

**GOVERNING BODY
AUDIT COMMITTEE**

Minutes of the non-confidential section of the meeting held on Tuesday, 9th June 2009
at 6.15 pm at the Parkshot Centre, Richmond

Present:	Mr Robin Jowit, OBE, Chairman of the Committee Mr Geoff Varrall Dr Tim Woolmer Mr Duncan Faircloth, Non-Governor Member
In attendance:	Ms Christina Conroy, OBE, Principal & Chief Executive Ms Judith Potter, Vice Principal (Finance and Corporate Services) Ms Anna Brekkeflat, Director of Finance & Information Services Mr Adrian Rutter, Director, Government and Public Services, Tenon Mr Martin Grundy, Partner, Grant Thornton Mr Paul Coveney, Clerk to the Governing Body
Apologies:	Ms Siân Bates, MBE Ms Gabe Flint, Vice Principal (Curriculum & Quality) Ms Rachel Devitt, Manager, Audit and Business Assurance, Grant Thornton

Part I (Non-confidential items)

1. **MINUTES** of the previous meeting held on 10th March, 2009 were approved as a correct record and signed by the Chairman.
2. **ANY MATTERS ARISING FROM PREVIOUS MEETING WHICH ARE NOT COVERED BELOW**
 - Referring to item 2, the Chairman asked what was the progress regarding the College's current approach to improving the reliability of the College IT system. The Vice Principal (Finance and Corporate Services) informed the Committee that an interim IT Project Manager had been appointed, and had now started work with a remit to investigate the best way forward for IT in the College, including a survey of best practice within the sector. This was as replacement for the original plan of using the IT Consultant for the Capital Project required by the LSC framework.
 - Referring to item 6, the Principal informed the Committee that she would include an item relating to business continuity on the agenda for her next meeting with the Principal of RuTC.

3. **DECLARATIONS OF INTEREST**

There were none.

4. **TENON REVIEW OF TRAIN TO GAIN PROGRESS**

Adrian Rutter confirmed that the draft report was now final: he would amend it and send to the Clerk for the record. Tenon

The College had made good progress in its recovery strategy: the more manageable scope of provision, and the move to a greater proportion of direct provision, gave the College better control. Tenon had made provision in next year's internal audit plan to review the implementation of learner and employer surveys, and improved management information reporting.

In response to a question from the Chairman, the Principal reported that the College was now starting to send out employer and learner surveys: in the past, the priority had been to deal with historical complaints arising from the RBS issues. Staff had been trained, and the documentation improved. The procedures and systems were not dependent on the new staff in ITS, CIS and Business Services: the College had owned the problems collectively, and the new starters would benefit from an already improved situation.

The Committee noted (section 4 of the report) that the College had reduced the number of NVQ's

it offered, with a focus on areas of academic strength, and asked for some examples of NVQ's that had been discontinued. The Principal replied that these included waste management, custodial care and others in which the College had had no academic leadership. In relation to Health & Social Care, the College intended to recruit for this area by January 2010: in the meantime, an established partner had been engaged to deliver the provision in this area until the College takes over direct delivery.

The Committee noted the Tenon review of progress on the College's recovery strategy.

5. TENON INTERNAL AUDIT REVIEW MAY 2009

By way of introducing this item, the Committee expressed the view that the report was longer than necessary (50% bigger than last year's equivalent), and that this made it difficult to digest and get to the bottom of the real issues. Adrian Rutter reminded the Committee that the report was intended to assist the College Management as well as the Committee, and expressed the view that this justified the amount of detail in the report.

Adrian Rutter summarised the report. Learner number systems were now back to the standard that Tenon would expect to see, and good progress had been made by the College in implementing recommendations from previous years, especially in the light of the RBS problems. In response to a request for clarification from the Committee, he explained that the design of Learner Number systems had some shortcomings, but these were mitigated by the quality of their operation.

Referring to the **Learner Numbers** section of the report, the Principal advised the Committee that the rules regarding eligibility for students undertaking a second Level 2 qualification had been relaxed, but there was still a need for careful tracking, to ensure compliance with the funding rules for Employer Responsive provision.

Referring to the **Additional Learning Support** section, the Principal informed the Committee that this related to a College spend of c. £0.5m, and brought a requirement for further detailed record keeping. The Committee asked why the College's cost per learner (£304.76) for ALS administration was high in comparison to other Colleges. The Principal replied that this was explained in terms of the profile of eligible students who predominantly had special needs.

The Committee noted with satisfaction that there was only one grade 3 recommendation for **Financial Planning**.

Considering the **Procurement and Payments** section, the Committee enquired why orders (some for over £3,000) had been placed without the proper authorisation. The Vice Principal (Finance and Corporate Services) informed the Committee that this related only to expense items, and that all capital spend had been as approved by Governors. The expense items mainly concerned Estates: in all cases, the expenditure had been approved by the appropriate level of management – the weakness was that the correct paperwork had not then been completed. This situation had now been rectified by staff training in the correct procedures to be followed in order to provide a full audit trail.

The Committee noted with satisfaction that there was only one grade 3 recommendation for **Payroll**, and that this had been implemented.

The Director of Finance & Information Services informed the Committee that all recommendations scheduled for completion in May and June 2009 had now been implemented.

Considering the ten recommendations from previous years still in progress, the Committee noted that four of these related to IT matters, and were being addressed within the remit of the consultant IT Project Manager: they were not yet implemented, but were now being actively addressed. The Principal drew the distinction between the IT infrastructure and the systems which ran on that infrastructure. The College had last made a major investment in the infrastructure in 2003/04, and this was now in need of refreshing, especially in the light of the demands placed upon it by the software needed for the College to offer high-end IT services to its learners. In the meantime, improved housekeeping could be put in place as a stop-gap measure, but there would soon be a need for the College to make a further investment.

A further four recommendations concerned learner numbers and information systems, and were being addressed in the recovery strategy.

The remaining two recommendations concerned marketing: the Principal reported that the Head of

Marketing had these in hand, but implementation could not be completed until the College had received Governing Body approval of the overall College strategy, of which the marketing strategy formed a part. The proposed terms of reference for the Quality & Curriculum Committee in 2009/10 included oversight of the College's performance against targets for learner recruitment, retention, achievement and progression, and the Principal welcomed the recognition that this was the primary function of marketing within the College, and therefore would be subject to scrutiny by that Committee.

The Vice Principal (Finance and Corporate Services) drew the Committee's attention to the fact that there were no grade 1 recommendations made this year, or outstanding from previous years. The Chairman welcomed the improvement in clearing the backlog of recommendations, and observed that this would probably have been even greater if it had not been for the emergence of the Train to Gain issues.

The Committee noted the Tenon internal audit review for 2008/09.

6. LSC PFA AUDIT ON APPRENTICESHIPS AND TRAIN TO GAIN

The Vice Principal (Finance and Corporate Services) reported that the audit had taken place in March 2009, but that the College had yet to receive the report: she had been chasing the LSC for this, and was now in the process of escalating the matter. The College was concerned that further delay would reduce the College's ability to take remedial action in time for the sign-off of the 2008/09 accounts.

Initial verbal feedback appeared to indicate that the College was in a borderline position for achieving an unqualified audit: previous error rates had been c. 40%, and it was necessary to achieve less than 5%. The fact that the College appeared borderline implied that considerable progress had been made. The Principal added that, from the College's point of view, the PFA audit had come a month too early, because the recovery plan had not been completed at the time.

The Committee noted the verbal report.

The Committee decided that, should the results of the PFA audit be received by the College in time for the meeting of the Governing Body on 2nd July 2009, then the Clerk should ensure that the report was distributed to all members of the Audit Committee, and then taken straight to the Governing Body.

Clerk

7. INTERNAL AUDIT NEEDS ANALYSIS AND STRATEGY 2009/10

Adrian Rutter presented the audit needs analysis and strategy report.

He drew the Committee's attention to the focus on the Capital Project, Employer Responsive provision, the College's role in the borough wide project regarding economic recovery planning, and the need to streamline the College's support services (including IT and HR), all in addition to the core areas required by the Audit Code of Practice. He said that, as stated in section 2 of the report, Tenon was seeking guidance from the Committee at this meeting in order to finalise the report.

The Committee expressed concern that the projected internal audit costs for 2009/10 were estimated at £31,000 plus an unquantified amount for work in connection with the Capital Project., and sought reassurance that the service would be targeting the right areas, and providing value for money, before it could recommend the strategy to the Governing Body. The Committee recognised that the strategy had been developed in collaboration with the College Management, and would not wish to jeopardise the contribution it would make to them. In response to a question from the Committee, Adrian Rutter said that, within the sector, £20,000 would probably be regarded as the minimum charge for a small College, but that Tenon's intention was that the extra cost would bring value to the College.

The Committee considered in particular the three areas of 'Social Enterprise' funding, Human Resources, and IT – cross College service delivery, noting that the projected cost for these amounted to some £12,650.

In relation to Social Enterprise, the Principal informed the Committee that the College was in the process of a detailed review of how it might proceed in this area, and that any contribution from internal audit in this area would best be assessed at a later time. The HR item again concerned

an area where the scope of any internal audit work could not yet be defined. The Vice Principal (Finance and Corporate Services) said that the same could be said of the IT area: it would be premature to commit at this stage, but the requirements could, if necessary, be re-visited during 2009/10.

The Committee decided that the areas of 'Social Enterprise' funding, Human Resources, and IT – cross College service delivery should be removed from the internal audit plan for 2009/10.

Adrian Rutter agreed to re-write the report to reflect this: he would send the revised version to the Clerk, who was requested by the Committee to send it to the Chairman.

Tenon
Clerk

Subject to the above changes, the Committee approved the internal audit needs analysis and strategy 2009/10.

8. FINANCIAL STATEMENTS AUDIT STRATEGY 2009/10

Martin Grundy presented the financial statements audit strategy report.

He stated that the audit approach was similar to previous years, and that the key audit issues would be the Capital Project, Train to Gain, and the Widegate Street premises. Sector issues included the LSC's indication that there may be a significant clawback relating to Adult provision and of future funding risk management in the light of the disappearance of the LSC.

He advised the Committee that Grant Thornton was proposing a change of audit manager, since Rachel Devitt would be on maternity leave when the audit took place. He confirmed that the proposed fees were the same as for last year, and drew the attention of the Committee to the statements in Appendix A of the report in relation to the independence and robustness policy of Grant Thornton, and in relation to the £7,500 that Grant Thornton had charged the College in respect of VAT advice, which was additional to its audit work.

The Committee approved the financial statements audit strategy for 2009/10.

9. RISK MANAGEMENT

The Vice Principal (Finance and Corporate Services) informed the Committee that the College's Financial Regulations required the full risk register to be considered by the Audit Committee once per year. She had received advice from Tenon as to how the use of the risk register could be improved, including the addition of an extra column to show the status of each risk at the start of the year.

She drew the attention of the Committee to those risks currently classified as "Significant". In relation to LSC funding targets, she said that targets and allocations were subject to constant change, and that payment of funding is now staged. The risks associated with the Capital Project would only apply if the College were successful in obtaining LSC approval. She confirmed that the College was staffing up to cope with the increased complexity of ILR data monitoring. The operational risk associated with breakdown of systems had been discussed earlier in the meeting in the context of the College's ageing IT infrastructure, while the operational risk in relation to the College's ability to deliver Employer Responsive programmes had been kept as Significant because the College was not yet delivering programmes to a large number of learners.

Referring to risk O7, she informed the Committee that FfE ratings would be used in the allocation of contestable funds; FfE ratings were, for the most part, additional to what was assessed by Ofsted, which emphasized again the amount and complexity of data which the College was required to collect. The risk associated with the PFA audit had already been covered at the meeting, and the reputational risk associated with declining retention, achievement and success rates were an issue for the College: Employer Responsive success rates were lower than those for Adult Responsive provision.

The Committee suggested that a logical flow for the reader would be for each risk to be shown at its original rating first, followed by the mitigating actions, and culminating in the rating after those actions had been taken.

The Committee recognised that the risk register as presented was, in effect, a closing statement

for the year 2008/09. The register would be developed anew following approval by the Governing Body of the College strategy, which was now expected at the September meeting. The Committee considered that, for future years, the full review should be undertaken at the first meeting of the Committee in any year, and then followed by monitoring of the major items at subsequent meetings through the year. In response to a question from the Committee, Adrian Rutter confirmed that this was common practice in the sector.

Clerk

The Committee noted the risk management update.

10. **ANY OTHER BUSINESS**

The Chairman asked whether the proposed Tenon approach of changing its measures of assessment was common practice in other Colleges and with other internal auditors. Adrian Rutter replied that he could not speak for other auditors, but said that the College could revert to the old system of assessment if it preferred. The Principal said that, in view of the amount of flux in the sector, the most important thing was to use a methodology that was helpful to Governors and the College Management.

The Chairman said that he understood that this was to be Adrian Rutter's last meeting of the Audit Committee. Adrian Rutter confirmed that this was the case, as he was changing responsibilities within Tenon. The Chairman expressed the gratitude of the Committee for his contribution over the years, and its best wishes for the future.

This part of the meeting ended at 8:10 pm

CHAIRMAN