

MORLEY COLLEGE LIMITED

AUDIT COMMITTEE



MINUTES OF MEETING HELD ON 8 MARCH 2011

Present:

Myra Kinghorn (Chair)
Linda Gainsbury
David Leighton

In attendance:

Nick Rampley Vice Principal
Lorna Raynes RSM Tenon (Internal Audit Service) *[Items 1 to 6]*

Clerk:

Graham Cooper Clerk to the Governing Body

1. Apologies for absence

Apologies had been received from Portia Ragnauth.

2. Minutes of meeting held on 23 November 2010

The minutes were approved and were signed by the Chair.

3. Matters arising other than on the agenda

- a) **Internal Audit Payroll/PAYE work:** The Vice Principal advised that, as mentioned at the previous meeting, although he had discussed the outcome of this work with the manager from RSM Tenon, he was still waiting to receive the promised written report. The Internal Auditor undertook to follow up the matter.
- b) **Risk Management Summary:** The Committee noted that it was due to receive an updated copy of the report at its next meeting, and that this would then go forward to the July meeting of the Governing Body.
- c) **BEC acquisition:** The Vice Principal reported that the trustees of BEC Ltd had made the decision to wind-up the company. This was contrary to legal advice previously received by the College, as reported to the previous meeting, that the company should be retained as a dormant entity in order to preserve the legal right to benefit from any legacies in its favour. In reality, the likelihood of any such legacies was considered extremely remote. The recommendation made at the previous Governing Body meeting, that the dormant company be retained and that two members take on the role of directors, was therefore no longer relevant.

The Vice Principal also brought the Committee's attention to the fact that the College had been given notice to vacate the premises acquired as part of the BEC acquisition, by the end of September, much earlier than had been expected. However, possible alternative premises had been identified in the same vicinity, being part of a new building also occupied by a youth centre. The latter's facilities also might create the potential for the

College to offer new types of courses from there. Whilst these new premises were more expensive than the existing lease, also affording greater accommodation, the College was in discussions with a language course provider being forced out of their existing accommodation and which might be interested in taking up some of the additional space.

- d) **Risk Management:** The Committee recalled that at the previous meeting, the Internal Auditor in attendance had challenged the Committee to consider a more rigorous approach managing risk, in a way that demonstrated that not only were actions being taken to mitigate risks, but also that those actions were making a difference to the residual level of risk. The Committee asked whether the Internal Auditor could provide examples of actions taken by other Colleges that are sufficiently convincing to demonstrate that a meaningful difference to the level of risk has been achieved

Actions:-

- i) **Risk Management Summary to be presented to the next meeting of the Committee and taken forward to the July meeting of the Governing Body.**
- ii) **Internal Auditor to provide examples of actions taken by other Colleges that are sufficiently convincing to demonstrate that a meaningful difference to the level of risk has been achieved.**

4. Internal Audit January 2011 Assignment Report

The Internal Auditor presented the draft report of the January visit. It was noted that a final report had now been issued, with only one change, but that this had not been available at the time that papers for the meeting were circulated. The report followed a new format, and Governors noted the helpful new methodology for illustrating the outcome of assessments of individual areas. The areas reviewed, in accordance with the Internal Audit Plan were: Staff Utilisation, Risk Management and Governance, Key Financial Controls, Tuition Fees and Financial Planning, together with a follow-up review of outstanding recommendations. The Internal Auditor noted that, with the exception of Staff Utilisation, all areas has been assessed as 'Green', and brought the Committee's attention in particular to the significant progress made in relation to Tuition Fees (previously assessed as Inadequate).

The Committee reviewed each section of the report and the individual recommendations and management responses, with the following points arising:-

a) Staff Utilisation

Recommendation 2.5.1: The Internal Auditor advised that this was the first occasion on which Staff Utilisation had been reviewed and that, given the external context of ongoing funding cuts, it was increasingly being focused upon across the sector. One recommendation had been made, relating to an apparent lack of consistency across curriculum areas in the implementation of and the management of guidelines on remission hours for Heads of Section. The Vice Principal advised that whilst a consistent approach was taken on this matter as far as job descriptions and contracts were concerned, and that guidelines existed on implementation, further work was to be undertaken. This included introducing a requirement for CAMs to report to the Deputy Principal on any variations to agreements on annualised teaching/remission hours.

Recommendation 2.5.2: A subsequent review of the College's TOIL policy had shown this to be adequate, and this recommendation had therefore been dropped from the final report.

Recommendation 2.5.3: This recommendation related to the need for reporting against targets for staff utilisation as per 2.5.1. above. The Vice Principal advised the

Committee that some KPIs had already been developed, with progress monitored against these and reported to the Governing Body committees.

Recommendation 2.5.4: This related to reporting and monitoring of actual against planned contact hours, which CAMs would be requested to implement on a termly basis.

b) Risk Management and Governance

Recommendation 3.5.1: Whilst a skills audit had been completed during the last year, the results had not been presented to Governors. The Clerk advised that there had been no new Governor recruitment since the review was undertaken and that the results would be presented to the Search Committee to inform forthcoming governor recruitment activity.

Recommendation 3.5.2: It was highlighted that although the College's Register of Interests had been updated during the last academic year, it was now more than twelve months since that review. The Clerk confirmed that the next review was already in progress and would be completed during the current term.

Recommendation 3.5.3: A review of the Risk Management Action Plan and discussions with management had identified that the current assessment system might not allow enough variation in grades to reflect all changes to risk. This was an issue previously considered by the Committee, with the possibility of a five-point rather than three-point scale being introduced, though there remained some debate regarding the effectiveness of implementing such. The Committee decided to look at this issue at the next meeting. The Vice Principal was asked to circulate the updated Risk Management Register to the Committee ahead of general circulation of papers for the next meeting, in order that members could give the matter further thought.

Recommendation 3.5.4: This related to the need for the College's middle management to be more involved in the management of risk. The Vice Principal advised that this was an issue that had already been identified for attention. Whilst the College has a Risk Management Group, which meets termly, it comprises representatives from Curriculum and Support areas. A broader involvement, by CAMs in particular, in understanding and implementing ways of mitigating some of the College's major areas of risk was needed, but careful thought was required on how to implement this. The matter would be considered at the next meeting of the Risk Management Group.

c) Key Financial Controls

Recommendation 4.4.1: Testing had identified that one out of ten items of expenditure over £5,000 reviewed did not have the requisite number of quotations as required by the College's Financial Regulations, and that the College was therefore unable to demonstrate value for money. The Vice Principal suggested that it might be that quotations had been obtained but not located at the time of the Internal Audit visit. The Internal Auditor highlighted that management of this area of activity was generally much better than it had been in the past, and agreed to provide details of the exception identified in order that the Vice Principal could check the position.

d) Tuition Fees

Recommendation 5.3.1: The Internal Auditor highlighted that this had been an area in which there had been a number of issues in the past, which had been largely addressed. However, whilst the College now had an established policy for chasing outstanding debts, there were no formal written procedures. Procedures would be drawn up by the end of the current term.

e) Financial Planning

This area of activity is reviewed by the Internal Auditors on a three year cyclical basis. No specific recommendations were made on this occasion, with all previous recommendations having been implemented. The Internal Auditor noted that the report endorsed one specific activity already being carried out: termly meetings between budget holders and the Vice/Deputy Principals to discuss how each budget holder is performing against their agreed budget.

f) Follow up of recommendations made in previous years

The Internal Auditor highlighted that of the 16 recommendations made and accepted by management in 2009/10, 7 had been actioned, 3 were no longer applicable and 6 were still in progress. Of the latter, 4 related to Learner Number Systems, which was due to be further reviewed at the next Internal Audit visit in April, to be reported to the next meeting of the Committee. The Committee therefore decided to review progress in more detail at its next meeting.

One outstanding recommendation, in relation to authorisation of the Principal's expenses, was discussed. The Vice Principal advised that statements for the Principal's College credit card would in future be passed to the Clerk, for approval by the Chair of Governors, though he also noted that much of the expenditure was in reality not the Principal's expenses, but items ordered by the Principal on behalf of the College using that credit card.

Actions:-

- i) **Vice Principal to circulate the updated Risk Management Register to the Committee ahead of general circulation of papers for the next meeting, in order that members could give the matter further thought.**
- ii) **Risk Management Register to the next meeting of the Committee.**
- ii) **Internal Auditor to provide the Vice Principal with details of the item identified under recommendation 4.4.1.**

5. Risk Management Update

The Vice Principal introduced the report, being a mid-year report to the Committee to provide it with assurance that actions were being taken to mitigate the significant high-level risks on the Risk Management Register. In reviewing the report, the Committee made the following observations:-

- a) **Effectiveness of reporting to Governors:** The Committee highlighted that the issue of the effectiveness of reporting of progress against KPIs had been a subject of discussion at various committee and Governing Body meetings. The Committee considered the view that, whilst incremental progress had been made, there remained potential for further development, which was a natural consequence and a healthy sign of Governors continuing to challenge and to ask for new information as the external context changes and new issues arise.
- b) **Funding:** The Vice Principal advised that the College had received notification of the headline figures for the majority of its funding for 2010/11, but that there were many issues arising where further clarity was required. The final overall cut could be anything between 2.9% and 5.8%. There was a need nevertheless to plan for the following year and beyond, which would be discussed further at the Governor and CLT joint strategy planning session scheduled for 2nd April.
- c) **Monitoring performance of senior management:** The Committee discussed the issue of how Governors satisfy themselves regarding the monitoring of performance of senior management. This had arisen as part of the questioning at the recent

meeting with the Ofsted inspectors, and whilst it was believed that the response had satisfactorily answered the point, it was suggested that the Governing Body could appropriately develop a clearer picture of how different activities, such as reporting to individual committees and 1:1 meetings between the Chair and the Principal, ensure that this is robust. Referring to the job specification being used for the recruitment of a new Chair of Governors, the Committee considered that his question should be looked at further in light of the way in which the new Chair of Governors chooses to undertake that role.

The Committee noted the helpful and encouraging nature of the report and that there were no issues requiring urgent attention.

6. Safeguarding Annual Report

The Vice Principal provided an annual report on implementation of the College's safeguarding policy, noting that the policy was last reviewed by the Committee twelve months ago. He noted that the recent Ofsted inspection of the College found that 'the safeguarding of learners is good. Government requirements for the safeguarding of children and adults whose circumstances have made them vulnerable are fully met'.

The Committee reviewed the report, which included details of the College's safeguarding infrastructure, operations and staff training activity, these being the elements that would have allowed the inspectors to come to their assessment. Whilst there were no issues arising, the Committee agreed that in view of the importance of the subject, the report should go forward to the next full Governing Body meeting in order to ensure that all Governors are kept informed.

Action:- Safeguarding report to be provided to the full Governing Body meeting for information.

7. Re-tendering of Financial Statements Audit work [RESERVED BUSINESS]

At the previous meeting of the Committee, it had been agreed that a selection of firms should be invited to tender for the College's Financial Statements audit work, 2009/10 being the fifth year of tenure of the current auditors, Buzzacotts. It is a requirement of the College's Financial Regulations that a review is undertaken ever five years, with the Audit Committee advising the Governing Body on the appointment.

The Committee reviewed and approved the Invitation to Tender document that had been prepared and circulated by the Vice Principal. It was re-confirmed that Buzzacotts, Baker Tilly and Grant Thornton should be invited to tender, with the option to add another firm if initial enquiries of any of these revealed that they did not wish to bid. A timetable for the process was agreed as follows:-

Invitations to tender issued – 14th March 2011

Tenders to be received by the College – 18th April 2011

Copies of tenders, with Vice Principal's initial overview on submissions, to be circulated to members of the panel just after Easter.

Presentations by firms to be made to the panel, followed by the panel assessment – Tuesday 17th May, commencing c.10am

The Committee agreed that the full Governing Body should be apprised of this activity at the meeting on 4th April and confirmation sought that the Governing Body was agreeable, following completion of the process, to receiving a recommendation from the Committee by email. The Governing Body decision made by email would be ratified at the next Governing

Body meeting. This would enable members to confirm the appointment, facilitating timely commencement of discussions with the successful firm on the audit strategy for the 2010/11 financial statements.

The Vice Principal was asked to draft a matrix for use by the selection panel to evaluate the tenders, and to circulate this for comment by members of the Committee early on in the process. It was agreed that the panel would comprise the Chair, Linda Gainsbury and Portia Ragnauth, subject to confirmation of the latter's availability.

Actions:-

- i) **Vice Principal to proceed with issuing invitations to tender, in line with agreed timetable.**
- ii) **Vice Principal to draft a matrix for use by the selection panel to evaluate bids, and to circulate to Committee members for comment early during the process.**
- iii) **Clerk to confirm Portia Ragnauth's availability to join panel on 17th May.**
- iv) **Governing Body to be updated at the meeting on 4th April and agreement sought for the process to obtain GB approval of appointment of the successful firm.**

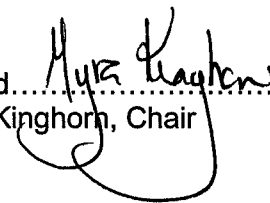
8. Any Other Business

There was no other business.

9. Date of Next Meeting

The next meeting is scheduled to take place at the College on Tuesday 21st June 2011.

Graham P. Cooper
Clerk to the Governing Body

Signed.....
Myra Kinghorn, Chair