implementation of audit recommendations.</p> <p>6.2 Of the 59 internal audit service recommendations, 41 recommendations had been actioned and 18 recommendations remained for implementation (including one high priority recommendation).</p> <p>6.3 Of the 7 financial statements audit recommendations, 5 recommendations had been implemented and 2 recommendations remained for implementation (both of which had high priority status).</p> <p>6.4 The Acting Director of Finance was pleased to report an improved, proactive approach to the management and implementation of audit recommendations.</p> <p><b>RESOLVED (AC 11/10)</b></p> <p><b><i>The Audit Committee resolved</i></b></p> <ul style="list-style-type: none"> <li><b><i>i) to support the College management advice regarding the implementation of recommendations;</i></b></li> <li><b><i>ii) to delete an earlier reference to the development of a College property strategy in 2008/09. (The current deadline for addressing the College property strategy is July 2010);</i></b></li> <li><b><i>iii) to commend the reduction in the number of high priority recommendations and the reduction in the overall number of recommendations.</i></b></li> </ul>

<p><b>7</b></p>	<p><b>Strategic Risk Register and Risk Management – Status Report</b></p> <p>7.1 The Acting Director of Finance presented the written report which included the proposed top ten risks in relation to Doncaster College.</p> <p>7.2 The risks given red status were</p> <ul style="list-style-type: none"> <li>• The under-utilisation of High Melton and failure of infrastructure</li> <li>• Failure to adapt and compensate for reduction in funding</li> <li>• Failure to raise profile and positive reputation of the College</li> </ul> <p>7.3 The Interim Principal also emphasised</p> <ul style="list-style-type: none"> <li>• the failure to recruit and attract sufficient learner numbers to priority areas;</li> <li>• the unsatisfactory performance of the new principal</li> <li>• the failure of the IT infrastructure</li> </ul> <p>7.4 The Interim Principal reminded Governors that the Corporate Report presented to each Board meeting included a risk rating for the performance objectives for the College in 2009/10.</p> <p>7.5 The Interim Principal explained that the proposed strategic risk register was being considered by the College executive team at present. The strategic risk register would be reviewed by the College’s Risk Management Group week beginning 15 March 2010.</p> <p>7.6 Governors asked how items move on and off of the strategic risk register. The Acting Director of Finance explained that as senior and middle managers became trained and experienced in the application of the risk register, this would improve understanding and consideration of the strategic top ten and other risks.</p> <p><b>RESOLVED (AC 12/10)</b></p> <p><b><i>The Audit Committee resolved to commend the strategic risk register and await further refinement in the light of discussion.</i></b></p>
<p><b>8</b></p>	<p><b>External Co-opted Member : Offer of Service</b></p> <p>8.1 The Clerk to the Corporation presented the written report which included details of Maureen Vevers who had offered to join the Audit Committee as an External Co-opted Member.</p> <p>8.2 Governors emphasised the importance of appropriate support and development for External Co-opted Members.</p> <p><b>RESOLVED (AC 13/10)</b></p> <p><b><i>The Audit Committee resolved to request a meeting be arranged for the Audit Committee with Maureen Vevers.</i></b></p>
<p><b>9</b></p>	<p><b>Performance Indicators (a) financial statements auditors (b) internal audit service</b></p> <p>9.1 The Acting Director of Finance presented the written report which included proposals for the use of performance indicators for (a) financial statements auditors and (b) the internal audit service auditors.</p> <p>9.2 The following amendments were made</p> <ul style="list-style-type: none"> <li>• The planned and actual outturn for the time employed on the audit of each <i>assignment</i> ....</li> <li>• ....will not be greater than that within the annual plan <i>unless amended by</i></li> </ul>

	<ul style="list-style-type: none"> <li>• <i>agreement.</i></li> <li>• ...draft internal audit report for each review <i>within 20 days....</i></li> <li>• Deletion of point 10</li> <li>• Renumbering final two points</li> </ul> <p>9.3 There was support for the inclusion of process-based data to assist appreciation of the performance of the audit service provider.</p> <p><b>RESOLVED (AC 14/10)</b></p> <p><b><i>The Audit Committee resolved to recommend the performance indicators for (a) financial statements auditors and (b) internal audit service auditors to the Board for approval.</i></b></p>
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<b>10</b>	<p><b>of Practice – Consultation</b></p> <p>to the Corporation presented the written report which included evidence regarding the proposed Joint Audit Code of Practice (Part 1). The Committee considered the consultation questions and determined responses as follows:</p>
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Consultation question	Audit Committee response
Should there be a Joint Code of Practice for the SFA, YPLA, and local authorities?	Yes
Should it cover all types of provider?	Yes
Do you agree with the principle of one provider, one funding assurer?	Yes
What level of guidance should the SFA, YPLA and local authorities issue to learning providers on assurance matters?	Outline guidance only
Which areas of assurance activity would you welcome guidance on?	<ul style="list-style-type: none"> <li>○ Internal audit service practice</li> <li>○ Eligibility criteria for exceptional audits</li> </ul>
Should assurance work be consistent for similar types of learning provider?	Yes
General comments	<ul style="list-style-type: none"> <li>○ Keep it simple</li> <li>○ Maximise funding for teaching and learning</li> </ul>

	<p><b>15/10)</b></p> <p><b><i>Committee resolved to request the Clerk to the Corporation to submit the report to the Board for consideration and approval.</i></b></p>
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<b>11</b>	<p><b>Audit Committee : Development</b></p> <p>11.1 Governors discussed possible development themes accepting that the Board had determined a Governor Development Programme for the period to 31 July 2010.</p> <p><b>RESOLVED (AC 16/10)</b></p> <p><b><i>The Audit Committee resolved to request that a review of the National Audit Office document ‘A Guide for Audit Committees’ be included on the agenda of the next Audit Committee meeting.</i></b></p>
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<b>12</b>	<b>Learning and Skills Council Employer Responsive Funding : Assurance Report</b>
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	<p>12.1 The Acting Director of Finance presented the written report which included the report from the LSC Yorkshire and Humberside Regional Audit Team (compiled by Baker Tilly UK Audit LLP on behalf of the LSC). The audit related to a contractual value of £1,470,805.07 in 2008/09.</p> <p>12.2 The audit opinion reported as follows</p> <ul style="list-style-type: none"> <li>• Unqualified i.e. satisfactory, opinion on the use of funds</li> <li>• Unqualified i.e. satisfactory, opinion on internal control</li> </ul> <p>12.3 There were 4 <b>high</b> priority recommendations, 5 <b>medium</b> priority and 2 <b>low</b> priority recommendations.</p> <p>12.4 The Acting Director of Finance explained that an earlier version of the report had required repayment of £165k (assuming an error rate of 11%). Following appeal by the College, the repayment required has been reduced to £8k (an error rate of 2.5%).</p> <p>12.5 Governors were concerned at the distraction, additional work and stress caused by the initial audit reporting (which derived from incorrect data being transferred from the LSC to Baker Tilly).</p> <p><b>RESOLVED (AC 17/10)</b></p> <p><b><i>The Audit Committee resolved (i) to thank the Acting Director of Finance and her team for pursuing a successful appeal against the initial inaccurate audit report and (ii) to request that the Chair of the Audit Committee write to the LSC expressing the serious concern of the Audit Committee regarding the nature of the initial audit process and reporting.</i></b></p>
<p><b>13</b></p>	<p><b>European Regional Development Fund : Audit Visit</b></p> <p>13.1 The Acting Director of Finance presented the written report which included the report 'A15 Audit of ERDF Project' in relation to the Leading Edge Technology Solutions project. The project has an overall contractual value of £3.8m.</p> <p>13.2 The audit report stated 'there are no outstanding issues which require your response'. However, the audit did identify £600.31 of ineligible expenditure which was required to be repaid to the European Secretariat.</p> <p><b>RESOLVED (AC 18/10)</b></p> <p><b><i>The Audit Committee resolved to note the audit report regarding Leading Edge Technology Solutions.</i></b></p>
<p><b>14</b></p>	<p><b>Date and Time of Next Meeting</b></p> <p>14.1 The next meeting of the Audit Committee will be held on Monday 5 July 2010.</p>

The meeting closed at 7:15pm

Ron Hill  
Clerk to the Corporation