

**GOVERNING BODY
AUDIT COMMITTEE**

Minutes of the non-confidential section of the meeting held on Tuesday, 10th March 2009
at 6.15 pm at the Parkshot Centre, Richmond

Present:	Mr Robin Jowit, OBE, Chairman of the Committee Ms Siân Bates, MBE 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) 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 Gabe Flint, Vice Principal (Curriculum & Quality) Ms Rachel Devitt, Manager, Audit and Business Assurance, Grant Thornton Ms Anna Brekkeflat, College Accountant

Part I (Non-confidential items)

1. MINUTES of the previous meeting held on 2nd December 2008 were, with minor changes, 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 3, the Chairman said that the College IT system had been down the previous day, and asked whether the IT disaster recovery plan had been put into operation. The Vice Principal (Finance and Corporate Services) replied that it had: there had been no loss of data, but only a loss of connection owing to the failure of the main network switch following a big power spike during the night of Sunday, 8th March. Network maintenance was partly outsourced, and partly provided in-house: the College had already recognised the risk of this, and was considering moving to a fully outsourced service. An in-depth investigation would be followed by a report to the Finance & Resources Committee. The Principal reported that some IT matters had been waiting to be included with the Capital Project: with the likely delay in this, the College may wish to bring forward further proposals regarding IT investment.
 - Referring to item 7, the Chairman asked what was the latest position on the actuarial assumptions regarding retirement benefits, and whether the College was holding reserves to cover this matter. The Principal reminded the Committee that the majority of College staff (teaching staff) were on a non-contributory pension scheme, paid for from general taxation; the remainder (some 80 in number) were on the Local Government Pension scheme, for which the revaluation was due in 2009. Martin Grundy said that the FRS17 calculation was for the accounts only, while the impact from the revaluation would be for future years. The Committee recognised that many other organisations were in a position similar to the College.
 - Referring to item 9, the Principal reported that Tenon's next visit regarding the Train2Gain issues would be in May 2009, and that some 2007/08 learners had been brought back into 2008/09, with the approval of the LSC.
3. DECLARATIONS OF INTEREST
There were none.

JP

4. TERMS OF REFERENCE

The Committee reviewed the proposed draft of the its revised terms of reference, noted that the majority of these were required by the Articles of Government or the Audit Code of Practice, and required the Clerk to make minor alterations to ensure consistency of terminology before the draft was passed to the Search & Governance Committee for consideration.

Clerk

5. REVISIONS TO TENON'S INTERNAL AUDIT APPROACH

Adrian Rutter reported that the main changes from past practice were to align the assessment grading with that used in the LSC FfE (Framework for Excellence), and to take the FMCE (Financial Management and Control Evaluation) as the starting point for the internal audit review areas. The new grading would be based on four possible scores, instead of the previous three, with Outstanding as the highest level – reserved for areas in which the College was leading sector best practice: he anticipated a very small percentage of such scores, possibly 1% or 2%. The Principal said that the LSC's expectation for FfE was that approximately 20% of scores would be Outstanding, and asked whether Tenon's approach was being adopted by other internal auditors. Adrian Rutter replied that this was a voluntary change on the part of Tenon. The Committee agreed that this approach should be reviewed in operation, to ensure that it did not encourage unduly severe self assessment by the College. The Committee noted that the rotation policy would mean that Adrian Rutter (who had served five years) would need to be replaced as the College's Head of Internal Audit within another two years.

The Committee noted Tenon's revised internal audit approach.

6. INTERNAL AUDIT REPORT, JANUARY 2009

Adrian Rutter summarised the report, noting that the overall assessment remained high, with no deterioration in previous year's assessment with the exception of the Train2Gain issues.

The Chairman enquired whether management was keeping up with the target dates for recommendations, and how Governors could be assured that there was no slippage, without becoming unduly involved in the management of the College. The Vice Principal (Finance and Corporate Services) replied that the implementation of recommendations was a continuing process, and any backlog should be resolved by the end of 2008/09.

The Committee reviewed progress on the IT disaster recovery plan and business continuity. The Vice Principal (Finance and Corporate Services) reported that substantial progress had been made on the former, while the latter had been the subject of a very helpful exercise at the recent College Management weekend, especially in the light of the recent adverse weather and its impact on public services. The Principal welcomed the Committee's suggestion that it might be helpful to discuss the issues with RuTC. Adrian Rutter confirmed that College Management were clearing the recommendations, although there was a recognised difficulty with learner number systems.

CJC

The Committee noted the report.

The Committee reviewed the revised College Risk Management Policy.

The Committee recommended the revised Risk Management Policy for approval by the Governing Body.

7. RISK MANAGEMENT UPDATE

The Vice Principal (Finance and Corporate Services) presented the risk management update, reporting that this had been revised in line with the recommendations in Tenon's Internal Audit Report of January 2009, in order to show an overview of the significant risks, but with sufficient detail to indicate what actions the College was taking to mitigate those risks. The Committee recognised that many of the risks were a reflection of the College's normal business, and that some risks were beyond the control of the College to prevent.

The Committee noted that many of the mitigating actions had target dates which were imminent, and that these were mainly linked to the recovery strategy, which was progressing well.

The Chairman asked how significant to the College was the risk of delay to the Capital Project. The Vice Principal (Finance and Corporate Services) replied that the College might need to capitalise the fees spent to date, should AiP (Approval in Principle) not be forthcoming in this year. The College would then need to consider alternative options for developing its accommodation.

The Committee suggested that the Vice Principal (Finance and Corporate Services) and Tenon should work together to improve further the method of risk reporting.

JP, Tenon

8. LSC PFA AUDIT ON APPRENTICESHIPS AND TRAIN2GAIN

The Vice Principal (Finance and Corporate Services) reported that the College had yet to receive the LSC's notification of the sample for the audit, which was scheduled to begin on 23rd March. The College had enlisted the support of Tenon to go through the sample once notified, and to attend the final audit meeting. The LSC had acknowledged the complexity of the issues covered by the audit, but had indicated that the rules would be relaxed in the near future.

The Committee recognised the difficulty faced by the College, and noted that the College had worked very hard in preparation for the PFA audit.

9. ANNUAL REPORT OF AUDIT COMMITTEE 2007/08

The Committee requested that, under Train to Gain, the first sentence be re-worded to read: "The College in its financial statements reported a loss of £121K as a result of problems with partner organisations".

Clerk

The Committee approved the report for submission to the Governing Body.

10. ANY OTHER BUSINESS

The Committee decided that, in future, the Clerk should e-mail minutes, once approved by the Chairman, to the members of the Committee.

Clerk

This part of the meeting ended at 7.40 pm

CHAIRMAN