

**North Nottinghamshire College Corporation  
Minutes of the Audit Committee Meeting  
held on 18 March 2009**

**09.01 Membership**

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

In attendance

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

**09.02 Apologies**

Apologies were received from Ms Needham.

**09.03 Declarations of Interest**

Mr Bush declared an interest in Item 8 of the Agenda which related to the reappointment of internal auditors.

**09.04 Minutes of the meetings held on 27 November and 11 December 2008**

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

**09.05 Matters Arising**

There were no matters arising.

**09.06 Internal Audit Reports**

**09.06.1 – Purchasing, Creditor Payments and Grant Management**

Mr Bush introduced the Report, which had an overall rating of low. In terms of grant management, Mr Bush explained that specialist staff had undertaken a review of the Food Technology project which had resulted in one recommendation of low priority. Three further recommendations of low priority had been made in relation to the purchasing and creditor payments. Mr Bush commented that the report demonstrated the significant improvements that had been made to internal controls since the last review had been undertaken, particularly the new goods inwards and invoicing procedures.

From the work performed, it was considered that the system of internal control, risk management and governance was good, with adequate and effective risk management processes in place to address the risk that objectives may not be fully achieved.

Several aspects of good practice had been identified which were noted by the Committee. One of the recommendations on purchasing and creditor payments related to authorised signatures of budget holders, and it was noted that this had already been implemented. Of those remaining, management had accepted the recommendations and determined these would be implemented by May 2009.

In terms of grant management, the review of the Food Technology project which had been funded by ERDF / EEDA/Alliance SSP resulted in a low priority recommendation to ensure project files contained all relevant documentation for auditing purposes, including tendering documents, and were complete and archived according to proper procedures. This had been accepted by management. It had also been suggested that consideration be given to electronic document storage as an alternative cost effective option.

The Report was received.

#### **09.06.2 – Follow Up**

Mr Bush introduced the Follow Up report which summarised recommendations made in prior years' reports. From 18 recommendations, one was no longer applicable, 11 had been implemented, 4 were in progress and 2 remained outstanding, evidence that very good progress had been made by the College to address the issues. In terms of providing an audit opinion of controls in place, it was concluded that the designated systems were now satisfactory.

A recommendation of high priority had been made in relation to Asset security marking/register of assets which was in the process of being implemented. Whilst software was now in place, work had not yet started on main site. Mr Adams reported that it may be necessary to obtain external support in order to move this forward. He added that in terms of good practice, the recommendations made in the report were acceptable.

A recommendation of medium priority had been made in relation to the Post project review; in terms of best practice it was recommended post occupancy reviews of each capital project be undertaken within 12 months of completion of the project. With regard to the Employment Skills Centre, the College was still awaiting completion of one outcome and anticipated implementing the recommendation in full by June 2009.

Mr Bush informed members that two further reviews had been undertaken as part of the annual plan: Corporate Governance and Risk Management, and Timetabling and Electronic Registers, the Reports of which would be presented to the Committee at the next meeting.

In terms of the latter, which reviewed the effectiveness of the newly implemented electronic register system, some discussion on the findings would be necessary in order to agree final recommendations and management responses. In terms of the audit review of risk management and corporate governance, no significant issues had been identified.

Overall the Reports demonstrated that controls continued to be adequate and effective.

## **09.07 Risk Management**

Mr Adams introduced the report which summarised the status of risks reported previously to members, including newly identified risks and the status of ongoing issues. One risk remained outstanding, and one new risk, identified at the recent Full Corporation meeting, had been identified in relation to the review of the Schools in Retford and the Post 16 Centre in respect of the impact of local planning.

Mr Green sought clarification of the procedure for capturing risks, referring to the concerns expressed by Governors in terms of the instability in the Retford Schools and noted as a risk at the Full Corporation meeting held in February. The Deputy Clerk explained that the risks had been referred to the College Executive for consideration in terms of action required to mitigate the risk(s). This would take place on 20 March 2009. Depending on the significance of the risks in terms of financial and reputational impact and likelihood, they would be transferred to the referral list for monitoring on a regular basis, or moved to the permanent risk register and monitored in terms of risk score.

Following consideration by Executive, the risks would be reported to Governors at the next meeting in the usual manner.

A summary of all risks identified since the Executive had taken over responsibility for risk management, including action taken and date of completion, had been appended to the report for information. This evidence clearly demonstrated the effectiveness of the process.

The Report was noted and received.

Mr Bush left the meeting.

## **09.08 Reappointment of Internal Audit Service providers**

Mr Adams informed Governors that in terms of the CPC framework which was now in place for internal audit services, the opportunity to go out to tender was available. He explained that in order to use the CPC framework, progress would need to begin in late Autumn to allow sufficient time for each stage of the process to be completed. Governors acknowledged that due to preparation for the recent Ofsted inspection, it had not been possible to commence the process in time to allow for reappointment of internal audit service providers to be considered for 2009/10.

Discussion took place with regard to the level of service provided by KPMG, and whether it was felt value for money had been obtained. Whilst the sector specific knowledge of the staff, utilised particularly for specialist reviews was acknowledged, Governors challenged whether value for money could be demonstrated.

Mr Adams commented that whilst KPMG had chosen to be excluded from the framework, it would be possible to use external benchmarks to assist Governors in making an informed decision if this was required.

Following consideration, Governors acknowledged that the high quality of service provided by KPMG had continued to be maintained. In terms of KPMG's proposed fee increase of 1.2% on the daily rate, Governors considered this to be acceptable based upon the level of service consistently provided.

It was therefore proposed to recommend KPMG LLP be reappointed for 2009/10 and to use the CPC framework to tender for internal audit services the following year, commencing in Autumn 2009.

**RESOLVED 09.08**                      **To recommend the re-appointment of KPMG LLP as Internal Audit Providers to the College for 2009/10 and to use the CPC framework agreement to tender for internal audit services the following year.**

#### **09.09 Reappointment of Financial Statements Auditors**

Mr Adams reported that Grant Thornton had proposed a 2% increase on their total fees for the following year. In terms of benchmarking against market rates, it was proposed the CPC framework be used to ensure value for money was being obtained, at the same time as market testing internal audit service providers. Grant Thornton UK LLP were part of the CPC framework.

**RESOLVED 09.09**                      **Through the CPC Framework, to tender for Financial Statements Auditor providers in 2009/10**

#### **09.10 Equality and Diversity**

It was agreed that in respect of positive or negative impact there were no new issues that had emerged.

#### **09.11 Governance Risk**

The overall opinion provided by KPMG provided the necessary assurance to Governors that adequate and effective controls were in place with regard to the risk management and governance arrangements.

#### **09.12 Confidentiality**

It was agreed that whilst the discussion on Audit fees was commercially sensitive, it was not unreasonable to record the level of proposed fee increase for public scrutiny. The details of the fees, including daily rates, would be classed as confidential for a period not exceeding two years.

#### **09.13 Date and time of next meeting**

Thursday 25 June 2009 at 6.00 pm.

Signed \_\_\_\_\_ Chairman

Date \_\_\_\_\_