

**GOVERNING BODY  
AUDIT COMMITTEE**

Minutes of the non-confidential section of the meeting held on Tuesday, 1<sup>st</sup> December 2009  
at 6.15 pm at the Richmond Business School, Parkshot

Present:	Mr Robin Jowit, OBE, Chairman of the Committee Ms Cindy Rampersaud Mr Chris Williams Mr Duncan Faircloth, Non-Governor Member
In attendance:	Ms Christina Conroy, OBE, Principal & Chief Executive Ms Gabe Flint, Vice Principal (Curriculum & Quality) Ms Anna Brekkeflat, Director of Finance & Information Services Mr Mike Cheetham, Head of IAS, Tenon Mr Martin Grundy, Partner, Grant Thornton Mr Paul Coveney, Clerk to the Governing Body and College Secretary
Apologies:	Mr Sebastian Scotney Ms Judith Potter, Vice Principal (Finance and Corporate Services) Ms Ann Tomkins, Manager, Grant Thornton

Part I (Non-confidential items)

1. **MINUTES** of the previous meeting on 9<sup>th</sup> June, 2009 were approved as a correct record and signed by the Chairman.

2. **MATTERS ARISING**

- Item 2: The Committee enquired about the progress made by the Interim IT Project Manager. The Principal reported that he had been retained to write the IT Strategy, which had been completed. The College was now looking to appoint a consultant to procure the required IT services.
- Item 2: The Committee asked whether the Principal had discussed business continuity with the Principal of RuTC. She replied that she had a meeting with him in the next few days, and that the new Director of Business Services would be the College lead on business continuity.

3. **DECLARATIONS OF INTEREST**

Paul Coveney declared an interest in the second part of item 5.

4. **COMMITTEE TERMS OF REFERENCE**

The Committee received its terms of reference for 2009/10.

5. **DEVELOPMENT SESSION**

In response to the request by three of the Governor members of the Committee in the Autumn Governors' Training Needs Analysis, the Clerk made a presentation on the LSC Audit Code of Practice. The Committee noted that the Code would need to be amended following the abolition of the LSC on 31<sup>st</sup> March 2010, and asked that the presentation be added to the Governors' shared information.

Clerk

The Committee noted that the Code required that, where the clerk to the corporation was a senior manager at the College or had significant financial responsibility, another individual should act as clerk to the audit committee, and recognised that the Clerk's job description had changed from 1<sup>st</sup> October 2009 to include responsibilities as College Secretary.

*[Paul Coveney left the room.]*

The Committee considered the job description of the College Secretary, and the AoC guidance on the interpretation of the Audit Code of Practice.

*The Committee decided that there was no need to change the clerking arrangements for the Committee.*

*[Paul Coveney re-joined the meeting.]*

## 6. RISK MANAGEMENT

The Committee noted that the Risk Management Policy was clear.

In considering the risk register, the Committee noted that this was shorter than previous versions, and used different terminology. The Principal explained that the register had been restructured to align with the sixteen strategic objectives set out in the Strategic Plan 2009/12, as previously agreed, and in accordance with Tenon's advice. Each strategic objective was now associated with the consequences of failure to achieve that objective (many of which were the "risks" shown in the previous risk register), along with planned corrective actions and performance indicators. Each strategic objective was assigned to a senior member of the College Management for management, and to a Standing Committee for governance oversight. The register also showed the status of each risk at 1<sup>st</sup> August 2009, and the current status, so that progress could be clearly seen throughout the year.

The Committee asked what the main changes in risk status were since last year. The Principal replied that "Safe and Secure" and "Equality and Diversity" were getting much stronger. The Committee noted that "Safe and Secure" showed a number of actions due for completion in the near future, and asked whether these actions were on target. The Principal replied that a revised Health and Safety Policy would be considered by the Employment & Organisational Development Committee on 3<sup>rd</sup> December 2009, for approval by the Governing Body on 17<sup>th</sup> December 2009. In response to a further question, she reported that the last two practice evacuations of the College had been achieved in less than the 5 minute target. She said that the biggest task would be the training of staff in safeguarding children and vulnerable adults.

The Committee noted that IT systems and classroom utilisation (two matters which had been of concern) were covered by "Digital solutions" and "High Quality Learning Environments" respectively. Mike Cheetham reported that there was a sector expectation of a 10% cut in FE funding, and asked how the risks associated with this were being handled, to which the Principal replied that this had been an assumption in the annual estimates of income and expenditure which had been approved by the Governing Body on 2<sup>nd</sup> July 2009.

The Committee asked whether the performance indicators could be benchmarked across colleges of a similar size to RACC. The Principal replied that some benchmarking had been done, and that the College showed up well in terms of, for example, high fee income and profitability, but less well on business support staff costs as a proportion of turnover. The targets set out in the risk register were stretching, but realistic, and always had to be set in the context of the College's mission.

The Committee asked whether it was intended that it would receive information on risks being scrutinised by other Committees, to which the Principal replied that the full register (or at least the summary chart) could come to the Audit Committee every term. She further reported that the current status against targets would be shown in the SAR, although there were some measures for which this would not be possible, since there was no baseline available from previous years.

The Committee asked whether the College was audited on its performance in "Sustainable", to which the Principal replied that there were external measures available (against which the College was making progress), and there was an expectation that the Mayor of London could introduce targets for this area. Considering "Organisational development", the Committee asked whether sickness absence was a big problem for the College. The Principal replied that this was not known, as there had been shortcomings in its measurement and reporting: new procedures would be submitted to the Employment & Organisational Development Committee on 3<sup>rd</sup> December 2009.

Clerk

*The Committee noted the risk management report.*

## 7. FINANCIAL STATEMENTS AND REGULARITY AUDITORS' MANAGEMENT LETTER 2008/09

The Director of Finance and Information Systems reminded the Committee that the financial statements were draft: there were some known problems in the narrative, which had been corrected. The Principal reminded the Committee that, on 23<sup>rd</sup> September 2009, the Governing Body had approved a pay freeze for the staff, but had recognised that the College might wish to make some sort of Christmas payment, depending on the final surplus in the 2008/09 accounts. On 28<sup>th</sup> November 2009, the Governing Body had approved the payment of a 1% Christmas payment to qualifying staff, at a cost of approximately £55-60K. The Committee asked whether this payment could be shown in the 2008/09 financial statements. Martin Grundy replied that, although the payment was not part of a recognised bonus scheme, the cost was not material: its inclusion in the 2008/09 financial statements would not be reflected in Grant Thornton's opinion, but would be included (as a non material item) in their management letter.

The Committee asked whether such a payment would set staff expectations for the future. The Principal said that, in the context of the pay freeze, it would be made clear that the payment was not a precedent, but was in recognition of the staff's contribution to the College's performance in what had been a difficult year.

***The Committee endorsed the financial statements for 2008/09.***

The Committee considered the Key Issues Memorandum 2008/09.

Martin Grundy reported that this was a very positive report, and that Grant Thornton were able to give unqualified opinions both of the financial statements and regularity (which had been qualified last year). The College had been well prepared for the audit, and there had been few issues or adjustments. The Committee asked whether there was anything which was of concern to the financial statements and regularity auditors, to which Martin Grundy replied that there was not.

The Committee expressed its thanks to the Director of Finance & Information Services and, since this would be her last meeting as she was emigrating to New Zealand, wished her well in the future.

In considering the draft letter of representation, the Committee was informed by Martin Grundy that this contained general representations only: there were no specific representations required (as was sometimes the case).

***The Committee endorsed the Key Issues Memorandum and letter of representation.***

**8. FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE) 2008/09**

The Committee considered the FMCE, which had been compiled by the College using the standard LSC criteria and questions. Much had improved by the end of 2008/09, as compared with the beginning of that year. The College had rated itself as Outstanding: it had encountered problems, but had then analysed them and fixed them. The Committee noted that the FMCE would contribute to the College's Ofsted rating, and asked whether the actions proposed in the improvement plan were on target. The Principal replied that recruiting a new MIS Manager with in-depth knowledge and experience of the funding system was notorious throughout the sector for its difficulty, but that she had engaged an Interim Finance Director who was very experienced in this area. The other objectives had all been achieved, or remained on target.

***The Committee approved the FMCE 2008/09.***

**9. INTERNAL AUDIT ANNUAL REPORT 2008/09**

Mike Cheetham informed newer members of the Committee that the structure and content of this report were in accordance with rules set down in the Audit Code of Practice. Referring to the section on Train to Gain and Franchised Provision, he reminded the Committee that this had included a qualified opinion last year: for 2008/09, there had been no reason for Tenon to consider qualifying their opinion.

The Committee noted that there were now no grade 1 recommendations outstanding. The Committee further noted that the opinion set out in section 8 of the report referred to the College's adequate risk management, control and governance processes: the only other option open to Tenon would have been to say those processes were inadequate – there was no good or

outstanding category.

*The Committee recommended the Internal Audit Annual Report 2008/09 for approval by the Governing Body.*

**10. MONITORING OF INTERNAL AUDIT RECOMMENDATIONS FROM 2008/09**

The Committee asked whether the actions scheduled for completion by December 2009 had been completed. The Principal replied that the extended sickness absence of the Vice Principal (Finance & Corporate Service) had had an impact on the timescales: the current expectation was that they would be completed by February 2010, which would be in time for the April 2010 meeting of the Audit Committee. Mike Cheetham confirmed that there would be a Tenon follow-up mid year, also in time for the April meeting.

*The Committee noted the progress report.*

**11. ANY OTHER BUSINESS**

The Principal advised the Committee that the College was starting to deliver new provision under the LSC "6 month offer". A College Manager had asked whether it would be possible to ask Tenon to audit this new work stream. The Committee asked whether the funding was liable to clawback, to which the Principal replied that it was. The Committee requested that the Principal should investigate the cost of such an audit, and report back to the next meeting.

Principal

This part of the meeting ended at 8:00 pm

*[Mike Cheetham and Martin Grundy left the meeting.]*

The following items were considered in Part 2 of the meeting.

**12. REVIEW OF AUDITORS' PERFORMANCE**

The Committee reviewed and approved the assessments of the auditors' performance for 2008/09, as completed by the College.

**13. REAPPOINTMENT OF AUDITORS**

*The Committee recommended the reappointment of Tenon as the College's internal auditors.*

*The Committee recommended the reappointment of Grant Thornton as the College's financial statements and regularity auditors.*

**14. ANY OTHER CONFIDENTIAL BUSINESS**

There was none.

The meeting ended at 8:05 pm

**CHAIRMAN**