



Minutes of a meeting of the Audit Committee held on Wednesday 18 March 2009 at 5.00pm in room 3F099, York College

Present: Sarah Ashton
Jim Clark (Chair)
David King
Andy Mendus

In Attendance: Trevor Armer, Director of Finance
Richard Hinde, Clerk to the Governing Body
Kate Robinson (KPMG) – Financial Statements /Regularity Auditor
Anne Tyrrell, Deputy Principal Resources
Ian Wallace (RSM Bentley Jennison) – Internal Audit Service

The meeting started at 5.00pm

Action

09.01 Apologies for Absence / Declarations of Interest
Apologies were received from Trevor Rees, Carl Teigh and Susan Turner.

09.02 Minutes of Previous Meeting – 2 December 2008
The minutes of the meeting held on 2 December 2008 were approved as an accurate record and signed by the Chair.

09.03 Matters Arising
a) Action Summary Sheet
The Committee considered the action summary for the previous meeting on 2 December 2008 and noted that all actions had been completed.

b) Financial Management and Control Evaluation
The Director of Finance reported that he had received informal notification by email that the LSC had accepted that the College's financial management and control would be classified as "outstanding" as the College had wanted, rather than as the LSC's original classification of "good". Formal confirmation was now awaited. Kate Robinson of KPMG requested to have sight of the College's final amendments to its self assessment.

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09.04 Financial Statements Audit
a) Implementation of 2007/08 Audit Recommendations
The Director of Finance presented the report summarising progress on the implementation of recommendations made in the Management Letter arising from the College's 2007/08 Financial Statements Audit.

It was noted that the approval of the 2008/09 Learner Support Fund

Policy had been delayed due to ill health, but that the review would be completed by the end of this month. It was noted that a full report on the future of the College's company, Pure Business Solutions Limited, would be presented to the next meeting of the Governing Body.

09.05 Implementation of 2007/08 Internal Audit Recommendations

The Director of Finance presented the report giving details of the internal audit recommendations made by Bentley Jennison during 2007/08 which had yet to be implemented. It was noted that there were 27 out of 86 recommendations which fell in to this category which amounted to 66%. It was observed that this level of completion at this stage compared favourably with a similar level of achievement for the whole of the previous academic year.

Discussion took place about the College's business continuity planning and training, and it was queried whether the recommendations would have been completed by the dates anticipated. It was explained that work was in progress and that, as this area was subject to an internal audit review in May, the internal auditors would be able to assess progress at that time.

09.06 2008/09 Internal Audit Reviews

a) 2008/09 Internal Audit Progress Report

Ian Wallace of Bentley Jennison presented the report outlining the work undertaken by Bentley Jennison as the College's internal audit service providers in the current academic year. It was reported that as at 28 February 2009, six internal audit reviews had been undertaken, with reports finalised for five of them. Further reviews were due to be carried out later in March 2009.

Of the three reviews carried out since the last Committee meeting two had provided "substantial" assurance (Key Financial Controls; and Procurement and Payments) and one had provided "adequate" assurance (Management Information; Quality Assurance and Communications). It was noted that there had been a delay in issuing the draft report for Procurement and Payments.

b) Report From Phase 1 (November 2008)

Ian Wallace of Bentley Jennison presented the report on Key Financial Controls. The conclusion of the review was that: "Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective." Three recommendations were made which "merit attention". This was the lowest priority of recommendation that the auditors could make. Eight of the nine recommendations previously made had been implemented and one was in progress. Discussion took place about the number of staff in the College's Finance and Buying departments.

c) Report From Phase 2 (December 2008)

Ian Wallace of Bentley Jennison presented the report on Procurement and Payments. The conclusion of the review was that: "Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective." Three recommendations were made which "merit attention". This was the lowest priority of recommendation that the auditors could make.

Discussion took place about the number of approved suppliers to the College and it was explained that the College was looking at this issue with a view to reducing this number in order to achieve an appropriate supplier base of adequate quality, in accordance with the College's own Procurement Policy. Discussion also took place about purchasing organisations and consortia which the College used, or might seek to use in future.

d) Report From Phase 3 (January 2008)

Ian Wallace of Bentley Jennison presented the report on Internal Communications, Management Information and Quality Assurance. The conclusion of the review was that: "Taking account of the issues identified, in our opinion the Board can take adequate assurance that the controls upon which the organisation relies to manage these risks, as currently laid down and operated, are effective." Three recommendations were made which were "significant" (medium priority) and nine recommendations were made which "merit attention" (the lowest priority of recommendation that the auditors could make). Mr Wallace went on to explain that it was only the design of the control framework for internal communications which had not been judged to provide "substantial" assurance within this review. Consideration was then given to the Action Plan that had been produced and it was noted that the College was to introduce a Communications Strategy by August 2009.

e) Implementation of 2008/09 Internal Audit Recommendations

The Director of Finance presented the report summarising the progress that the College was making on the College's implementation of the recommendations made by Bentley Jennison so far during 2008/09, which was considered by the Committee.

09.07 Review of Performance Indicators For Audit Services

The Director of Finance presented the report on the review of performance indicators for the College's audit services. It was explained that the LSC Audit Code of Practice suggested that Audit Committees should annually review their approach to the consideration of the performance of their auditors. The Committee considered its previously agreed approach to the measurement of audit service providers and the assessments that had been made for both its Financial Statements and Regularity Auditors and its Internal

Auditors for the year ended 31 July 2008. The Committee **agreed** that its approach to the measurement of its audit service providers should remain unaltered. Clarification was provided in relation to the Internal Auditor's report on Energy Management.

09.08 Risk Management

a) 2008/09 Risk Management Policy Review

The Director of Finance presented the report on the 2008/09 review of the College's Risk Management Policy. It was reported that the College's current Risk Management Policy included the requirement for the Policy to be reviewed every two years. This had been done last year in 2007/08. However, it had been agreed that planned changes to the College's strategic planning processes meant that a further review in 2008/09 would be appropriate, and this had now been carried out.

The Committee considered the reviewed Policy and noted a small number of minor amendments they wished to see included in the document. Subject to this, the Committee **resolved to recommend** the Governing Body to approve the College's Risk Management Policy.

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09.09 Additional Services with Audit Service Providers

The previously circulated report was considered. It was noted that in the twelve month period to 28 February 2009, the additional services KPMG had provided to the College related to the provision of VAT advice in relation to the New College Project. This had resulted in a payment to the College of £69, 747, being interest from the HMRC for delays in resolving the College's Lennartz VAT claim for the New College. The fee paid to KPMG for this additional work amounted to £8,196 (including VAT). Discussion then took place about a recent EU decision which, it was thought, could impact on any future Lennartz-type claims but which should not affect previously approved claims.

09.10 Committee Effectiveness Questionnaire For 2007/08

The Clerk presented the report with the summary of the Members' responses to the Audit Committee effectiveness questionnaire for 2007/08. It was noted that it had been agreed that the questionnaire would be revised for issue next time.

09.11 Any Other Business

None.

09.12 Date of Next Meeting

Tuesday 7 July 2009 to commence at 4.45pm.

The meeting closed at 5.55pm.

Signed(Chair):

Name:

Date: