

**North Nottinghamshire College Corporation
Minutes of the Audit Committee Meeting
held on 13 March 2008**

08.01 Membership

Mr M Lloyd (Chair)
Mr K Green
Ms D Needham
Mr J R Savage
Mr J Sephton

In attendance

Mr G Adams	Director of Finance & Resources
Mr A Bush	KPMG
Mr J Connolly	Principal
Mr M E Murphy	Clerk to the Corporation
Mr S Forrest	Management Accountant
Ms A J Oaks	Deputy Clerk & College Secretary
Mrs H Straw	Finance Office Manager

The Principal had been invited to attend meetings of the Committee for a further period in agreement with the Chair.

08.02 Apologies

There were no apologies.

08.03 Declarations of Interest

There were no declarations of interest.

08.04 Minutes of the meeting held on 4 December 2007

The Minutes were agreed as a true and accurate record and were signed by the Chair.

08.05 Matters Arising

08.05.1 (Re 07.52)

Mr Adams reported that Grant Thornton had been engaged on a no win no fee basis to challenge the queries raised by the VAT Inspector with regard to the treatment of VAT invoices from North Notts CREATE Ltd to the College.

08.05.2 (Re 07.54)

With regard to KPMG's support in developing the Disaster Recovery Plan Mr Adams clarified that they were assisting the ICT Manager by reviewing a prepared draft.

08.06 Outstanding Internal Audit Recommendations

A comprehensive report summarising progress on outstanding recommendations had been provided to Governors. Commenting on those of medium and high priority, Mr Adams referred to the redrafting of the Financial Regulations which had undergone a structural review involving a significant amount of work over the last year. KPMG, as part of their delivery plan, had assisted with this work by reviewing and commenting on the draft. Once finalised the revised Regulations would be presented to the college Executive for review in order to understand the changes in levels of authorisation, before being issued to staff. Mr Adams advised that the final draft of the Financial Regulations would be presented to Full Corporation for approval after Easter 2008.

With regard to the PFI Governance and Management review (High), Governors were informed that a letter confirming capital support had been received by the college. However the final documentation for signature was still awaited.

With regard to the Major Disaster Recovery Plan (High), which had been produced in draft and reviewed by KPMG, Mr Adams reported that the ICT Manager would continue to focus on this key area, particularly during the next few weeks with a view to implementing full recommendations by summer 2008.

Mr Bush joined the meeting.

08.07 Internal Audit Report – Financial Accounting

Mr Bush explained that a cyclical review of the Financial Accounting system was necessary to provide assurance to Governors and the LSC of the robustness of the colleges systems of internal control and risk management processes. Seven recommendations had been made, one of medium priority and six low. From the work performed on the Financial Accounting systems, the internal control, risk management and governance was considered to be satisfactory. Mr Bush commented that implementation of the recommendations should enhance the control environment to provide an increased level of assurance to Governors and management.

Good practice had been identified with regard to checking and authorising of journals, month end reconciliations and communication between finance staff and budget holders. The key findings in the report were summarised and management responses noted. The risks identified in relation to the month-end timetable and year end timetable would be addressed by improved planning and a recommendation had been made to establish further targets and KPIs to improve efficiency. Examples of possible KPIs that could be used had been provided and the recommendations had been accepted by management.

Mr Bush referred Governors to the outcome of a benchmarking exercise that had been undertaken across 19 HE Institutions in the UK. The purpose of this exercise had been to provide a basis against which the College's progress and efficiency in various areas could be benchmarked, in respect of the similarities in terms of core processes and finance systems. Whilst it was noted that the HE institutions had a significantly larger turnover than the college, the results indicated that the College was competitive on debtor days measured, showing good control in this area. However creditor days indicated that more attention should be focused on processing purchase invoices and payments. Whilst the number of days for close down at month end and production of management accounts was considered to be reasonable, it was noted that for Periods 1 to 3, the number of days had been significantly longer than this due to various mitigating factors, which were

recognised by the Committee. Mrs Straw commented that once the recommendations had been fully implemented there would be evidence of improvement.

08.07.2 – Financial Regulations

A verbal report was provided with regard to the review of Financial Regulations. Mr Bush explained that two days had been set aside within the Annual Audit Plan to review this area and that the work being undertaken with college management to review and comment on the draft Financial Regulations was an ongoing process. For this reason a formal internal audit report would not be produced as it was considered KPMG's time had been used effectively to deliver this work. The Financial Regulations would be presented to Governors for approval once finalised as reported previously.

The Report was received.

08.08 Risk Management Report

A report had been provided to Governors which highlighted completed, ongoing and recently identified risks. Mr Adams commented that the process of monitoring and reviewing risks clearly demonstrated that risk management was fully embedded within the College's systems. He was pleased to report that since the last paper was presented, the majority of risks had been addressed in an appropriate timeframe and improvement actions noted. These had been summarised for Governors' information.

Three risks had recently been identified by the College Executive and these were detailed in the report. Mr Bush requested clarification on the status of the PFI Governance and Management and College Agreements, to which the Principal confirmed the College was still awaiting confirmation of arrangements for these to be formally signed.

The Report was received.

08.09 Property Strategy

Mr Adams provided a verbal report to the Committee advising Governors that due to the significance of the Property strategy and proposals for the new build, a detailed report including risk management documentation was being presented to the Full Corporation for consideration later in the evening.

Governors were informed that a risk register had been created by AIMS specifically for the property strategy, covering the five major areas within it. Risk ratings had been set against each of the five areas in terms of likelihood of impact. It was proposed that given the exceptional nature of the risks associated with the scale of the project, the Full Corporation should retain a direct oversight of the risk management process. Members noted that the risk register had been circulated to all Governors with Full Corporation papers and were in agreement with the proposal.

RESOLVED 08.09 That the Full Corporation should retain direct oversight of the risk management process due to the exceptional nature of the risks associated with the project.

08.10 Re-appointment of Internal Audit Service providers

Mr Bush declared his interest.

Mr Adams introduced the report, which had been prepared to enable Governors to consider the service provided by Internal Auditors, KPMG in terms of effectiveness and value for money with a view to re-appointment. Comparative data had been provided to show details of the day rates charged by internal auditors at a selection of other Colleges in 2007-08. Mr Adams reported that KPMG currently charge both a standard staff day rate and a senior staff day rate and that in order to compare this with other colleges, the total cost had been divided by the total number of days, giving £434 per day based on the 2006-07 split of days used, compared to an average of £387 for other colleges. Fees for day rates in 2007/8 had been held at the same level as in the previous year.

Governors were informed that the recently established Crescent Purchasing Consortium (CPC) had gone out to tender for internal audit services; however the framework would not be available for Colleges to use until 2008-09. Mr Bush commented that KPMG had declined to become part of the Consortium for reasons which were explained to the Committee. The Chair thanked Mr Bush for his comments.

Mr Bush left the meeting.

Referring to the CPC, Mr Adams believed conducting a tendering process with the Consortium would be more responsive and generate a potential saving. He went on to explain the background to the framework and how the process would be managed, in order for Governors to consider the options. The Principal added that following the Gershon review of public sector efficiency, Colleges were increasingly being invited to generate savings by considering the benefits of consortia arrangements.

Mr Adams stated that it would be possible to use benchmarks outside of the framework to assist Governors in making an informed decision if this was required. Following consideration of the information provided, Governors acknowledged the high quality of service provided by KPMG had continued to be maintained. It was therefore proposed to recommend their reappointment for the current year and to use the CPC framework to tender for internal audit services the following year.

RESOLVED 08.10.1 To recommend the re-appointment of KPMG LLP as Internal Audit Providers to the College for 2008/9 and to use the CPC framework agreement to tender for internal audit services the following year.

08.11 Re-appointment of External Audit Providers

Data showing external Audit fees at a selection of colleges across the sector had been provided for comparison purposes. In 2005/6 the College was in line with the average cost per £million of turnover of £1000. This year indications were that costs would be higher, in the region £1250 per £m of turnover, due to delays with the final audit sign off process.

Mr Adams informed Governors that the fees charged for last year including the additional work undertaken in producing the Financial Statements, had been charged at £16,500, against proposed fees of £15,500.

Referring to the CPC framework, Mr Adams commented that whilst it appeared to be more developed for external audit services, it would not be available to

College's until 2008/9. Following consideration of the information provided regarding fees and level of service it was

RESOLVED 08.11 To recommend the re-appointment of Grant Thornton as external audit providers for a further year and to use the CPC framework agreement to tender for external audit services the following year.

08.12 Equality and Diversity

08.13 Governance Risk

The Committee were satisfied that the current risks were being well managed by the Executive team and that the Internal Auditors had given a clear report on the systems of risk management and governance processes.

08.14 Confidentiality

Due to the commercially sensitive information contained within the Reports for reappointment of Internal and External Audit providers, it was agreed that in accordance with Instrument 17 (2) (d) and the Corporation's policy on confidentiality, the information should not be made available for public access for a period not exceeding two years.

08.15 Date and time of next meeting

Tuesday 24 June 2008.

Signed (Chair) **Date** 2008