

SIR GEORGE MONOUX COLLEGE

Minutes of the Meeting of the Audit Committee held on 22 June 2011

- Present** Farid Ahmed, Sue Medd, Brian Westbury
- Clerking Services** Robert Smith (Clerk to the Corporation).
- Observers** David Ball (Vice Principal: Corporate Affairs), Husa Ali (Finance Manager – except for items 6-7), Rakesh Shaunak (MacIntyre Hudson: Internal Audit Service – items 6-7 only)

1 Apologies for Absence

Brian Westbury was welcomed on the occasion of his first attendance at a meeting of the Committee.

All members were present.

2 Appointment of Chair

The Clerk to the Corporation reported that the Chair of the Committee having reached the end of his period of appointment, and the Vice Chair having resigned from membership of the Corporation, it was necessary, using a common law provision in relation to meetings, for the members present to appoint from among their number a person to act as Chair for the duration of the meeting.

The members present duly elected Brian Westbury to act as chair.

3 Declarations of Interest

None.

4 Minutes of the Previous Meeting (17 November 2010)

The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate.

5 Matters Arising from the Minutes

None.

6 Reports of the Internal Audit Service 2010-11 (Paper A 11-01)

The Internal Audit Final Report for the year ending 31 July 2011 was received for consideration and, if thought fit, recommendation to the Corporation. A summary of its principal findings prepared by the Vice Principal (Corporate Affairs) was also received,

It was noted that:

- the audit had been undertaken using a risk-based approach in order to reach conclusions as to the extent to which relevant controls exist and are operating;
- the following areas had been examined: corporate governance, risk management, viability of the educational programme, student enrolment, student support, key financial controls (in relation to financial monitoring & reporting, bank & cash and payroll), budget setting, catering and examination fees;
- all areas examined had been rated grade 1 or grade 2 (respectively substantial and satisfactory assurance);
- two medium priority recommendations had been made in relation to risk management and student support, both of which had been accepted by College management for implementation;
- three low priority recommendations had been made in relation to financial reporting, budget setting and examination fees, all of which had been accepted by College management for implementation;
- internal audit recommendations made in previous years had either been completed or are in process of completion (with one exception relating to training for members of the Audit Committee – the Clerk to the Corporation agreed the importance of this issue, noting that it would be addressed on appointment of members to the Committee and that, as an initial measure, the internal auditor's offer to conduct a brief induction into the work of audit committees for existing members was a useful suggestion.

In relation to recommendations made, members noted that:

- risk management should be conducted through the maintenance of a single risk register capturing College-wide risks under relevant headings, risks being scored for both inherent and residual risk (i.e. respectively before and after the application of mitigating actions), a Risk Management Group being responsible for regular review of the Register and communicating key risks to staff within the areas they manage, and the Risk Management Policy being updated to reflect any changes implemented;

- the effectiveness of the student support service should be evaluated in terms of the impact that the application of College resources has on outcomes (e.g. on success and retention rates);
- a short narrative for the benefit of users should be added to the management accounts to explain movements in the balances and the impact of, and reasons for, any significant variances;
- the procedure notes currently issued to complement the budget-setting timetable and process should be expanded to provide sufficient guidance, including guidance for budget-holders who should be encouraged to participate actively in the process (with appropriate training, as required);
- members of the Examinations team should be allocated to departments and attend meetings so that all relevant decisions taken in relation to examination entry and registration are noted and acted upon.

The report was recommended for approval by the Corporation at the meeting to be held on Monday 11 July 2011.

7 Draft Annual Report of the Internal Audit Service (Paper A 11-02)

A draft report prepared by the internal audit service was received for consideration and, if thought fit, recommendation to the Corporation.

It was noted that:

- the report covers the period from 1 August 2010 to 31 July 2011 and, having been prepared on the assumption that no significant adverse events will arise during the unelapsed portion of the year to alter the opinions expressed therein, is to be regarded as possessing draft status at this date;
- the report makes reference to the internal audit reports presented;
- based on the work undertaken during the year and the implementation (where appropriate) by College management of the audit recommendations, reasonable assurance (the highest level of assurance) can be provided to College management and the Corporation that the College's systems of internal control, governance and risk management are operating adequately and effectively (the highest level of assurance) and that, in the opinion of the Service, the College has adequate and effective management, control and governance processes in place to manage the achievement of its objectives;
- the report which is a mandatory document will in due course be lodged with the Young People's Learning Agency.

The draft report was recommended for approval by the Corporation at the meeting to be held on Monday 11 July 2011.

8 Performance of the Internal Audit Service against Approved Schedule of Performance Indicators (Paper A 11-03)

A schedule prepared by the Vice Principal (Corporate Affairs) was received for consideration and discussion.

It was noted that all relevant aspects of the provider's independence and objectivity, audit strategy, audit approach, as well as conclusions and report-writing had been assessed as highly satisfactory, and that it had been recommended that the incumbent provider be retained for the forthcoming year (2011-12).

It was noted that, on this occasion, there had been no input to the assessment by the Clerk to the Corporation since the College's internal audit had been carried out at a very early stage of his appointment.

9 Tender for the Internal Audit Service

It was noted that MacIntyre Hudson had been appointed as the College's internal audit service in 2002, and that a re-tendering process is therefore overdue. Members agreed to defer arrangements until the Autumn Term when, it is intended, the Committee will be fully constituted under an appointed Chair.

10 Financial Statements Audit Plan 2010-11

It was noted that it had not been possible to present a paper for this meeting, and that the Plan would therefore be submitted for consideration *ab initio* by the Corporation at the meeting to be held on Monday 11 July 2011.

11 Risk Management (Paper A 11-05)

A schedule was received for consideration and, if thought fit, recommendation to the Corporation.

It was noted that:

- the register in its present form had been prepared prior to recommendations made by the internal audit service;
- significant risks had been identified concerning funding (and the impact of performance on funding levels), AS examination performance, failure to appoint and develop appropriate senior staff, and the effect of industrial disputes;
- other risks had been identified concerning the curriculum offer, inspection, the occurrence of pandemics, the impact of community or religious tensions originating outside the College, the use of hazardous materials (particularly chemicals), the incidence and effect of employment tribunals, and failure by the Corporation to fulfil its principal remit (i.e. to oversee the College's strategic direction, arrangements for

quality assurance, the maintenance of solvency and the protection of assets);

- changes to the risk register and its operation had been proposed giving effect to the recommendations of the internal audit service elsewhere minuted.

Present controls, timetables for improved controls (where relevant) and the person or persons holding responsibility for managing specific risks were noted and deemed to be adequate.

The register was recommended for approval by the Corporation.

Members approved the proposals concerning the intended changes to the risk management system.

12 Bribery Act 2010 (Paper A 11-06)

A paper prepared by the Finance Manager was received for consideration.

It was noted that the present sole area of exposure identified as relevant to the College is that of hospitality and gifts for individuals, and that the following documents are recommended for review in the context of the legislation: financial regulations, fraud policy, gifts and hospitality policy, whistleblowing policy.

The Committee accepted the present recommendations, which were agreed to be proportionate, and asked that the revised provisions be included on the agenda for consideration at the next meeting of the Committee.

13 Items for the Corporation

Items 6, 7 and 11 were approved as competent business for the Corporation at the meeting to be held on Monday 11 July 2011.

14 Any Other Competent Business

None.

15 Items for Future Agendas

None, except for that recorded in Minute 12 above.

16 Date and Time of the Next Meeting

Tuesday **22 November 2011** (6.00pm), subject to confirmation at the Corporation meeting to be held on Monday 11 July 2011.