

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 MARCH 2011**

### Members Present

Anthony Cohen (chair), Louis Hill, Philip Richmond.

### Also Present

Andrew Miller, College Principal  
Nick Letchet, Deputy Principal, Finance and Resources  
David Corcoran, Associate Director, Students  
Peter Stephenson, PwC  
Alasdair MacDonald, Clerk to the Governors

### **The meeting commenced at 1605hrs**

#### 64/11 APOLOGIES

Apologies for absence were received from Nikki Cripps and Ram Thiagarajah.

#### 65/11 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest in specific items on the agenda.

#### 66/11 GOVERNOR BRIEFING

Andrew Miller tabled an e-mail sent to College Principals by the AoC President about the recently announced replacement scheme for the Education Maintenance Allowance. He commented that the additional money in the new Bursary scheme was welcome but it was significantly less than had been awarded under EMA. Andrew told the committee that the risk of a reduction in student intake in 2011/12 arising from lower or nil allowances was recorded in the Risk Register.

#### 67/11 MINUTES OF THE MEETING HELD ON 30 NOVEMBER 2010

Document No. 11/58 refers. The minutes were approved as a true record of the meeting.

#### 68/11 MATTERS ARISING AND OUTSTANDING ACTIONS REPORT

Document No 11/59 refers. Members noted that most actions requested had been undertaken or would be considered under substantive items on the agenda.

Nick Letchet tabled a short paper, Document No 11/59A, on the College's present insurance policies taken out with Zurich Municipal. He asked whether the committee wished to give any guidance on the level of payment to be made for cover for terrorism. The Principal assured

members that the areas covered were standard for a FE College and there was no reason to believe that the premiums were not typical for the sector.

The committee thanked Nick for presenting this information which gave assurance that the College had adequate cover against the main foreseeable risks.

## 69/11 RISK MANAGEMENT

Document No.10/60 refers, introduced by David Corcoran. He had issued an updated Risk Register and Risk Management Plan. David referred to the category-specific briefings which were provided by senior managers and asked the committee to consider whether it might wish in future to drill down into specific significant risks in more detail.

The committee chair welcomed Rob Rowe to the meeting to present Document No.11/60B on the significant risks to Workforce objectives. Rob outlined the actions being taken to manage the risks to employee relations arising from the impact of the Comprehensive Spending Review. He reported also on the risk to the College's staffing profile from the necessity to cut costs in response to funding cuts. Rob told the committee that the SMT was in the process of agreeing its responses to the funding cuts with a full planning day scheduled for 5 April 2011.

The committee chair welcomed John Evans to the meeting to present Document No.11/60C on the significant risks to Quality objectives. He was pleased to confirm that only three risks were now scored as 'significant' with all three being at the lower end of the scale. Of these, the retention of learners, whilst still being highlighted as a significant risk, continued to show improvement and current retention rates were significantly above the national average and in line with College targets for the year to date.

The committee noted that the risk associated with Internal Verification processes was the subject of an internal audit by PwC, reported in agenda item 71/11c) below. However, John reported briefly on action taken to replace two key members of staff, recently departed, who were particularly skilled in BTEC IV and EV procedures. He reported also on the very thorough response which had been made to Edexcel's decision to discontinue its EV visits, requiring colleges to undertake this part of the quality process with their own staff. John was confident that the College's response was robust. Indeed, this was confirmed by Edexcel in its recent annual visit. The report of this visit would be issued to the Quality and Standards Committee. The committee advised that the College should make full use of peer review and assessment.

Finally, John commented on the risk of an unacceptably wide range in the success rates outcomes for curriculum areas in 2009/10, with a variation of 41% between the highest and lowest performers. He reported that, based on remedial actions taken, the latest in-year prediction was for a variation of just 16%.

Nick Letchet presented Document No 11/60A which set out management plans to control and mitigate the risks of not achieving the College's financial objectives. To assist the committee's analysis, Nick had grouped the eight significant risks into three broad categories:

- failure to achieve planned income
- failure to generate the planned level of cash; and
- risks arising from the recession.

He identified the key actions being taken against each of these risk categories. The committee discussed in some detail the risk of failure to generate planned income noting the various negative influences set out within Nick's paper. Members noted the apparent contradiction of policy directives which sought greater local collaboration, with the increased freedoms being offered to the sector which might permit the expansion of local provision in schools and colleges in an uneconomic manner.

The committee supported the Deputy Principal's intentions to find ways to assess the College's financial position more quickly in response to external changes and also to develop further financial control processes to ensure the tight control of income and costs.

Members thanked David Corcoran for his presentation and also for co-ordinating the inputs from senior managers. The committee chair agreed that a more detailed focus on fewer significant risks at the next meeting would be helpful.

Action: AC/DC/JAM

#### 70/11 INTERNAL AUDIT PLAN 2010/11 PROGRESS REPORT

Document No. 11/61 refers, introduced by Peter Stephenson. He reported that, in addition to the audit reports presented to the committee at the present meeting on Corporate Governance and Quality, he had also reviewed progress with the College's Cost Control plans. PwC was satisfied with progress in this area but would revisit it in May 2011 after which a formal audit report would be produced. This left outstanding the audits of Risk Management, Core Financials and Strategic Decision-Making. It was intended that these reports would be presented at the June meeting.

Peter had also mapped the Risk Register against the Annual Internal Audit Plan, set out on the penultimate page of his report. The only significant risk not covered in the current plan related to the College's inability to accurately interpret ILR/funding data due to lack of information from funding agencies.

#### 71/11 INTERNAL AUDITORS' REPORTS

- a) Corporate Governance 2009/10 – Document No. 11/62 refers. The clerk reminded the committee that it had asked the Search Committee to insert the management responses to PwC's recommendations. This had been done and the report was returned to the committee to sign off. The committee noted that PwC had carried out an extensive review of best practice in the recruitment of governors and had made a number of recommendations. The Principal reported that good progress had been made in actioning these recommendations with particular attention being paid to the development of the College's website as an information resource. Progress was on-going against most of the other recommendations.

The second recommendation for a revision of the terms of reference of the Search and Governance Committee had already been auctioned.

- b) Corporate Governance 2010/11 - Document No. 10/271 refers. Peter Stephenson explained that, in discussion with the clerk to the governors, it had been decided to examine the Governing Body's preparedness for an Ofsted inspection with a specific focus on the effectiveness of the Board's monitoring of College performance. The audit had assessed the quality of management information received to enable it to undertake its scrutiny function.

Peter reported on the two recommendations which had been made, both classified as of medium significance. The first was that there should be a simplification of the information presented to governors on the annual operating statement and key performance indicators. The second was that a further streamlining and simplification of the risk report issued to the Board should be undertaken.

Andrew Miller confirmed that he supported these recommendations and he would propose changes for the 2011/12 academic year.

- c) Quality Systems (Internal Verification) – Document No 11/64 refers. Peter Stephenson reminded the committee that the decision to conduct this review was triggered by the assessment issues which arose in the Sport and Public Services curriculum area. The audit confirmed that a significant number of improvements had been made to the rigour of internal verification. The audit found that there were now well documented policies and procedures for the IV process. Training was provided to internal verifiers and their work was reviewed on a regular basis. Timely and accurate management information was produced which was analysed and monitored by managers. No recommendations were made.

The Audit Committee was pleased to receive this clean audit and asked Andrew Miller to congratulate all relevant members of staff.

## 72/11 MANAGEMENT ACTIONS FOLLOW-UP REPORT

Document No. 11/65 refers, introduced by Nick Letchet. He told the committee that 14 items had been cleared since the committee last met, and there were no outstanding actions from previous audit reports. Peter Stephenson confirmed that PwC would review the implementation of the recommendations from previous reports in its own annual prior year's audit report.

## 73/11 FRAUD AND IRREGULARITY REPORT

No matters were brought to the committee's attention.

74/11 MEETING ASSESSMENT

Document No. 11/66 refers. Members completed the meeting assessment forms and returned them to the clerk. The average score for meeting effectiveness was 1.33. The average score awarded by managers in attendance was 1.0. The following comments were recorded on assessment forms:

- Positive outcome to Quality audit
- Confidence in management increased
- Number of papers detailing excellent work
- Excellent discussion on risk management
- Good meeting
- Useful feedback on risk management plan

75/11 DATE AND TIME OF NEXT MEETING

The date and time of the next meeting of the Audit Committee is to be confirmed.

Action: JAM

**The meeting concluded at 1850hrs.**