

CORPORATION OF RICHMOND UPON THAMES COLLEGE

AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON

Tuesday 17 June 2014 at 6.00pm in Room D6

PRESENT:

Colette Wilson	Chair, Independent member of the Corporation
Bose Dada	Independent member of the Corporation
Paul Leonard	Independent member of the Corporation
Shereen Sameresinghe	Deputy Principal
Jackie Miles	Head of Finance
Mike Cheetham	Baker Tilly
Vikram Sandhu	Buzzacott
Debbie Parkes	Clerk to the Corporation

1.0 Apologies for absence

There were no apologies for absence.

2.0 Declaration of Interests

There were no declarations of interest in the business to be discussed.

3.0 Minutes of the Audit Committee meeting held on 11 March 2014

The Committee received and approved the previously circulated minutes of the Audit Committee meeting held on 11 March 2014.

APPROVED

3.1 Matters arising from the minutes of the Audit committee meeting held on 11 March 2014

The report on the action points arising from the minutes was noted.

4.0 External Audit Plan 2014

The Committee received the previously circulated report 'External Audit Approach Year Ended 31 July 2014'.

The Chair asked Mr Cheetham for his view on how management override of controls is incorporated into the internal audit work. Mr Cheetham advised that this was not a specific topic, however it was considered for all processes when internal audit evaluates separation of duties and manual controls such as authorisation, validation, sign offs and anywhere where there is judgement exercised.

Mr Sandhu drew members' attention to the key points in the audit approach letter and the external audit approach for the year ended 31 July 2014. Attention was drawn to the following issues of audit significance: Completeness of income, Going concern, Staff restructuring and Impairment. The Committee noted that external audit would review the College's internal monitoring of any conditions relating to the overdraft facility. The Head of Finance advised that a meeting to talk about the College's overdraft facility would take place with the bank next week.

The Chair noted that there had been a reduction in the fee estimate for the audit assignments in 2014 and that this was as a result of additional work undertaken in 2013 on the going concern status of the College.

In response to a question from the Chair the Head of Finance advised that the audit timetable did not represent a challenge for College management.

5.0 Review of Financial Regulations

The Committee received the previously circulated report 'Review of Financial Regulations'. Members noted that there were no changes proposed to the Financial regulations for 2014/2015. The Head of Finance advised that there was a summary Financial Regulations document in existence and it was agreed that this should accompany the report to the Finance and Resources Committee.

ACTION: CLERK TO THE CORPORATION

The Committee agreed the current Financial Regulations for recommendation to the Finance and Resources Committee.

AGREED

ACTION: AUDIT COMMITTEE

6.0 Internal Audit Reports

6.1 Key Financial Controls

The Committee received the previously circulated report 'Key Financial Controls'. Members noted the conclusion of internal audit that the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are consistently applied and effective.

Members noted the recommendation that the College's Financial Regulations should be updated in line with the current practices of the College, however the Head of Finance advised that it was the procedures for BACs payments that required updating rather than the Financial Regulations.

In response to a question from the Chair, Mr Cheetham advised that three/four days were allowed to test the following systems: General ledger, Cash, Banking and treasury management, Other income and debtors, Payroll, Purchasing and tendering procedures and Security of Assets.

6.2 Learner Number Systems

The Committee received the previously circulated report 'Learner Number Systems'. Members noted the conclusion of internal audit that the Board can take reasonable assurance that the funding claim complies with the funding guidance, action needs to be taken to ensure risks in this area are managed.

The Committee noted that late checking of data had taken place as a result of the operation of software. Mr Cheetham advised that an amber/green audit opinion was to be expected in an organisation of RuTC's size and nature and was indicative of the sector. Members noted that it had been difficult to ensure that staff evidence programme delivery. The Committee noted that it would be a funding requirement from 2014/2015 for all 16-18 learners to be enrolled on to English and Maths as part of their programme where they have not already achieved a

GCSE grade A-C or a Functional Skills level 2. Internal audit had therefore reviewed this aspect as part of the funding audit in preparation for 2014/2015.

6.3 Follow Up of Previous Internal Audit Recommendations

The Committee received the previously circulated report 'Follow Up of Previous Internal Audit Recommendations'. Members noted the opinion of internal audit that RuTC had demonstrated adequate progress in implementing actions agreed to address internal audit recommendations. The Committee noted that the two 'high' recommendations had been implemented. The Chair asked whether there were common reasons why some 'medium' and 'low' recommendations had not been implemented. The Deputy Principal noted the time element in chasing up audit recommendations and advised that this report would now be seen by managers to raise awareness.

6.4 Progress Report

The Committee received the previously circulated report 'Internal Audit Progress Report'. The Committee noted that the reviews of Board Assurance and Course Costing were originally scheduled for May but had been deferred due to the College's Ofsted inspection and would now be completed week commencing 30th June.

7.0 Internal Audit Strategy 2014/2015-2016/2017

The Committee received the previously circulated report 'Internal Audit Strategy 2014/2015-2016/2017'.

Turning to Appendix A: 'Issues affecting Richmond upon Thames College', a discussion took place about the key risks relating to feedback from the recent Ofsted Inspection in terms of Board assurance. The Chair stressed that the Corporation must receive assurance that the College is engaging with Ofsted feedback and the Committee asked whether an audit of Performance Management should be undertaken. The Deputy Principal noted that any internal audit relating to inspection must add value. The Committee noted that assurance would come from a number of areas, with monitoring of the Post Inspection Action Plan - which would be presented to the Corporation in July - by the Curriculum, Quality and Standards Committee.

The Chair asked whether the two days allowed for the Key Financial Controls audit was sufficient; the Deputy Principal felt that an increase in time might not be necessary as this area had received a green opinion for several years. The Chair advised that the College should not lose sight of the importance of this area and that the time allowed would depend on the level at which it was covered.

In response to a question from the Chair, the Deputy Principal advised that the College does not recruit staff internationally.

The Chair queried the value that an audit of Risk Management would have and Mr Cheetham advised that risk was a required area and that it would link with Board Assurance.

The Deputy Principal advised that further detail about the internal audit strategy for 2014/2015 would be brought to the Audit Committee at its meeting in October.

ACTION: DEPUTY PRINCIPAL

The Committee confirmed that Management and the Audit Committee had discussed the College's assurance needs and had determined that they do wish to receive a full annual internal audit opinion covering risk, governance and internal control for 2014/2015.

8.0 Joint Audit Code of Practice: Three Lines of Defence Model

The Committee received the previously circulated report 'Joint Audit Code of Practice: Three Lines of Defence Model'.

The Committee noted that it was not required to advise the Board on the adequacy and effectiveness of the Board's Assurance Framework and attention was drawn to the 2013/2014 framework document, which monitored risks in accordance with the Three Lines of Defence approach. The Deputy Principal advised that this was not an exhaustive list at the moment.

The Chair felt that the lines of defence required more detail; she also recommended that the Corporation Committee with responsibility for monitoring each risk is added to the 'Comments' box. In addition she advised that, when the Framework is presented to the Corporation for approval in July, the slides presented to the Audit Committee for this item at its meeting in March are attached for information.

ACTION: DEPUTY PRINCIPAL/CLERK TO THE CORPORATION

Taking into account the Chair's comments, the Committee agreed to recommend the Three Lines of Defence Model to the Corporation Board for approval. **AGREED**

ACTION: AUDIT COMMITTEE

9.0 Terms of Reference for the Audit Committee

The Committee received the previously circulated report 'Terms of Reference for the Audit Committee'. The Committee noted that the terms of reference had been reviewed and amended to reflect the requirements of the new Joint Audit Code of Practice which became effective from 1st August 2013.

The Committee agreed to recommend the revised terms of reference for the Audit Committee to the Corporation Board for approval. **AGREED**

ACTION: AUDIT COMMITTEE

10.0 Audit and Accountability Annex to the Foundation Code of Governance

The Committee received the previously circulated report 'Audit and Accountability Annex to the Foundation Code of Governance'. The Deputy Principal advised that the Annex was an optional but, the Association of Colleges believes, integral part of the Foundation Code of Governance. The Committee noted that the majority of the requirements outlined in the Code were already in place, however some additional information would need to be reported in the Annual Report and Financial Statements.

The Committee agreed to recommend to the Corporation Board that the Corporation should adopt the Audit and Accountability Annex to the Foundation Code of Governance. **AGREED**

ACTION: AUDIT COMMITTEE

11.0 Risk Register and Management Plan

The Audit Committee received the previously circulated report 'Risk Register and Management Plan'.

The Deputy Principal advised that the Risk Register now included the dates that the original risk had been identified, although the risk may not be worded in exactly the same way.

The Committee noted the change in risk evaluation to High for 4.2 'Failure to improve on the 'Requires Improvement' Ofsted grade and impact on reputation and recruitment'. The Deputy Principal advised that, at present, the College was not in a position to know what the impact of this outcome on reputation and recruitment would be.

In reply to a governor's question, the Deputy Principal advised that marketing material had been prepared in the event that the College is asked to comment on the outcomes of the Ofsted inspection. Members suggested that the Chair to the Corporation might be asked to contribute to any press release. The Committee noted that the appointment of a new Principal may mitigate risk in this area and suggested that might be reflected in the Register.

ACTION: DEPUTY PRINCIPAL

A governor noted the importance of the Governor Link with Departments Scheme in terms of members familiarising themselves with risks in key areas.

Turning to risk 2.1 'Industrial action by staff leading to negative/detrimental impact on reputation and student recruitment', the Deputy Principal advised that the dispute with the unions in relation to a number of issues has now been resolved.

Attention was drawn to the RuTC Key Risk Movements 'Heat Map'. The Chair advised that there was a need for the Corporation to become better acquainted with the risks faced by the College and to get a better understanding of where it gets the assurance it needs from management that risk is managed effectively. She suggested that one Board meeting or workshop is devoted entirely to the Risk Register and the Board Assurance Framework model and on hearing from management about the actions being taken to manage risk.

ACTION: COLLEGE MANAGEMENT/ CORPORATION BOARD

The Committee agreed to recommend the Risk Register and Management Plan to the Corporation Board. **AGREED**

ACTION: AUDIT COMMITTEE

12.0 Any Other Business

There was no other business.

13.0 Date of Next Meeting:

TUESDAY 7th OCTOBER 2014 AT 6PM

The meeting closed at 7.30pm