

1.6 Matters Arising

No matters arising.

2 YEAR-END: 2013/14

2.1.1 Internal Audit: Assignment Reports

The last of the reports relating to the reviews completed in accordance with 2013/14 audit plan were presented:

2.1.1a Learner Number Systems

Noting the overall "Substantial" assurance, the conclusions of the review were summarised. Members were advised of the three recommendations made, all of which were housekeeping in nature, two relating to checking identity and one about checking the status for a work-based learner.

The report was noted.

2.1.2 Internal Audit Service: Audit Annual Report

The IAS Annual Audit Report 2013/14 was received.

Members were advised that:

- Certain weaknesses and exceptions were highlighted by the audit work, none of which were fundamental in nature. It was noted that these had been discussed with management, to whom a number of recommendations had been made and that all had or were in the process of being addressed.
- It was the opinion of the IAS that on the basis of the audit work, it was considered that the College governance, risk management and internal control arrangements were generally adequate and effective.

Reviewing the report there was discussion of the:

- Status of the audit recommendations advising member that the six Priority 1 and three Priority 3 recommendations related to the IT review undertaken during 2012/13, which confirmed the shortcomings of which the College was aware and provided assurance on the proposed actions already planned to address these shortcomings. Confirmation was welcomed of considerable progress since the Follow-up review in June 2014 to address these as set out the recommendations log, noting that 3 of the Priority 1 recommendations were completed and that of the other 20 Priority 2 recommendations, 13 had been addressed but required audit sign off.
- Comments relating to the review of Information Security, Data Protection and Freedom of Information, noting how it was proposed for formal assurances from the payroll bureau to be obtained regarding its data protection and information security arrangements.

After consideration, it was **RESOLVED** to **RECOMMEND** for the Corporation

- **APPROVE** the IAS Annual Audit Report 2013/14.

2.1.3 Year-end Auditor's Management Report, Auditor's Regularity Audit Report & Auditor's Letter of Representation

The draft financial statements, the external auditor's management letter, regularity audit report and proposed letter of representation for the year-ended 31 July 2014 were presented.

After confirming that the accounts for the year showed a surplus of £84k after restructuring costs but before FRS 17 adjustments and a deficit after FRS 17 of £234k, the management letter and regularity audit report were reviewed. Members were advised:

- That the auditors had indicated that the audit opinion would be unqualified.
- Of five issues raised in the management letter, three of which it was reported had been carried forward from the previous year with one considered high priority with progress recorded in the management letter and the recommendations log. It was confirmed that the other five recommendations from 2013 had been implemented with new recommendations relating to evidencing the review of bank reconciliations and a review of the endowment funds, which had been assessed as low priority.

Reviewing the key highlights within the Management Letter, there was particular discussion of the follow-up of the prior year recommendation concerning the current status of the interface between the Student record system and the general ledger. In response to questioning it was confirmed that the software to extract data from the student records system to upload to the general ledger had been developed and tested and that it was intended for the Interface to be implemented during 2014/15.

Observing the absence of the proposed letter of representation members were advised that whilst predominantly a standardised format, it was anticipated for one adjusted error and an amendment to be made to reflect the business considered during the confidential session. It was agreed that the document would be circulated to members with any comments to be directed to the Vice Principal Finance & Resources.

Subject to the final SFA reconciliation expected early in December 2014, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** for the year-end 31 July 2014, the Auditor's Regularity Audit Report, the Auditor's Letter of Representation and the Auditor's Management Report.

2.1.4 Annual Risk Management Report

Forming one element of the overall control environment on which the Audit Committee reports to the Corporation in their Annual Report, the risk management annual report was presented, summarising progress in Risk Management in 2013/14.

Reviewing the report members commented in particular on the modest nature of the commentary on activity during the year, which it was observed did not perhaps fully reflect the true extent of the progress and achievements for the year.

After consideration the Risk Management Annual Report was noted.

2.1.5 Audit Committee Annual Report

The Audit committee Annual Audit Report 2013/14 was received.

Summarising the activity of the Committee during for the year, the report, was reviewed.

In the context of the business conducted during the year and the overall assurance and opinion statements from the Internal and External Auditors and the review of the College risk management arrangements, the Committee considered the assessment of the College's internal control system. Following the correction of some minor typographical errors it was suggested for:

- For the commentary concerning Audit Follow-up to be enhanced to reflect the Committee's review of and the reassurance received of the addressing of previous recommendations.
- The re-wording of the conclusion in reference to the Letter of Representation.

Subject to the minor amendments proposed, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** the Audit Committee Annual Report 2013/14

2.2 IN-YEAR MONITORING & PERFORMANCE: 2014/15

2.2.1 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 to date no Internal Audit work had been completed although it was noted that the plan, proposed for some reviews to be undertaken in November and December, covering HR Performance Management, Business Continuity, Estates Management and a follow up.

Observing that it was undesirable for the number of proposed reviews to remain subject to confirmation there was discussion with the IAS of the timescales for completion to ensure the presentation of reports to the Committee's next meeting.

After discussion, the report was noted.

2.2.2 Implementation of Audit Recommendations: Progress Review

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

It was reported that:

- The outstanding recommendations that were originally assessed as high risk related to the IT Disaster Recovery Planning, where it was noted progress had been made but the final documentation and testing of the plan and recruitment of staff needed to be completed.
- In total there were 19 recommendations still to be fully addressed with 23 considered to be completed, advising members that the latter would be addressed by Internal Audit reviews set out in the plan and due to be completed before the Committee's next meeting.
- In respect of the External Auditors' recommendations, there remained 3 carried forward, two of which were also raised by Internal Audit and with one other recommendation carried forward relating to setting up new suppliers. It was confirmed that the remaining 5 recommendations from prior years had been cleared.

The report was noted.

2.2.3 Risk Management Strategy, Plan & Register 2014-15

The Risk Management Strategy, Plan and Register 2014/15 were received.

In the context of the Risk Management 2013/14 Annual Report, reviewed under agenda Item 2.4 the proposed actions for 2014/15 were considered.

Reviewing the Plan and Register there was particular discussion of the treatment of Whistle-blowing, agreeing that in the context of risk management its inclusion was most appropriate as part of S3.3, Compliance with the various regulatory frameworks.

After discussion, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **RECONFIRM** the Risk Management Strategy, Plan and Register 2014/15.

2.2.4 Committee Terms of Reference (Review)

A report was received following a review of the Committee's Terms of Reference.

Reviewed in the context of the provisions of the Statutory Instrument, the Financial Memorandum and the Joint Audit Code of Practice (JACOP) Part 2, members were advised of amendments were proposed either to reflect the appropriate provisions of the Code and Financial Memorandum or good practice. Reviewing the amendments it was suggested for a further amendment to:

- Section 4.5 to ensure that the rules regarding meeting quorum reflected the provision concerning committee membership.
- Section 7.3 referring to confidential session to make provision in the event of any issue that would require the withdrawal of the Clerk to the Corporation

Subject to the further comments made, it was **RESOLVED** to:

- **RECOMMEND** for the Corporation to **APPROVE** the updated terms of reference.

2.3 REVIEW OF AUDITOR PERFORMANCE

See Minutes 2.1.3 and 2.2.1

5 OTHER BUSINESS & NEXT MEETING

5.1 Any Other Business

None.

5.2 Dates of Next Meetings

- **Tuesday 24 March 2015 at 8.30am**
- **Tuesday 16 June 2015 at 8.30am**

Confirmed as a correct record

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