

**North Nottinghamshire College Corporation  
Minutes of the Audit Committee Meeting  
held on 23 September 2008**

**08.29 Membership**

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

In attendance

Ap	Mr G Adams	Director of Finance & Resources
	Mrs S Costelloe	KPMG
Ap	Mr A Bush	KPMG
	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

**08.30 Apologies**

Apologies were received from Ms Needham.

**08.31 Declarations of Interest**

Mr Murphy declared an interest in Item 08.38 in respect of his involvement as Partner at Ilett and Clerk Solicitors.

**08.32 Minutes of the meeting held on 24 June 2008**

The Minutes were agreed as a true and accurate record subject to an amendment on Page 2 Item 08.20.2 where the word 'IT' was inserted before 'Disaster Recovery Plan'.

The Minutes were signed by the Chair.

**08.33 Matters Arising**

There were no matters arising.

**08.34 Risk Management Report**

Mr Adams introduced the report which highlighted the completed, ongoing and new risks identified since the last meeting. The status of each was summarised, and in relation to the new risks, Mr Adams reported that an appropriate framework was currently being implemented to manage the risks associated with entering into contracts with unknown providers under Employer Responsive provision as this was new to the college. The risks involved had previously been discussed by the Full Corporation in the summer when the budget and three year forecast had been

considered. Due to its significance, the controls and mechanisms for monitoring these had been added to the permanent risk register.

The other new risks were summarised for information. Mr Adams informed the Committee that the College Executive had undertaken a comprehensive review of the current risk register to reflect changes in the College's risk environment. An updated Risk Register had been produced and would form part of discussion later in the meeting.

Governors were satisfied that adequate and effective controls were in place for managing risk and governance processes and were satisfied with the current reporting arrangements to the Committee.

### **08.35 Draft Internal Audit Strategy and Annual Plan for 2008/9**

Mr Adams explained that KPMG's initial proposals for the Plan were presented in draft for discussion and opinion for feedback to KPMG. Unfortunately Ms Costelloe and Mr Bush were unable to attend the meeting to take part in the discussions. The Plan for 2008/9 was based on compulsory review areas and those that were risk based or value added. The initial proposals for the proposed audit work totalled 66 days, 8 of which were for Follow up and reporting/liaison with the College. Following a question relating to the budget costs, Mr Adams explained that the budget was based around internal audit work of approximately 35 days.

The objective of the Plan was to consider the key risk areas within the college to ensure there were tangible benefits to be gained and value for money. Referring to the proposed areas for review, Governors were invited to comment. Discussion took place with regard to the merits of reviewing marketing, noting that this had been recognised as a key area of weakness within the college at the Governors' Away day and recent self assessment event. Consideration was given as to whether value for money could be demonstrated by such a review. Governors comments with regard to the benefits of the reviews and the substantial increase in the number of planned days were taken on board for Mr Adams to feed back to KPMG, and it was proposed a revised draft Annual Plan be presented for consideration to the next meeting.

**RESOLVED 08.35                      To present a revised Internal Audit Strategy and Annual Plan to the next meeting.**

### **08.36 External Audit Strategy Document for year ending 31 July 2008**

Mr Adams introduced the report produced by Grant Thornton UK LLP, which set out their terms of engagement. Attention was drawn to several minor changes in relation to terms of engagement and approach to the audit, which were explained to Governors. With respect to financial reporting developments, the Financial Statements would be prepared under the new Statement of Recommended Practice (SORP) which came into effect in 2007. A fact sheet on the changes had been appended to the Strategy document for further information. The introduction of SORP was significant to the College in that there was a requirement for an additional operating and financial review to be presented to Governors prior to the Financial Statements being finalised. Mr Adams confirmed to the Committee that the College was currently drafting this. SORP also determines that there should be timing recognition of tuition fees; also, that a review of Accounting policies for appropriateness by the Board of Governors or Audit Committee, should be recorded in the Minutes.

In line with changes to the guidance to the audit profession, Grant Thornton UK LLP were reviewing their policy on the limitation of liability for non-audit services, which includes regularity work. This was drawn to the attention of Governors.

Fees for audit services were noted to be in line with previous years and considered acceptable.

Grant Thornton UK LLP would be attending the next meeting of the Committee at which the Auditor's report and Key Issues Memorandum would be presented.

The Report was received.

### **08.37 Letter of engagement**

A paper had been circulated to members explaining that the Letter of Engagement would not be available for presentation to Governors until the next meeting. Grant Thornton UK LLP had agreed with the LSC to include a proportionality clause within their Letter of Engagement relating to limitation of liability, which had been mentioned by Mr Adams earlier in the meeting. Grant Thornton had been waiting for the LSC's Solicitors to finalise wording relating to potential costs in respect of provision of information under the Freedom of Information Act and until such time as the wording had been agreed by both parties, they had refrained from issuing a Letter of Engagement. However they had confirmed that this would be presented to Governors at the next meeting. Governors noted that there would be no financial or legal impact unless both parties failed to agree.

**RESOLVED 08.37**                      **That the Letter of Engagement shall be presented to the next meeting of the Committee.**

### **08.38 Report on business conducted with organisations listed in the Register of Interests**

Mrs Straw presented the report, which was prepared on an annual basis for review by the Committee. The report highlighted the level of business that had been transacted with organisations listed in the Register of Interests for 2007/8. The Companies listed in the Register were those declared by Governors and senior staff who were budget holders. Mrs Straw confirmed that the College did not transact with the vast majority of the organisations, which could be seen from the report. The business that had been conducted was noted by the Committee.

The Report was received.

The Chair agreed to take a further item of business, proposed by Mr Adams and it was considered appropriate to record this under Governance Risk.

### **08.39 Governance Risk**

Mr Adams referred back to the Risk Register, informing members that the College Executive had reviewed and updated the permanent Risk Register, copies of which were tabled to members.

Mr Adams summarised the process that had taken place to update the document and explained how the scores were formulated. Each member of the Executive had been given responsibility for updating the areas relevant to them and the existing controls and mechanisms currently in place to monitor those had been reviewed in detail. The risk rating scores had been compared to those in the previous register to understand the reasons for any significant changes. Discussion took place with Governors regarding each of the areas of control, and it was noted that where adequate controls were in place, the residual risk was accepted as having a medium or low impact. It was suggested the addition of a key and explanation of how the risk ratings were defined, was included in the document.

The Report was received.

**08.40 Equality and Diversity**

**08.42 Confidentiality**

Due to commercially sensitive information contained within the Audit Strategy document produced by Grant Thornton UK LLP, 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 or disclosed to third parties until such time as the Audit work had been completed and Financial Statements published on 31 December 2009.

**08.43 Date and time of next meeting**

Thursday 27 November 2008 at 6.00 pm.

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

Date \_\_\_\_\_