

2 INTERNAL AUDIT SERVICE

2.1 Internal Audit: Assignment Reports

2.1.1i Internal Audit Service (IAS): Progress Report

A report was received updating members on progress in the implementation of the internal audit plan for 2014/15.

Members were advised that In accordance with the agreed timetable for delivery of the Plan:

- Four final reports had been issued, which were presented for discussion
- Fieldwork for the audit of Estates Management had been completed with a draft report to be presented at the next meeting.
- The audit of Learner Numbers Systems has been deferred at the request of management with a revised date agreed
- Fieldwork dates for the remaining audits in the Plan had been proposed

In the context of and following on from discussion with the IAS at the previous meeting of the number of outstanding reviews, in response to questioning confidence was expressed of overall achievement of the Plan for the year.

After noting the progress report, the reports relating to the reviews completed to date were presented:

2.1.1a Audit Follow-Up

The Audit Follow-up Report was presented.

Members were advised of the basis for the work, which it was noted included the College Audit Recommendation Tracker as the basis for the work, specifically to verify to the Committee the status of those recommendations which Management had reported as 'implemented', 'in progress' or 'superseded'.

The findings were summarised. Members were advised that review confirmed implementation of many of the recommendations in-line with the College's assessment with their deletion from the College Log on that basis. It was noted that going forward this had ensured and confirmed consistency with the Log and therefore would provide the basis of future reviews by the internal audit service.

The report was noted.

2.1.1b Cash & Banking

Members were advised that the focus of the review concerned the evaluation of the adequacy and effectiveness of the College's key controls and processes for the receipt, handling and banking of cash and the extent to which controls had been applied.

Reporting the overall “substantial” assurance, the conclusions of the review were summarised. Members were advised of three recommendations made, all of which were housekeeping on nature and which it was confirmed had been accepted by management.

The report was noted.

2.1.1c Marketing & Communications

Members were advised that the focus of the review was the College’s arrangements and processes for Marketing and Communications, included in the Plan due to a risk identified in the College’s Risk Register and uncertainty over the effectiveness of the College’s marketing activities and the extent to which risks were managed.

Reporting the overall “adequate” assurance, the conclusions of the review were summarised. Members were advised of four significant and 4 housekeeping recommendations made all of which it was confirmed had been accepted by management.

Reviewing the four significant recommendations there was particular discussion of:

- The observation regarding the management of the College’s social media account and regular review of passwords acknowledging in the event of any breach, the significance of the risk presented in the form of negative publicity and loss of data. Confirmation was welcomed of the immediate management action in response to the recommendation.
- The findings in the context of sector practice noting the observation that an “adequate” assurance was not uncommon and potentially reflective of the fact that colleges were “playing catch-up” with recommended practice.

Following consideration, the report was noted.

2.1.1d HR – Staff Performance

Members were advised that the focus of the review concerned the College’s controls and processes for staff performance management, included in the Plan both because the College had identified risks relating to the area in its Risk Register and because there had been no recent internal audit coverage in this area.

Reporting the overall “adequate” assurance, the conclusions of the review were summarised. Members were advised of three “significant” and two “housekeeping” recommendations made, all of which were housekeeping in nature.

Reviewing the four significant recommendations there was particular consideration of the observation of and recommendation for:

- Improving the efficiency of resources in the production of PDRs through the adoption of an electronic PDR system noting this it was something to be considered in the longer term with the feasibility of such a system to be first explored to ensure that it would not be cost prohibitive.
- The development of a core competency framework to facilitate the benchmarking of performance. In the context of the risk of potential confusion in this regard resulting in underperformance and the failure to identify training needs, there was discussion of management's response, noting union resistance to and the protracted nature of progress in the modernisation of any HR practice. Expressing concern that such discussions could prove inflammatory it was suggested that achievement of this objective could instead be attainable via an alternative process.

The report was noted.

3. OTHER IN-YEAR MONITORING REPORTS: 2014/15

3.1 Risk Management Progress Report

The Risk Management Progress Report was received.

Reviewing the report there was particular discussion of the 8 significant risks which it was noted remained unchanged from those previously reported. The lesser risks were summarised, noting that these had been reviewed and reworded or merged as appropriate to produce a reduced number of total risks by 7 to 32.

After commending the revised format it was suggested that it would be helpful for future meetings for the report to be accompanied by a summary of the key significant risks to help members' focus of attention and discussion.

The report was noted.

3.2 Implementation of Audit Recommendations: Progress Review

A report was received updating members on progress in the implementation of audit recommendations from the audit services.

Acknowledging that progress had been considered elsewhere on the agenda (Minute 2.1.1a refers), the report was noted.

4 AUDIT SERVICES

The auditors left the meeting at this point.

4.1 Audit Performance & Re-Appointment

A report was presented summarising audit service performance and proposals regarding re-appointment arrangements.

In respect of:

- The External Audit service, it was reported that KPMG had been appointed in 2012 for an initial term of three years, with the option to extend for a further two years. Having completed three audits members were advised that their appointment therefore required consideration and that based on performance to date their re-appointment for a further two years was proposed.
- The Internal Audit Service it was reported that Mazars had been appointed at the same time and that they would have completed their third year with their programme for 2014/15. It was noted that their re-appointment for a further year was proposed.

In the context of the overall performance of the audit services, there was discussion of the proposals:

- Agreeing that the external audit service had provided a sound service with no specific issues or concerns about their approach.
- Concurring with the view of the internal audit service and that whilst some issues with responsiveness were raised, particularly in the first year or so of the contract, delivery had generally improved in the last 18 months.

After consideration it was resolved to **RECOMMEND** for the Corporation to **APPROVE** the proposal for:

- The extension of the contract for KPMG for a period of two years, and for their re-appointment for a further two years to audit the periods 2014/15 and 2015/16.
- The extension of the contract for Mazars for a period of one year and for their re-appointment for a further year to audit 2014/15 with the position to be reviewed in November 2015, in order to allow tendering for conclusion by Easter 2016.

5 OTHER BUSINESS & NEXT MEETING

5.1 Any Other Business

None.

5.2 Dates of Next Meetings - Tuesday 16 June 2015 at 8.30am

Confirmed as a correct record

Signed:..... Date:.....