

**North Nottinghamshire College Corporation
Minutes of the Audit Committee Meeting
held on 24 June 2008**

08.16 Membership

Ap 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 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

08.17 Apologies

Apologies were received from Mr Green.

08.18 Declarations of Interest

Mr Murphy declared an interest in Item 08.22.1 in respect of his role as Clerk to the Corporation and the review of Corporate Governance.

08.19 Minutes of the meeting held on 13 March 2008

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

08.20 Matters Arising

08.20.1 (Re 08.05.1)

Mr Adams reported that Grant Thornton had been successful in challenging the queries raised by the VAT inspector, as reported to Governors at the last meeting. Grant Thornton had been engaged on a no win no fee basis; however it had been agreed that if the costs incurred could be reclaimed back from HM Revenue & Customs there would be no costs charged to the college.

08.20.2 (Re 08.05.2)

Mr Adams reported that the IT Disaster Recovery Plan was now complete and that this had been noted within the Follow Up report on outstanding recommendations.

08.20.3 (Re 08.10.1)

Mr Bush commented that he was pleased to note that KPMG were to be recommended for reappointment for a further year. The Clerk confirmed that reappointment of KPMG and Grant Thornton UK LLP would be ratified at the Full Corporation meeting on 10 July 2008.

08.21 Internal Follow Up of outstanding recommendations

Mr Lloyd informed Governors that KPMG had undertaken a comprehensive review of prior year's recommendations, the Report of which was included for consideration at Agenda item 08.22.2. The internal follow up report was therefore noted and received.

08.22 Internal Audit Reports

08.22.1 Risk Management and Corporate Governance

Mr Bush informed the Committee that the Report was very positive, with five recommendations of low priority relating to risk management. With regard to the level of work that had been undertaken on corporate governance over the last few months, Mr Bush said there was clear and positive evidence that the new structure was working effectively and that the Clerk and Deputy Clerk had put much effort into ensuring good governance arrangements were in place. There were no recommendations with regard to Corporate Governance.

The recommendations relating to risk management processes were summarised, Mr Bush commenting that management had agreed to review the format of the documentation currently in place for identifying and monitoring risks in the light of recommendations made. Reference was made to the recommendation relating to the sector changes in funding methodology. Whilst this had not been identified and recorded on the risk referral document reviewed by the college Executive, it was confirmed that when the risk was originally identified it had been addressed immediately and monitoring was ongoing. Discussions had also taken place with Governors to consider the impact of the funding changes at the development event and subsequently when discussing preparation of a budget for 2008/9 at the last Full Corporation meeting.

It was noted that the recommendations from previous years had been satisfactorily implemented.

The recommendations made by KPMG with regard to assurance mapping to improve the control frameworks had been noted by management and would be discussed further with KPMG. Governors accepted the point that such assurance would help to inform the business cycle of the Audit Committee.

Members agreed that the Report was very pleasing and that the small number of low priority recommendations confirmed that adequate controls were in place for risk management and corporate governance arrangements.

The Report was received.

08.22.2 Follow Up of Prior Year Recommendations

Mr Bush introduced the Report, which summarised previous years' recommendations in relation to five reports. The report highlighted 36 recommendations, 3 of which were no longer applicable, 19 had been implemented, eight were in progress and six remained outstanding, which was commented upon favourably in terms of the progress made by the college in implementing and addressing these. Mr Adams commented on the work undertaken to ensure the outstanding issues were addressed from previous years'

reports and was pleased to report that the review of the Financial Regulations, which had been an early recommendation, was near to completion and Governors approval. Mrs Straw summarised work that had been undertaken to progress some of the outstanding recommendations, particularly in relation to the Asset register. Noting the recommendations were low priority, Governors commented that the report was very pleasing and acknowledged the significant amount of work undertaken in recent months to implement improvement actions.

The Report was received.

08.23 Risk Management

The report highlighted the completed, ongoing and new risks identified since the last meeting. Mr Adams was pleased to report that since the last paper was presented two further risks had been addressed in a timely manner and two remained ongoing. The small number of risks that had been identified was clear evidence of the robust process now in place, which was acknowledged by members. Mr Savage commented that with regard to significant donations of equipment to the NFPC, which was one of the identified risks, negotiations were currently underway with SMC to donate equipment under an agreed Memorandum of Understanding. Mr Adams confirmed that he would work with Mr Savage to draw up an appropriate document for this purpose.

With regard to in-year retention trend data, Mr Adams confirmed that regular monitoring of trends continued at SMT/DOS level in order that the Deputy Principal could provide detailed reports to the Corporation for performance monitoring purposes.

Mr Adams acknowledged that the risk associated with the changes in the funding methodology, which had been raised earlier in the meeting by Mr Bush, continued to be managed by SMT. Whilst it had not been recorded in the referral register at that time, the identification and management of the process had been recognised by KPMG in their review which provided the necessary assurance to Governors that the associated risks were being managed.

A new risk relating to the replacement and upgrade of the IT network active directory had been identified, Mr Adams commenting that the process required a system down-time of at least three days. It was anticipated that the upgrade would make significant improvements to the speed of the network system and reduce many of the associated issues. The methodology for the process, including time frame and deadlines would be monitored on a regular basis to ensure it was effectively managed. In addition to this work, Mr Adams reported that Office 2007 would be rolled out to all staff and students over the summer.

Commenting on KPMG's earlier recommendations regarding good practice identified within the sector, Ms Oaks confirmed that in terms of reviewing the risk management process, the College Executive was committed to reviewing and updating the risk register and risk management policy to define the college's risk appetite in terms of current risks.

The Report was noted and received.

08.24 Insurance Renewal

A report prepared by Mr Forrest had been produced for Governors' information referring to the cost of insurance renewal for the next financial year. Figures showing the renewal premiums for each category of insurance compared to last year's premium had been provided separately prior to the meeting. Mr Forrest explained that the base rate changes were due to the amount of equipment the

college held, and that a major change was indicated in buildings insurance which, after revaluation, had increased in value from £16m to £26m. This had increased the annual premium from £8k to £12k.

Mr Adams commented that a good relationship had been established with Zurich and that whilst the premium had increased, the savings to the college over the three year period of the contract were in the region of £150,000, which was quite significant. He added that Zurich had indicated they would honour these rates for further two years which was a matter for Governors to consider at the appropriate time next year. Alternatively the college could tender again through the Crescent Purchasing Consortium.

Zurich's reputation in the sector was generally considered to be excellent, particularly in the field of risk management, which was reiterated by Mr Murphy and Mr Adams, who commented that their feedback to the college with regard to its risk management processes had been most positive.

Following questions from Governors in respect of insurance claims, Mr Forrest reported that the college was aware of a small number of motor vehicle claims, one of which had been settled.

The figures that had been provided for Governors information in the Governors' directory of the website were noted to be commercially sensitive and therefore would be deemed confidential for a period of two years, or to the end of the contract period.

The Report was received.

08.25 Equality and Diversity

08.26 Governance Risk

Governors were assured that the risks associated with the changes in funding methodology for 2008/9 were being effectively managed and that the College Executive would ensure they were fully informed of any further impact as a result of the changes. Governors were aware of the funding changes and had discussed the impact at length, both at the development day in April and also when considering the challenge presented in preparing a budget for 2008/9, debated at the Full Corporation meeting on 11 June 2008.

Mr Adams commented that the embedding of the risk management process was evidence that it was being managed effectively and the reduction in ongoing risks made the process more efficient for the Committee to monitor. Mr Bush reiterated Mr Adams' comments and said he was very pleased with the College's progress.

08.27 Confidentiality

It was agreed that the figures mentioned at Agenda Item 08.24 should remain confidential due to the commercial sensitivity until the end of the Contract with Zurich and in accordance with Instrument 17(2)(d).

08.28 Date and time of next meeting

Tuesday 9 September 2008.

SIGNED (Chair) **DATE**