



Minutes of the meeting of the Audit Committee
held on Wednesday 17th June 2009

- Membership:** * Mr David Lavarack
 Dr Anne Grant
 Mr Peter Hickman
 * Mr Chris Johnson
 * Mr Robin John
 * Mrs Jo Canessa
- Also present:** * Mr Dan Dean – Advising Officer
 * Mr Geoffrey Bowley- Advising Officer
 * Mr Clive Malcolm - Horwath Clark Whitehill (left after item 5)
- In attendance:** * Mrs Sue Gunter – Clerk to the Corporation

1. REGISTER OF INTERESTS

The Chair asked if anyone present had any interests to declare with regard to the agenda of the meeting. None were declared.

2. APOLOGIES FOR ABSENCE

Anne Grant, Peter Hickman, representative from MacIntyre Hudson.

3. MINUTES OF THE LAST MEETING

The minutes were agreed and signed as a true record.

4. MATTERS ARISING

Item 4 Internal Audit Report In response to a question from David Lavarack, Clive Malcolm advised that the half day credit owed from the previous year's audit had provisionally been set aside for further discussions on risk management. If it was not used in this way, it would be credited against other work done. Robin John raised an additional point about the extent to which the auditors examined the financial monitoring process within the College to ensure that the control systems were operating correctly, and that budgets were both properly set and monitored during the year. After some discussion about this point, Clive Malcolm confirmed that this was within the scope of their audit.

Item 5 FMCE and benchmarking data Geoff Bowley reported that he had investigated this and that the LSC website contained spreadsheets of figures from all sixth form and FE college accounts to 31st July 2008 as well as other detailed information. He felt that it should be possible to examine the data in a meaningful way, with a little help from the college IT department.

<p>Action: It was agreed that Geoff Bowley would benchmark some key issues from the data and that the results of this exercise should go to the Finance Committee.</p>

With reference to the FMCE submission, Dan Dean read an extract from a letter from the LSC confirming their agreement with the College's self-assessment of "outstanding".

Item 6 Rolling three year plan Agreed as a point for the future.

Item 9 Risk Management Dealt with under Point 8 of this agenda.

5. DRAFT INTERNAL AUDIT REPORT

The committee examined the recommendations contained within the report point by point as follows:-

D1 Preparation of Bank Reconciliations. Bank reconciliations were now being produced on a timely basis throughout the year, thanks to the appointment of a full-time Finance Manager who worked through the College holidays.

D2 Purchase Ordering Procedure. This point generated considerable debate as to how it could best be managed, and the purpose and benefits of ensuring that the purchase order system was adhered to. It was noted that the £100 limit, below which the purchase order system need not be used, had been set 17 years ago and should be reviewed. On the whole the committee was not in favour of the auditors' recommendation invoking a system of non payment of suppliers until a purchase order was raised as this was seen as unduly punitive on the supplier. The issue tied in with the College's intention to create a procurement policy and it was agreed that the required procedures would be clearly explained to all staff, and the message reinforced to them that these procedures must be followed.

D3 Quotes for goods and services. Dan Dean advised of the particular reasons for not obtaining three quotes in the instance picked up by the auditors. It was agreed that these were acceptable reasons but that it was important to ensure that, when the necessary number of quotes were not obtained, the reasons for not doing so were properly documented. Geoff Bowley advised that again this would form part of the procurement system guidelines.

D4 Fixed Asset reconciliation. The point raised had been addressed within the duties for the newly appointed Finance Manager, although Clive Malcolm remained concerned at the limitations of the software which had caused the problem.

D5 Physical verification of fixed assets. An inventory of fixed assets is currently being arranged.

E1 Review of policies. It was agreed that it would be good practice to produce a master list of policies and their review dates.

F1 Lack of documented process. The department accepted the recommendation of reviewing the process and documentation for allocating and managing access rights, and this was already under discussion within the department.

F2 Information Security Policies. The observation and recommendations concerning security policies generated a wide ranging debate. In answer to questions from the committee, Dan Dean confirmed that data was not

currently encrypted. However, staff did not need take information out of College either on laptops or USB sticks as they can access all information through the College portal, regardless of where they are. Nevertheless the College accepted the recommendations and would ensure that the updated Information Security Policy would be published and communicated to all staff.

F3 USB devices. The College accepted the recommendation to enhance the current Information Security Policy in relation to USB devices, although Dan Dean reiterated that the College had already taken the decision to encourage student use of USB devices.

F4 Incident Reporting. The College accepted the recommendation and would produce a standard form for incident reporting.

F5 Data back-up policy. Dan Dean advised that the current network manager would be reviewing the data back-up policy as part of a number of housekeeping tasks before he left the College at the end of this term.

F6 Test of IT Disaster Recovery. Clive Malcolm recommended that the IT Disaster Recovery Plan should be tested in full ideally at least every two years. Whilst the College accepted this, in common with other colleges there was an issue of costs in carrying out a full scale test. Smaller tests had been done and further tests would be carried out in the summer of 2009. Dan Dean confirmed that there were two sets of back-up tapes, one of which was kept in a secure safe on-site remote from the server room and the other off-site.

Overall, the committee considered this to be a positive audit report and were satisfied with the College's responses to the recommendations made. Chris Johnson proposed approval of the report. This was seconded by Jo Canessa and agreed unanimously.

6. **LETTER OF ENGAGEMENT FOR FINANCIAL STATEMENTS AND REGULARITY AUDIT**

Geoff Bowley advised that there should be three copies of this letter, one of which was to be returned to MacIntyre Hudson, another sent to the LSC and a third which was kept on file by the College, after signing by both the College and LSC.

No issues were raised in connection with the letter which was in a standard format, and it was proposed for approval by Robin John, seconded by Chris Johnson and approved unanimously by the meeting. The Chair would sign the documents at the end of the meeting.

7. **AUDIT STRATEGY FOR FINANCIAL STATEMENTS AUDITOR**

David Lavarack asked members of the committee if they had any issues they wished to raise on the Audit Strategy Statement. Robin John was concerned at the audit materiality figure of £190,957 which he felt was too high in relation to the College's business. He noted that the figure had been calculated as an average of three factors, and considered that if the College were to overspend by this amount, it would be a very significant issue. It was agreed that the College and the committee needed to understand how the overall materiality was applied in practice and it would be useful to know if it was in line with other Colleges.

<p>Action: Geoff Bowley to raise this with the auditors and Dean Dean to seek comparison figures from other S7 Colleges.</p>

Subject to the above, Jo Canessa proposed approval of the Audit Strategy. This was seconded by Chris Johnson and approved unanimously by the meeting.

8. RISK MANAGEMENT REPORT

Dan Dean introduced the policy which represented a change in approach from previous years. He advised that the three year strategic analysis on pages 5 to 15 had already been scrutinised by the policy committee who had recommended that it should be shown to all staff. David Lavarack agreed with this, saying that he had found the report provided a really interesting overall view of the College. Reviewing the report page by page the following points were noted or recommended for change:-

- “Principle issues” on the Contents page should be renamed “Key Issues”.
- After some discussion it was agreed that the first line under Key Principle on page 1 should be amended to read that the Corporation has a responsibility for "overseeing the College's system of risk management...”
- The committee recommended that the College should formally consider its overall risk appetite and where this fits on the continuum from “risk taking” to “risk averse” and should make this statement in the “Overview” section in future reports.
- Dan Dean drew attention to the fact that the Risk Management Group was formally identified as the Steering Committee on page 2.
- On page 3 it was noted that in future, there would be a termly update on Risk Management to reflect best practice in this area.
- On page 11, Dan Dean confirmed that it would be difficult to fit in students in the 14-16 age range as the College had no spare capacity. However, it was possible at some time in the future that the College might extend provision to this age group.
- There were a small number of typographical changes which were noted by Dan Dean.

In reviewing the Risk Register itself, the following were discussed:-

- David Lavarack asked how the College was mitigating the risk associated with the introduction of a Common Application process. It was agreed that the likelihood of it happening was reduced but the impact was not. It was agreed that the net risk factor might be adjusted in the light of this.
- Similarly, it was agreed that the gross risk under the new Ofsted framework should be reviewed.
- The committee also queried the gross risk rating against Adult Education and asked whether this should be reviewed/removed altogether as it was not core to the College’s business.
- It was noted that a named person(s) needed to be added to the section on developments in local London boroughs.
- It was suggested that the net risk factor for disease outbreak should be reviewed.

Action: Dan Dean would review the various risk factors which had been queried with Keith Blackwell.

David Lavarack asked whether the document would be enhanced by the inclusion of a points score system. After a brief discussion it was agreed that this would not provide any added value. The committee considered that this was a robust document which was pitched at the right level. Chris Johnson

proposed approval of the document. This was seconded by Jo Canessa and agreed unanimously by the meeting.

9. FUNDING ASSURANCE REVIEW AUDIT REPORT

Dan Dean reported that this had been an unqualified report and outlined the two recommendations arising from it. Of these, the first concerning withdrawal dates was the most significant, and the College had rectified the problem in March. The problem regarding completion of the residency question on the enrolment form had also been rectified.

10. ANY OTHER BUSINESS

None.

11. DATE OF NEXT MEETING

The next meeting is on Tuesday 24th November 2009

Signed

Date