



# ***SOUTHGATE COLLEGE GOVERNING CORPORATION***

## **Audit Committee**

### **Minutes of the meeting of 22nd July 2010 held at Southgate College, commencing at 5.15 p.m.**

#### **Members Attending**

Sheila Dawson (Chairman)  
Reshma Bell  
Martin Prescott

#### **In Attendance**

David Byrne (Principal)  
David Morris (McIntyre Hudson, Internal Audit)  
David Chaplin (Chaplin Frobisher Welling, Clerks to the Corporation)  
John Turner (CFW)

#### **1. Welcome to new members**

Sheila Dawson welcomed Martin Prescott to his first meeting and also John Turner, David Chaplin's Deputy Clerk.  
She also asked for the thanks of the Audit Committee to Mohamed Manjra for his long and distinguished service as Chairman of the Audit Committee to be placed on record.

#### **2. Auditors briefing**

None required.

#### **3. Apologies**

An apology for absence was received from Mohamed Manjra who had encountered traffic problems and .

#### **4. Declaration of Governors' interest**

Martin Prescott drew attention to the potential for contracts between his company and the College, but this did not affect the business of this meeting.

#### **5. Future direction of the Audit committee**

Sheila Dawson opened a discussion on how the Audit Committee could rise to the challenge of Ann Zinkin, the Board Chairman, to improve governance at Southgate College from satisfactory to outstanding.

The Chairman outlined her vision for the Audit Committee and Members endorsed her views. She suggested that Members should be looking at the structure and operation of the Committee and also at what they would like to see achieved in 2010/11.

The Chairman raised the possibility of increasing membership to bring in additional skills. Experience relevant to the Audit C. David Morris suggested that it might be worth contacting the Institute of Internal Auditors. Members also noted that accountancy experience was not the only relevant qualification – experience of scrutiny/risk management or compliance could also be useful. In response to a query as to whether Members felt sufficiently well informed about the work covered by the Committee, the Clerk offered to arrange a training session to be led by CFW.

Sheila reviewed the general scope of the Committee's work and asked if the current agendas focused on the right issues. Martin Prescott felt it important not to duplicate the work of other committees – it was the Audit Committee's role to review the other committees' evidence that they had carried out their functions.

In this regard, it was the view of the Committee that the Chairmen of other official sub-Committees be asked for an "annual statement of assurance" that could be scrutinised by the Audit Committee and integrated with the Annual Report of the Audit Committee.

David Morris felt that in providing assurance to the Board, the Committee's scrutiny of the whole system of Internal control was crucial, and of course ensuring the adequacy of Risk management was an essential element.

In respect of Risk Management, Sheila Dawson said that the new risk management policy and guidance was a great improvement, but it was acknowledged that further work was needed to ensure that risk management was embedded throughout the College and that Governors had a clear picture of the risks facing the College and how they are changing.

It was the considered opinion of the Committee that risk management ought to form the hub of the Audit Committee's work, with each future meeting devoting a greater amount of time to understanding particular risks or issues.

It was agreed that for the 2010/11 audit cycle, the Leadership Team would draw up a series of presentations by managers to allow the Committee to explore issues in a more forensic fashion.

In respect of Internal Control, the Committee noted that audit reports included few recommendations for improvement, that the monitoring of the implementation of recommendations could be strengthened, and that the Audit Committee needed to be confident that the Audit Plan covered the key areas needed to provide assurance.

The role of the Audit Committee in ensuring that arrangements for securing 'value for money' are effective was also discussed; it seemed clear from OFSTED reports that there were few quantitative measurements.

The Committee agreed that there needed to be rigorous and consistent assessments of the risks associated with new developments; David Byrne pointed out that a risk assessment was contained in the three-year financial forecasts which could be provided to the Committee.

**6. Notification of any other urgent business**

None.

**7. Minutes of the meeting of 3rd December 2009**

*Received: minutes of the Audit Committee meeting of 3rd December 2009*

The Minutes of the meeting held on 3rd December 2009 were approved as a true record and signed by the Chairman.

**8 Internal Audit**

**8.1** David Morris presented reports of the two audit visits.

He reminded members of the risk-based Audit approach with the objective of assessing the extent to which controls mitigating risks evidenced by the College Risk Register were adequate for the purpose and operating in practice. The control opinion was on a four point scale :

- 1 Outstanding (rare)
- 2 Good
- 3 Satisfactory
- 4 Weak

Recommendations that could improve the controls were made, graded high (ought to be implemented quickly), medium, or low.

The Committee then reviewed the ten audit reports:

**8.2 Key Financial controls:** overall opinion Good; no recommendations for improvement

**8.3 Student Enrolment:** overall opinion Good; one medium level recommendation for ensuring eligibility of learners for funding was under consideration by management.

**8.4 Fee Income:** overall opinion Good; one medium level recommendation for annual review by Board of Fee Policy had already been implemented, and one low level recommendation for consideration of use of small claims court to recover unpaid fees was to be further investigated and a recommendation made to the Board.

The Committee again queried the criticism of collecting fees by instalments, and noted that no evidence of the extent of resulting bad debts was produced.

**8.5 Higher Education contracts:** overall opinion Satisfactory; three medium level recommendations-on systematic assessment of course viability, on a documented HE Strategy and on the relaunch of an HE Committee were all accepted by management.

**8.6 Corporate Governance:** overall opinion Satisfactory; one medium level recommendation that all Governors should be involved in the annual Self Assessment Report process, and one low level recommendation that a specific skills audit of governors be undertaken were accepted by the management and Clerk, and would be put to the Board.

**8.7 Risk Management:** overall opinion Satisfactory; one medium level – cross referencing risk in the register to Corporate Strategic Objectives -and one low level recommendation – to amend the Risk Management Policy to reflect the disbandment of the Risk Management Group had already been implemented

**8.8 Criminal Record Bureau checks:** overall opinion Good; no recommendations for improvement made.

**8.8 Catering:** overall opinion Good; no recommendations for improvement made.

Although Train-to-Gain, the Business Development Unit and the Capital Project had been originally scheduled for audit report, subsequent changes had caused these to be replaced by advisory reports to management.

**8.9 Follow-up on previous audit recommendations:** of the thirteen recommendations existing at the beginning of the year eight had been implemented, five were still on-going.

Sheila Dawson returned to a point she had made earlier. Although the IA reports showed a mix of satisfactory or good opinion, very few recommendations were made which showed what the College needed to do to move to a uniformly Good, or Outstanding level.

The Chairman asked the internal auditors to ensure that in future, more information be provided on the steps that need to be taken to improve grades, in order to assist the work of the Committee.

David Morris suggested that at future meetings, the Committee be attended not only by the audit team but also, where appropriate, by a College manager who would be better placed to clarify or answer questions from the Committee.

The Clerk asked the auditor whether he was content to see the Risk Management Group disbanded and the role taken on by the College Leadership Team. David Byrne explained that accountability at Leadership Team level was crucial and that given the key performance indicators and risk were already considered at Leadership Team meetings, it made a lot of sense to use that group as the Risk Management forum. In his view it also allowed a more direct questioning of risk and progress.

## **9. Risk Management**

*Received: the updated Risk Register (old style), a sample of the revisions being made; and an interim Annual Report on Risk Management*

The Committee noted the new format with approval, and asked that it be implemented as soon as possible. The Committee felt that the new format would be a lot simpler to monitor and that it also gave the “gross” and “net” scores which was good.

Martin Prescott asked that wherever possible the risks be linked, in order to give the Committee a quick and easy way of spotting the knock on effect of certain risks of not being mitigated.

The Annual Risk Management Report noted that the Leadership team now was in effect the Risk Management Team. The priority for the following year was to ensure that the wider management team is trained in Risk Management to ensure roll-out across the College.

The report also explained the slow progress in implementing some important earlier Audit recommendations, chiefly due to the extent of change and re-structuring the College was undergoing

**10. RSM Tenon Audit Limited letter of Engagement**

*(Received: the revised RSM Tenon letter of engagement as Financial Statements auditors, following the merger of Tenon with RSM Bentley Jennison*

The Committee noted this standard letter, which had been signed on behalf of the Board by the Principal

**11. Review of terms of Reference and Calendar of Business**

*Received: the Terms of Reference and Calendar of Business*

The Committee left these unchanged

**12. Date and time of next meeting**

The committee wished to review and have a better understanding of the approach to audit needs analysis adopted by McIntyre Hudson. The Clerk was asked to circulate other models to produce a needs based audit strategy, and to circulate members with possible dates for an additional meeting about 7 – 10 days ahead of the next scheduled meeting (Thursday 30th September 2010 at 5 pm) to discuss this item and to take forward the discussion on the future operation of the Audit Committee.

The meeting finished at 7.00pm.