

**THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE**

**AUDIT COMMITTEE**

Minutes of the Audit Committee held on Tuesday 14 June 2011  
at 4.15 pm in the Board Room

<b>Present</b>	Miss S Shepherd Mr P Fiddaman Mr F Hayes Mr M McClintock	Chairman	College Governor College Governor External Member College Governor
<b>Officers</b>	Mr R Atkinson Mrs Z Lewis	Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation Deputy Principal - Corporate Services	
<b>Auditors</b>	Mrs A Atkinson Mrs E Casson Mrs A Yates	KPMG KPMG RSM Tenon	

11/001 **ITEM 1 APOLOGIES**

Mr J Autherson	College Governor
Mrs S Bates	College Governor
Ms M Bulman	Assistant Principal - Finance
Mr I Wallace	RSM Tenon

11/002 **ITEM 2 MINUTES – 7 DECEMBER 2010**

These were approved as a true record and duly signed once a change to the minutes had been made in relation to the private meeting not taking place with KPMG.

11/003 **ITEM 3 MATTERS ARISING**

It was **agreed** for the next meeting that:

- the Audit Committee would meet privately with RSM Tenon and KPMG separately so that any issues in relation to the 2010 / 2011 Internal Audit Annual Report and 2010 / 2011 Financial Statements Work could be discussed.

11/004 **ITEM 4 MEMBERSHIP OF THE AUDIT COMMITTEE**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation reported on discussions held at the Search Committee on the 18 May 2011.

During this meeting and following consultation with the Chairman of the Audit Committee (*absent for the meeting*), the Search Committee had been recommended to appoint Mr Ray Johns, Staff Governor (Academic) to the Audit Committee.

Following discussion and some reservations raised regarding the appointment of a Staff Governor to the Audit Committee, it was **agreed to recommend** that:

- the Audit Committee endorses the recommendation of the Search Committee but on the proviso that the appointment is until 31 July 2012 at which time it will be reviewed by both the Audit Committee and Staff Governor in post.

11/005 **ITEM 5 AUDIT MATTERS 2010 / 2011**

**5.1 Marketing, Communication, Registry, and Admissions & Clerk to the Corporation Data Audit Group (*Audit of the LSC Funding Claim and ILR for the Year Ended 31 July 2011 – Phase 1*)**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the phase 1 report, which was undertaken in January / February 2011 but has not yet been reported as the Audit Committee meeting on the 15 March 2011 was cancelled.

The Audit Committee welcomed the up-date on the new style report, which only highlighted the three recommendations made; one was high and two were low.

It was noted that phase 2 report for 2010 / 2011 is due to commence shortly and would be shared with the Audit Committee at its meeting on the 13 September 2011.

No other issues were raised.

The report was considered and received.

#### 11/006 **ITEM 6 INTERNAL AUDIT REPORTS 2010 / 2011**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation in liaison with Mrs Yates briefed the Audit Committee on the new style of reports that are now in operation for 2010 / 2011.

The main change was mainly in relation to the categorisation of recommendations, which have changed from fundamental / significant and merits attention to high / medium and low.

The Audit Committee welcomed the up-date.

Only medium and high recommendations would be highlighted within the Audit Committee minutes, the same practice as previously when fundamental and significant recommendations were reported.

##### **6.1 Student Journey (01.2010/11)**

Mrs Alison Yates presented the Student Journey Internal Audit Report and it was noted that **substantial** assurance was given with one medium and one low recommendation, which is being addressed by the College Leadership Team.

- the College should undertake a regular audit of the quality of the ILPs held on Pro-Monitor. This should include identifying ILPs which have not been fully completed and do not include targets for students (*medium*).

The report was considered and received.

## 6.2 Health & Safety (02.2010/11)

Mrs Alison Yates presented the Health & Safety Internal Audit Report and it was noted that **substantial** assurance was given with one medium and three low recommendations that are being addressed by the College Leadership Team.

- each Directorate should review and update their risk assessments on an annual basis, and detail the date of each review on the document. These must be updated onto the "L" drive for inspection by the Health and Safety Officer, following completion (*medium*).

The report was considered and received.

## 6.3 Safeguarding (03.2010/11)

Mrs Alison Yates presented the Safeguarding Internal Audit Report and it was noted that **substantial** assurance was given with three low recommendations that are being addressed by the College Leadership Team.

The Deputy Principal - Corporate Services then verbally up-dated the Audit Committee on progress being made with safeguarding following the Senior Management Team restructure in February 2011.

Following some discussion in relation to whether the College should produce an Annual Report for Safeguarding, as identified under audit point 4.1, it was **agreed to recommend** that:

- the Assistant Principal - Student Services, Teaching & Learning would be consulted on the production of an Annual Report, which would supplement regular up-dates on Safeguarding to the Governing Body.

The report was considered and received.

#### **6.4 Strategic Planning (04.2010/11)**

Mrs Alison Yates presented the Strategic Planning Internal Audit Report and it was noted that **substantial** assurance was given with no recommendations.

The report was considered and received.

#### **6.5 Governance - Board Structure and Membership, and Conduct of Meetings (05.2010/11)**

Mrs Alison Yates presented the Governance (*Board Structure, Membership & Conduct of Meetings*) Internal Audit Report and it was noted that **substantial** assurance was given with no recommendations.

The report was considered and received.

#### **6.6 Financial Controls - General Ledger and Asset Management (06.2010/11)**

Mrs Alison Yates presented the Financial Controls (*General Ledger and Asset Management*) Internal Audit Report and it was noted that **substantial** assurance was given with one low recommendation that is being addressed by the College Leadership Team.

Mr McClintock asked how often the Financial Regulations were reviewed and in response it was confirmed that this is an annual exercise carried out by the Assistant Principal - Finance albeit not many changes are made. It was reported that the Finance, Assets & General Purposes receives an annual up-date of changes at its December meeting.

The report was considered and received.

#### **6.7 Learner Number Systems - Enrolments, Attendance Records and Data Validation (07.2010/11)**

Mrs Alison Yates presented the Learner Number Systems (*Enrolments, Attendance Records and Data Validation*) Internal Audit Report and it was noted that **substantial** assurance was given with no recommendations.

The report was considered and received.

## **6.8 Follow Up (09.2010/11)**

Mrs Alison Yates presented the Follow Up Internal Audit Report and it was noted that **Good Progress** had been made following a review of six audits and nineteen recommendations, ten of which were significant.

Out of nineteen agreed recommendations outstanding, eleven (58%) have been fully implemented and eight (42%) are in the process of being implemented.

The Deputy Principal - Corporate Services then up-dated the Audit Committee on a number of issues relating to the outstanding audit points, which the Audit Committee noted.

Some issues were then raised with regards to time-scales within the original reports that had not kept to albeit these dates are up-dated in the Exception Report. It was noted that some of the dates due to external factors and it was suggested by the Audit Committee that some report authors should be more realistic when setting deadline dates.

The report was considered and received.

## **6.10 Internal Audit Progress Report 2010 / 2011**

Mrs Alison Yates presented the Internal Audit Service's Progress Report for the Academic Year 2010 / 2011 and to date 8 internal audit reports have been completed.

The next tranche of work not identified on the report related to Human Resources (*completed and awaiting management response*) and the IT Audit (*completed and awaiting the draft report*).

A couple of minor errors were noted on the Progress Report in relation to the colour coding and some textual changes. These would be updated by RSM Tenon and the report would be re-issued within the next seven days.

These two outstanding internal audit reports would be reported at the next Audit Committee, scheduled for Tuesday 13 September 2011 and would be circulated to the Chairman of the Audit Committee following approval of the reports by RSM Tenon.

11/007    **ITEM 7    EXCEPTION REPORTING TO MONITOR PROGRESS  
RESULTING FROM PREVIOUS AUDITS**

The Deputy Principal - Corporate Services presented the Exception Report detailing the reports from previous audits with ten recommendations outstanding; three of which were significant.

70% of the recommendations are merits attention.

Following discussion on the three significant recommendations, it was proposed by the Deputy Principal - Corporate Services to downgrade the significant recommendations to merits attention due to them being nearly complete. This was **endorsed** by the Audit Committee.

The report was considered and received.

11/008    **ITEM 8    EXTERNAL AUDIT STRATEGY TO 31 JULY 2011**

Mrs Emma Casson presented the External Audit Strategy for the period 31 July 2011 and this included an up-date on the proposed Regularity Audit.

The document highlighted a number of key sections including.

1. Purpose & Objectives of the Audit.
2. Audit approach.
3. Financial Statements Audit Risks.
4. Your Audit Team.
5. Audit Timetable and Deliverables.
6. Further Education Sector Developments.

The Audit Committee debated the document including the sections on the audit risks as detailed on pages 7, 8 & 9, the audit fees as detailed on page 11 and the Audit Timetable as detailed on page 12.

After further discussion on the report especially in relation to the increase in fees largely due to the inclusion of First Response and Mizaru Media Company Limited, it was **agreed to recommend** that:

- the External Audit Strategy for the year ending 31 July 2011 (*incorporating the 2010 / 2011 Financial Statements and the 2010 / 2011 Regularity Audit*) be approved by the Governing Body at its meeting on the 11 July 2011.
- the External Audit Fee of £29,013 be approved by the Governing Body at its meeting on the 11 July 2011.

11/009 **ITEM 9 RISK MANAGEMENT UP-DATE**

**9.1 Risk Management Minutes (6 May 2011)**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the unconfirmed minutes of the Risk Management Group, dated 6 May 2011, which were considered and received.

**9.2 Risk Register**

**9.2.1 Strategic Risk Register (as of the 6 May 2011)**

The Strategic Risk Register as of the 6 May 2011 was considered and received for information with fourteen red risks, two new risks added and seven risks having been deleted.

Some discussion took place with regards to measuring inherent and residual risks and how Teesside University use this model in their risk management process. This would be discussed at a future Risk Management Group by the Deputy Principal - Corporate Services, as it had some merits.

It was then noted that the Risk Management Plan for 2011 / 2012 is currently being reviewed and would be shared with the Audit Committee on the 13 September 2011 prior to formal approval by the Governing Body on the 10 October 2011 – this deferral of the plan had been agreed with the Chairman of the Audit Committee as an overhaul of the Risk Management Plan was needed during the summer months, as it had remained static for a number of years.

The Deputy Principal - Corporate Services then tabled the Opportunities Risk Register, which was received for information. No detailed discussion took place on this document as it had been tabled and would become a standing agenda item for future meetings as part of the risk register analysis.

The Audit Committee welcomed the up-date.

11/010 **ITEM 10 SKILLS FUNDING AGENCY LETTERS**

**10.1 Financial Health**

The Deputy Principal - Corporate Services presented the letter received from the Skills Funding Agency confirming the outstanding Financial Health of the College. The Audit Committee welcomed the up-date on the financial position.

The report was considered and received.

**10.2 Financial Management & Control Evaluation (FMCE)**

The Deputy Principal - Corporate Services presented the letter received from the Skills Funding Agency on the Financial Management & Control Evaluation (FMCE) following the recent Ofsted / Skills Funding Agency Inspection during the week of the 28 February 2011.

It was reported that the management response in appendix 2 of the report had been shared with the Governing Body on the 4 April 2011 but the letter in appendix 1 had not been reviewed.

The Audit Committee wished to place on record their thanks to the College Leadership Team in achieving an Outstanding Grade for Operational Oversight.

The report was considered and received.

11/011 **ITEM 11 AUDIT COMMITTEE CYCLE OF BUSINESS 2011 / 2012**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the Audit Committee's proposed Cycle of Business for the 2011 / 2012 Academic Year, which was based largely on the cycle of business detailed within the Audit Code of Practice with a few small changes.

The Audit Committee **endorsed** the cycle of business for 2011 / 2012.

The revised document is detailed in **Appendix 1**.

11/012 **ITEM 12 SAFEGUARDING ARRANGEMENTS**

No further issues were raised here following discussions under agenda item 6.3 and it was further **agreed** that:

- safeguarding would no longer be a standing agenda item but the Audit Committee may request an up-date at any meeting to seek reassurance that systems and internal controls are in place and being monitored by the College Leadership Team.

It was also noted during discussions that there is now a small working group looking at security and behavioural issues within the College and this would hopefully improve safeguarding in 2011 / 2012.

11/013 **ITEM 13 TERMS OF REFERENCE**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the Audit Committee's Terms of Reference for review as this had been raised as an issue under the Audit Committee Self Assessment Questionnaire (*see agenda item 14*).

After some discussion, it was **agreed to recommend** that:

- the Terms of Reference as attached in **Appendix 2** of the Audit Committee minutes be approved prior to formal approval at the Governing Body meeting on the 11 July 2011.

11/014 **ITEM 14 AUDIT COMMITTEE SELF ASSESSMENT RESULTS 2010 & 2011**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation and Chairman of the Audit Committee presented the findings of the Audit Committee Self Assessment 2010 / 2011.

After some information from the Chairman of the Audit Committee, it was proposed that the results of the 2010 & 2011 Self Assessment Results would be discussed at the next meeting on the 13 September 2011 when an action plan would be agreed and implemented.

11/015 **ITEM 15 PROPOSED DATES & TIMES FOR 2011 / 2012**

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the proposed dates and times for the 2011 / 2012 Academic Year taking into account the schedule of business planned for the forthcoming year.

After some discussion on dates and times, it was **agreed** that:

- the Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation would propose the following four dates and times to the Governing Body at its meeting on the 11 July 2011 under the formal heading of "*Calendar of Meetings 2011 / 2012*".

<b>Date</b>	<b>Time</b>
Tuesday 13 September 2011	4.15 pm
Tuesday 6 December 2011	4.15 pm
Tuesday 13 March 2012	4.15 pm
Tuesday 12 June 2012	4.15 pm

11/016 **ITEM 16 MEMBERS DISCUSSION**

The Audit Committee held a Members Discussion with no auditors present. The Deputy Principal - Corporate Services was involved in part of the discussion. The Audit Committee was reassured during discussion that there continues to be rigor for internal audits.

11/017 **ITEM 17 DATE OF NEXT MEETING**

The next meeting of the Audit Committee will be determined by the Governing Body at its meeting on the 11 July 2011 and will be circulated to members shortly afterwards.

11/018 **ITEM 18 ANY OTHER URGENT BUSINESS**

The Deputy Principal - Corporate Services briefed the Audit Committee on the plans to introduce the EMA Replacement Scheme in 2011 / 2012, which would require an auditable system to be set up so the College can manage the funds effectively.

The Deputy Principal - Corporate Services requested a few extra audit days to carry out an internal audit over the summer months to test that the system is rigorous. This was **endorsed** by the Audit Committee, with a report being made available hopefully for the next meeting on the 13 September 2011.

Following further discussion, It was also **agreed** that:

- the Interim Vice Principal - Corporate Services (*David White*), Assistant Principal - Human Resources (*Val Howey*) and the Assistant Principal - Information Services & Estates (*Peter Bland*) be invited to the next meeting of the Audit Committee to give an up-date on issues relating to Human Resources and Information Services.

The meeting closed at 5.45 pm.

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**Committee Circulation**

Ms S Shepherd	College Governor
Mr J Autherson	College Governor
Mrs S Bates	College Governor
Mr P Fiddaman	College Governor
Mr F Hayes	External Member
Mr M McClintock	College Governor
Vacancy	College Governor
Mrs E Casson	KPMG
Mr I Wallace	RSM Tenon
Ms M Bulman	Assistant Principal - Finance
Mrs Z Lewis	Deputy Principal - Corporate Services



## **Appendix 1**

### **Audit Committee Cycle of Business for the Academic Year 2011 / 2012**

Current year item of business		Indicative timings (✓)						To recommend to the Corporation for approval
		Previous year	Current year			Following year		
			Summer	Autumn	Spring	Summer	Autumn	
1	Appointment and reappointment or dismissal (where applicable) and remuneration of Internal Auditors.		✓				✓	Yes
2	Internal Audit Needs Assessment, Strategic Plan and Annual Plan.		✓				✓	Yes
3	Risk Management Annual Report.		✓				✓	Yes
4	Appointment and reappointment or dismissal (where applicable) and remuneration of Financial Statements Auditors.		✓				✓	Yes
5	Interim Regularity Audit opinion.			✓ or summer term	✓ or spring Term		✓ or summer term	

Item 4 is normally undertaken in the Autumn Term following a review of the Performance Indicators and following discussions over the Summer Term with the Deputy Principal - Corporate Services. An External Audit (Financial Statements) Strategic Plan is normally devised and discussed / approved by the Audit Committee in the Summer meeting prior to it being approved by the Governing Body in the July meeting, subject to the satisfactory performance of the Audit Firm. This is all in place prior to the Financial Statements Auditor visiting the College to perform its Financial Statements Audit.

Current year item of business		Indicative timings (✓)					To recommend to the Corporation for approval
		Previous year	Current year			Following year	
		Summer	Autumn	Spring	Summer	Autumn	
<b>6</b>	Review of performance of the Internal Audit Service and establishment of annual Performance Indicators for following year.		✓			✓	Yes
<b>7</b>	Funding Auditor Interim Opinion and management letter (where applicable).*		✓			✓	Yes*
<b>8</b>	Internal Audit Service Annual Report.*		✓			✓	Yes*
<b>9</b>	Financial Statements Audit Management Letter.*		✓			✓	Yes*
<b>10</b>	Annual report of the Audit Committee.*		✓			✓	Yes*

Governing Bodies must have all of these reports (items 7, 8, 9 and 10) available before approving the Financial Statements and the statements included therein on corporate governance, responsibilities of members of the corporation and the system of internal control. The Governing Body must approve the annual Financial Statements to meet deadlines.

Current year item of business		Indicative timings (✓)					To recommend to the Corporation for approval		
		Previous year	Current year			Following year			
			Summer	Autumn	Spring	Summer		Autumn	Spring
<b>11</b>	Recommendation of approval to the Corporation of annual Financial Statements (may be the role of the Finance, Assets & General Purposes Committee or equivalent) including Regularity Audit Opinion.		✓				✓		Yes
<b>12</b>	Funding Auditor final opinion and management letter (where applicable).		✓				✓		Yes
<b>13</b>	Review of performance of the Financial Statements Auditors and establishment of annual Performance Indicators for the following year.		✓				✓		Yes
<b>14</b>	Internal Audit reports on reviews and progress update.	Depends on timing of reports							No
		✓	✓	✓					
<b>15</b>	Consideration of Funding Auditor franchise and partnership spot-check reports (where applicable).	Depends on timing of visits							No
		✓	✓	✓					



## **Appendix 2**

# **Terms of Reference Annual Review 2010 / 2011**



**The Further Education Corporation of Middlesbrough College**

***Governor Committees***

***Terms of Reference***

Terms of Reference agreed by the Audit Committee on the 14 June 2011

<b>Committee</b>	<b>Terms of Reference</b>
<b>Audit Committee</b>	<p>To advise the Governing Body on the adequacy and effectiveness of the FE college's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (<i>value for money</i>).</p> <p>To advise the Governing Body on the appointment, reappointment, dismissal and remuneration of the Financial Statements Auditor and the Internal Audit Service (<i>IAS</i>).</p> <p>To advise the Governing Body on the scope and objectives of the work of the Internal Audit Service (<i>IAS</i>), the Financial Statements Auditor and the Funding Auditor (<i>where appointed</i>).</p> <p>To ensure effective coordination between the Internal Audit Service (<i>IAS</i>), the Funding Auditor (<i>where appointed</i>) and the Financial Statements Auditor, including whether the work of the Funding Auditor should be relied upon for internal audit purposes.</p> <p>To consider and advise the Governing Body on the Audit Strategy and Annual Internal Audit Plans for the Internal Audit Service (<i>IAS</i>).</p> <p>To advise the Governing Body on Internal Audit assignment reports and annual reports and on control issues included in the management letters of the Financial Statements Auditor (<i>including their work on regularity</i>) and the Funding Auditor (<i>where appointed</i>), and management's responses to these.</p>

Committee	Terms of Reference
<p><b>Audit Committee (Contd)</b></p>	<p>To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, Internal Audit annual reports, the Funding Auditor's management letter and spot-check reports (<i>where appropriate</i>) and the Financial Statements Auditor's management letter.</p> <p>To consider and advise the Governing Body on relevant reports by the National Audit Office (<i>NAO</i>), the Learning &amp; Skills Council (<i>LSC</i>) and other funding bodies, and where appropriate management's response to these.</p> <p>To establish, in conjunction with FE college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the Internal Audit Service (<i>IAS</i>) and Financial Statements Auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.</p> <p>To produce an annual report for the Governing Body and accounting officer, which should include the committee's advice on the effectiveness of the FE college's risk management, control and governance processes, and any significant matters arising from the work of the Internal Audit Service (<i>IAS</i>), the Funding Auditors (<i>where appointed</i>) and the Financial Statements Auditor.</p> <p>To ensure that all allegations of fraud and irregularity are properly followed up.</p> <p>To be informed of all additional services undertaken by the Internal Audit Service (<i>IAS</i>), the Financial Statements Auditors and the Funding Auditors (<i>where appointed</i>).</p> <p>To review the annual Financial Statements.</p>

**Governor Committees  
Terms of Reference  
(Continued)**

**Committee Details**

***Audit Committee***

<b>Description</b>	<b>Name of Governor</b>
Chairman of the Committee	Miss Sarah Shepherd <i>(2010 / 2011 &amp; 2011 / 2012 Academic Years)</i>
Clerk to the Committee	Mr Richard Atkinson
Governors (6)	Mr John Autherson Mrs Sheila Bates Mr Paul Fiddaman Mr Morgan McClintock Miss Sarah Shepherd  Vacancy
External Members (1)	Mr Francis Hayes
Quorum	3