MINUTES OF THE
AUDIT COMMITTEE MEETING
THURSDAY 3 MAY 2012

Membership: Mark Carroll, Steven Crane*, Shahid Farooq (Chair), Lila Obuchowicz

In Attendance: Kevin Watson (KW) - Principal
Alan Leak (AL) - Deputy Principal, Corporate Services
Rakesh Shaunak - MacIntyre Hudson (Internal Audit Service)

Clerk: Val Bartlett
*denotes absence

24. DECLARATION OF INTERESTS

None were declared.

25. APOLOGIES FOR ABSENCE

Apologies had been received from Steven Crane - work commitments.

26. MINUTES OF THE MEETING HELD ON 27 FEBRUARY 2012

The minutes were agreed as a true record.

27. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 27 FEBRUARY 2012 WHICH ARE NOT DEALT WITH ELSEWHERE ON THE AGENDA

AGENDA ITEM 5 - TESTING OF BACK-UP SYSTEMS - The Deputy Principal informed the Committee that a schedule has been drawn up and includes dates of annual checks. The replacement of the current EAMS with a Capita system as from September 2012 has now been brought forward with some elements of the new system being run in parallel with the existing set up.

8:05 am RS joined the meeting

AGENDA ITEM 18 - STAFF UTILISATION - The Committee was informed that the recent internal audit review of Payroll and H.R. also allowed for a partial review of staff utilisation and acknowledged that this area will be subject to a more in depth review at a later date. Meanwhile, Governors were reassured that the Senior Management Team continues to scrutinise the utilisation of staff in order to identify if there are any gaps or unused ‘spare’ staffing capacity to ensure there is appropriate deployment across the College.

The Audit Committee noted the update.
28. **INTERNAL AUDIT FINDINGS REPORT - 2011/12**

The Committee was informed that an Internal Audit took place over 5 days commencing 19 March 2012 and audit checks were undertaken on eight areas:

<table>
<thead>
<tr>
<th>Area Reviewed</th>
<th>Audit Opinion</th>
<th>Recommendations made during the visit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td>A Corporate Governance</td>
<td>Substantial Assurance</td>
<td>-</td>
</tr>
<tr>
<td>B Risk Management</td>
<td>Substantial Assurance</td>
<td>-</td>
</tr>
<tr>
<td>C Key Financial Controls:</td>
<td>Substantial Assurance</td>
<td>-</td>
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<tr>
<td>• Bank and Cash</td>
<td></td>
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<tr>
<td>• Suppliers</td>
<td></td>
<td>-</td>
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<tr>
<td>• Payroll</td>
<td></td>
<td>-</td>
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<tr>
<td>D Student Support - Bursary Fund</td>
<td>Satisfactory Assurance</td>
<td>-</td>
</tr>
<tr>
<td>E Student Enrolment</td>
<td>Substantial Assurance</td>
<td>-</td>
</tr>
<tr>
<td>F Human Resources</td>
<td>Satisfactory Assurance</td>
<td>-</td>
</tr>
<tr>
<td>G ICT</td>
<td>Satisfactory Assurance</td>
<td>-</td>
</tr>
<tr>
<td>H Estate Management</td>
<td>Substantial Assurance</td>
<td>-</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

The Committee was informed that the audit opinion is duly graded using the following:

- **Substantial Assurance** - Grade 1
- **Satisfactory Assurance** - Grade 2
- **Limited Assurance** - Grade 3

The grades given in this audit are all mostly very positive.

The Deputy Principal informed the Committee of the following:

- The 4 recommendations for ICT have all been accepted and the College is already working on some of these areas
- Corporate Governance and Risk are key areas for Governors and it was very positive to note that no recommendations were made
- Payroll is a major area for the College with a £7m budget and the one recommendation made from the audit has been accepted
- Any audit recommendations which were brought forward from previous audits have all now been signed off as being implemented
Rakesh Shaunak then reported on the findings of this Internal Audit and the following was noted by the Committee:

- the summary of audit opinions and recommendations
- Governors can take comfort from the fact that no recommendations were made regarding the internal audit of Corporate Governance and Risk Management
- the College’s Financial Statements’ auditors - Baker Tilly - place reliance upon the internal audit findings relating to Key Financial Controls which, following the internal audit, was graded as 1 i.e. substantial assurance

The Committee then discussed each audit area and in particular, those areas where recommendations had been made. Recommendations are allocated a priority rating:

- High Recommendation - considered fundamental against which Management should take action as soon as possible
- Medium Recommendation - considered important and should be addressed
- Low Recommendation - merits attention and would improve overall control

**Bursary Fund**
Governors were informed that this fund is still in its first year of application and that whilst there are some clear guidelines and guidance notes regarding qualification for this fund, there is also an element of discretion which the College may use if thought appropriate.

The medium recommendation made from the internal audit was for the College to agree, confirm and document the internal criteria against which staff should follow for processing, assessing and evidencing the applications for this bursary fund.

The Committee was informed that College Management are currently discussing this recommendation with the auditors as it is understood that staff do follow guidance notes and that evidence of students meeting the eligible criteria is reviewed e.g. attendance, household income.

It was noted that the outcome of the above discussions will be reported back to the Audit Committee in due course.

The low recommendation of devising a log for the Bursary applications to enable more efficient reporting and analysis was acknowledged by the College and will be included within the review of the current year for implementation in September 2012, with the proviso that this does not lead to any duplication of information.

The overall opinion was of Satisfactory Assurance i.e. Grade 2.

**Student Enrolment**
It was acknowledged that the enrolment process is a key system as the risk of inaccurate funding returns to the funding bodies could lead to a clawback of funds.

The low recommendation from this audit was that careful checks on data entry should be carried out to ensure accuracy. By way of response it was acknowledged that the College does carry out data testing and checks at every stage of the enrolment process and also additional checks are undertaken throughout the year.

The overall opinion was one of Substantial Assurance i.e. Grade 1

**Human Resources**
There was one medium recommendation in that the current data on staff turnover and sickness absence be collated on a year to year basis to enable the undertaking of a trend analysis and benchmarking against sector averages. This recommendation was agreed by Management and is to be implemented.

A Member questioned what specific work was undertaken on staff utilisation during this audit of H.R. It was agreed that the information gathered from this audit visit be forwarded on to the Audit Committee for their information. The Principal reassured Governors that the SMT continue to monitor staff utilisation.

The overall opinion was of Satisfactory Assurance i.e. Grade 2

**ICT**
There were 2 Low Recommendations:

- Governors noted that the College is currently working on finalising an ICT Strategy to be in place by the end of July 2012 along with a revision of the existing ICT Policy document
- It was noted that the College aims to incorporate quantitative as well as qualitative analysis of performance against Service Level Agreements in time for the next Self Assessment Report.

There were 2 Medium Recommendations:
- The Management response agreed with the recommendation in that the College should implement an IT Security Policy which provides a framework for good practice to help minimise the risk relating to IT security incidents and to ensure the College complies with relevant legislation in this area. This is to be carried out as part of the implementation of the College’s work on an overarching ICT Strategy
- The Management response agreed with the recommendation that target dates be stated for the actions identified in the IT Department Self-Assessment Report and Action Plan in order to enhance monitoring and accountability. These are to be incorporated and monitored as part of the next SAR.

The overall opinion of this area was one of Satisfactory Assurance i.e. Grade 2.

Estates
- There was one medium recommendation which was accepted by the Management and it was noted that training is being arranged for both the Estates and IT Teams regarding the Track-IT systems in order to help monitor the completion of maintenance jobs and other key performance indicators.

The overall opinion of this area was one of Substantial Assurance i.e. Grade 1

8:55 LO left the meeting

Benchmarking

The Committee then discussed the Benchmarking data as provided in the Internal Audit Findings Report. The information provided related to Sixth Form Colleges.

Governors discussed the fact that the benchmarking charts indicated that the College’s teaching costs were lower than the figure provided by the auditors relating to Sixth Form Colleges in Greater London and also that the College spends a greater proportion on pay expenditure for administrative staff than the benchmark figure. It was acknowledged however, that the College may have historically low teaching costs and in addition the categorisation of staff in teaching areas may not always be the same across colleges as for example; some staff may have both teaching and management roles.

It was noted that the College staff costs as a % of income is 65.25 % which is very close to the AoC Benchmark figure of 65.39% for 2009/10. The Committee debated as to whether these benchmark figures may provide a useful aid to discussion on current College costs and agreed that a general overview as to how the College spends its money may be pertinent for future Corporation meetings.

A Governor questioned if Ofsted take note of Internal Audit Reports e.g. Value for Money. The Principal responded by saying that the main focus of Ofsted is on teaching and learning and the learner experience. The College needs to maintain a high staff morale with no distractions (such as any potential disputes over pay and conditions) as this may be well reflected during an Ofsted inspection but financial indicators are not graded per se.

The Committee asked the internal auditors if there was anything additional that the College needs to be aware of. By way of response it was noted that the main focus for colleges is on how to diversify other income streams and efficiency exercises.

The Internal Auditors agreed that the College is generally well placed in the sector. The Chair of the Audit Committee acknowledged that internal audits provide support to the College in making recommendation for improvement. It was agreed that a brief summary of the internal audit recommendations be provided to the Corporation for information alongside the Minutes of this meeting.

The Chair thanked the Internal Auditors for their comprehensive report.

9:05a.m. RS left the meeting
29. **RISK MANAGEMENT – UPDATE**

The Deputy Principal Corporate Services reported on the above.

Governors were reminded that there is a Risk Management Group comprising staff from across the College which oversees Risk Management within the College.

The Risk Management Group meets during the year to monitor the Significant Risks, the Risk Management Action Plan and to consider any new potential risks. This Group met on 19 March 2012 and will next meet on 11 June 2012.

The Committee noted that more detail has now been added to those risks regarding potential funding reductions both through a reduction in funding from the Funding Body and/or a reduction in student numbers.

In addition the risk associated with staffing is discussed both by SMT and the Management Team in order to ensure wider ownership.

The Committee was reminded that there is an annual internal audit on Risk Management and the Annual Report on Risk Management is received by the Corporation at its meeting each December.

The Audit Committee noted the update on Risk Management in the College.

30. **APPOINTMENT PROCESS FOR COLLEGE INTERNAL AUDIT SERVICE**

The Committee was informed that a tender process had now begun regarding the appointment of the College’s Internal Audit Service commencing 2012/13. Following a review of the tenders received by the deadline Friday 27 April 2012, the Audit Committee agreed to interview 3 audit firms on the afternoon of Monday 21 May 2012.

An Audit Committee meeting is to be held on Monday 21 May 2012 at 5:00pm in order to agree a recommendation to the Corporation (when it meets on 21 May 2012 at 6:30pm) regarding the appointment of the Internal Audit Service for the College.

31. **UPDATE ON NEW FINANCIAL MEMORANDUM FOR SIXTH FORM COLLEGES**

The Deputy Principal informed the Committee that the Young People’s Learning Agency - YPLA - has now been superseded by the Education Funding Agency which is responsible for 16-19 learners.

The current LSC Financial Memorandum 2006 is under review and it is understood a revised version is to be issued by 1 August 2012. Meanwhile, the Skills Funding Agency - SFA - which funds 19+ learners, has issued a new Financial Memorandum as from 1 April 2012.

These minutes have been agreed as a true record.

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SIGNED  DATE

Date of next meeting: Monday 21 May 2012 at 5:00p.m.
## ACTION POINTS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>ISSUE AND ACTION 2011-12</th>
<th>Target Date</th>
<th>Person responsible</th>
<th>Achievement date</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>TIMETABLE FOR APPOINTMENT OF AUDITORS</td>
<td>November 2012</td>
<td>AL/VB</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agree a timescale for tender and interviews for Financial Statements Auditors</td>
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<tr>
<td>27 and 28</td>
<td>STAFF UTILISATION</td>
<td>May 2012</td>
<td>Al/Auditors</td>
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<tr>
<td></td>
<td>Details of information gathered during the internal audit will be summarised and included in an addendum to the Internal Audit Report</td>
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