

Audit Committee

Minutes for Approval at the next meeting of the Audit Committee

Minutes of the Meeting held on Thursday 28 February 2008 at 8.35 am.

Present: Mr D O 'Halloran (Chairman)
Ms R Klass
Mr Y Goolamali
Mr P Stafford
Mr L Privett

In Attendance: Mr A McGarel (Director of Finance)
Mr P Goddard (Scrutton Bland, IAS)
Mr A Strickland (Scrutton Bland, IAS)
Mr J Cope (MacIntyre Hudson, financial statements auditor)
Ms L Waghorn (MacIntyre Hudson)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

There were no apologies for absence.

2. Standing Orders

The Chairman asked Members if there were any declarations of interest to be made – there were none. The Chairman asked Scrutton Bland, internal auditor, if they wished to speak privately with the Committee without management being present – they did not.

3. Urgent Business

There was no urgent business.

4. Minutes of the meeting held on Thursday 9 November 2007

The minutes of the Meeting held on Thursday 9 November 2007 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising from the Minutes

- a. The Clerk reported that the Financial Statements for the year ended 31 July 2007 for the College and its subsidiary company, and the related audit representation letter, had been approved by the Corporation at their meeting held on 3 December 2007.
- b. The Clerk reported that the Audit Committee Annual Report for 2006-07 had been approved by the Corporation at their meeting held on 3 December 2007.
- c. The Director of Finance gave an update on progress regarding the acquisition and installation of a new payroll system for the College. A demonstration is taking place next week and costings are being discussed. It is still intended that the new system will be in place from the start of the next academic year.

- d. The Committee **RECEIVED** and **ADOPTED** a revised Internal Audit Report on the College Student Records system which addressed issues regarding division of duties within the Registrar's department so that no tasks are being initiated and approved by the same person which the Committee had identified at their last meeting.
- e. The financial statements' auditor had highlighted an issue in their management letter on the 2006-07 accounts regarding a debit balance of £46K in connection with educational visits. The Director of Finance reported that this matter is still being investigated and worked through. He advised that closer control is to be exercised by the relevant budget holder in future. Any deficit will be charged to the budget holder's department cost centre. There remains difficulty in clearing the old balance and it will be cleared by the end of this year. Most likely it will be found to be irrecoverable and will have to be written off- this will feature in the 2007-08 financial statements.

6. Internal Audit (Paper AU.08.01)

The Committee considered IAS Reports on Human Resource Management (Change Management) and Estates Management, which were presented by Paul Goddard of Scrutton Bland.

(Andrew Strickland arrived at this point)

Human Resource Management (Change Management)

This is a different type of report looking at three key strategic risks of the College as identified in the College risk register (inability to attract and retain staff at required level and quality, high staff turnover and lack of effective succession planning) and was commissioned by the Committee as part of the 2007-08 internal audit plan. It covered all recruitment in the College at whatever level.

The report made three low risk recommendations and one value added point.

The recommendations proposed that the College institute a written policy for succession planning and workforce planning, that the College determine key employees in the organisation and risk assess their roles from the standpoint of their possible departure and that the College consider setting targets in which actual recruitment performance could be monitored and reported to the Directorate.

One member asked whether job specifications were robust as part of the recruitment process and Paul Goddard commented that specifications are reviewed at the time of a new recruitment, especially if there is an intended variation in the job duties.

(Jonathan Cope of MacIntyre Hudson arrived at this point)

Management expressed some concerns as to how to implement the recommendation regarding the identification of key staff members and the documentation thereof. In the context of who is defined as a key post holder, it is a person deemed to be a critical loss to the College should they leave and such a person could be at any level.

The Committee acknowledged the sensitivities surrounding the maintenance of a specific register of key individuals but the Committee would encourage the Directorate to regularly review and, where necessary, document their mechanisms for minimising this risk.

(Lee Privett and Lisa Waghorn joined the meeting at this point)

The third recommendation suggested a series of SMART targets to improve the management of the recruitment process.

Paul Goddard emphasized the robustness of the operation of processes in the HR Department of the College and that the College benchmarks well against other Colleges.

Lee Privett commented that from his perspective the recruitment process works well and the frustrations exist around notice periods and contractual issues, which are largely outside the control of the College.

The Committee were informed of and noted the forthcoming retirement of the Director of Quality & Planning at the end of this academic year and that the recruitment process is already underway. The Planning functions of the current position have been transferred to the Director of Resources and the new position will be titled 'Director of Quality Improvement'.

Estates Management

The report made three low risk recommendations.

These related to two security issues and the need for a contract of works to be signed with the College's building maintenance service, which has now been done.

Members were assured that the current underspend on estates against budget does not represent significant elements of planned work not having been done.

Members enquired as to the College's ability to critically assess services being provided by outside contractors. IAS reiterated the comment in their report that the agreed Planned Preventative Maintenance Plan carried out by Commtech is reviewed by John Laing who provide independent assurance to the College.

Members asked for a note of the qualifications and the experience of the members of the Estates team to be reported to them at their next meeting.

Internal Audit Progress Report

The Committee received a progress report from Paul Goddard regarding Internal Audit work for 2007-08. It was noted that five pieces of work are due for March and April and the Committee looked forward to reports on these areas being provided for their next meeting on 22 May 2008.

The committee **RECEIVED** these final reports and **NOTED** the Internal Audit Progress Report

7. Corporate and Risk Management (Paper AU.08.02)

The Committee **NOTED** the report on progress against the Risk Management Action Plan for 2007-08, as outlined by the Director of Finance in the tabled paper on this matter.

8. Implementation of Previous Audit Recommendations (Paper AU.08.03)

The Committee **NOTED** the status report provided by the Director of Finance on the implementation of previous audit recommendations.

Paul Goddard and Andrew Strickland of Scrutton Bland and Jonathan Cope and Lisa Waghorn of MacIntyre Hudson left the meeting at this point at the request of the Chairman.

9. Committee Matters (Paper AU.08.04)

9.1 Performance Review – MacIntyre Hudson and Reappointment 07/08

Committee Members returned to the Clerk completed performance review documentation in connection with the financial statements auditor, MacIntyre Hudson, following the completion of their first year in post. The Committee was broadly satisfied with their performance, recognising that it was a new appointment for them and that there were no significant areas of concern. It was felt that the pre-planning of the audit could have been better in the light of what they had said at the tender stage. It was acknowledged that their way of working was different to KPMG, their predecessors.

Members asked for feedback on the performance of the external auditor as soon as possible after the 2007/08 audit has been completed.

The Committee **RESOLVED** that MacIntyre Hudson should be re-appointed as financial statements and regularity auditor for the year ended 31 July 2008 and a recommendation to this effect will be made to the Corporation for consideration at their meeting on 17 March 2008.

9.2 Tender for Internal Auditors

The Clerk reported on the tendering process for internal auditors and members noted the timetable in this connection. It was **AGREED** that the panel to interview prospective tenderers would consist of David O'Halloran, Paul Stafford, Yusuf Goolamali and Anthony McGarel and that these interviews would take place immediately after the next Audit Committee meeting on 22 May 2008 (approximate starting time 10.30 am). The Clerk would also be present to facilitate the process.

If the proposed new consortia purchasing arrangements from the LSC are available in time, that will be used to facilitate the process, so long as the shortlisting and interview dates are not prejudiced.

The Committee agreed that this panel would be authorised to make a recommendation on the new appointment to the Corporation meeting on 7 July 2008. It was also agreed that the Chairman would, in conjunction with the Director of Finance, on 8 May 2008 agree a shortlist of tenderers for interview on 22 May.

10. Date of Next Meeting

Thursday 22 May 2008 at 8.30 am.

There being no further business, the meeting concluded at 10.20 am.