

CORPORATE GOVERNING BODY OF GODALMING COLLEGE

Minutes of a meeting of the Audit Committee of Godalming College held at the College on Tuesday 22nd November 2011 at 6.00pm

Present: Philip Knights (Chair)
Robin Galliver
Stephen Cooper
Clive Morton
Helen Kay (Co-opted member)
Chris Kirton (Co-opted member)

In Attendance: Dominic Blythe (Baker Tilly)
Graeme Clarke (Mazars)
Shaneel Shajpal (College Accountant)
Stella Halloran (Clerk to the Corporation)

ACTION

- 1. Apologies for absence**
There were no apologies as all members were present. The Chair welcomed Stephen Cooper to his first meeting of the committee and Dominic Blythe and Graeme Clarke as auditors.
- 2. Declaration of Interests**
No member had any interests to declare on items on the agenda.
- 3. Minutes**
The minutes of the meeting held on 16th June 2011 were approved and signed.
- 4. Matters arising from the minutes**
There were none that would not arise elsewhere on the agenda.
- 5. Internal Audit Strategy and Annual Plan for 2011-12**
Graeme Clarke of Mazars explained that the audit strategy for the next three years had been prepared from information received from the College, bearing in mind the uncertainty of funding and the funding agencies during this time. He also explained that a revised Part II of the Audit Code, which gives direction to the auditors, had not yet been produced and therefore the old LSC code was still being used.

Graeme explained the reasoning behind the Plan and governors questioned why particular topics had been allocated to each year.

It became clear that certain topics, notably 'Governance' and 'Risk Management' were required to be audited annually, whereas other items identified from the College's Risk register could be allocated over the three years.

In particular, Appendix A - 3.4 'Failure of College Network Systems' was

addressed.

The reason for this being considered this year and the fact that 3 days was being given to it was discussed. Shaneel Shajpal explained that Tenon had had looked at this at a very high level 4 years ago and that it was therefore due for another thorough consideration. The 3 days were split into 2 days 'on the ground' and one back in the office to consider the findings.

The format of the Risk Management Process and report was discussed at length and the following were highlighted:

- The number of risks identified, and considered, varied from College to College, with some identifying over 100 risks each time.
- Each College has a different format for this process and there was no right or wrong way of tackling it.
- Apart from looking at the risks, did Mazars look at the adequacy of the mitigation of these? Graeme Clarke indicated that they did, but also looked for any unidentified risks in the area being considered.
- Was there any point having risks on the Register that were not accompanied by mitigating controls? Discussion concluded that if a risk is of very low likelihood and seriousness it may not be necessary to have a mitigating control, but generally anything of medium or high risk should be accompanied by mitigating controls.

Graeme Clarke explained that Mazars either spread their visits over the year and reported on each visit as it was concluded, or, as in the case agreed with the College, report on the whole years' visit in one go.

The responsible committee for the Risk Register was discussed and it was agreed that:

- Each committee reviews the risks appropriate to its area and may recommend changes or new risks for inclusion in the register, to Chairs' Forum if applicable.
- Chairs' Forum was the committee responsible for agreeing the annual Risk Management Report to Audit Committee and the termly Risk Register update.
- The Audit Committee was responsible for ensuring that the above were carried out and that the process was in order and reporting to the Corporation accordingly.

It was agreed that it would be appropriate to hear from Graeme Clarke, following his first report to the committee, how he considered this Colleges' process fared against others, in his experience. This would not be an in depth examination of the risks being identified, but the process by which they were identified and dealt with.

A governor questioned whether Data Protection was being considered. It was agreed that it would be considered as part of ICT in the first instance.

The Committee agreed the Audit Plan for 2011/12 as proposed by Mazars.

The Chair thanked Graeme and he left the meeting.

6. **Accounts for the Year to 31st July 2011**

Philip Knights explained that the Finance and Estates Committee was responsible for the accuracy and presentation of the accounts; they were

presented here in order to make sense of the Audit report.

In order that governors better understood the presentation of the accounts, they asked for clarifications of:

- What 'Other Income' comprised – this was explained.
- What it meant on page 10 by 'emphasis on obtaining the relevant degree of assurance and not by exception' – this was explained.
- The actuarial gain in respect of the pension scheme – this was explained and it was noted that it was out of the College's control.

Shaneel Shajpal and Dominic Blythe were thanked for their help with understanding these elements of the accounts.

7. **Financial Statements Audit Findings Report**

Dominic Blythe of Baker Tilly presented their report, which was considered alongside the accounts to 31 July 2011.

Dominic highlighted the following and was questioned on them:

Section 1 – What was the level of 'material significance' that might need to be reported to the Secretary of State for Education? Dominic explained that this was something akin to huge discrepancies within the accounts.

Section 3 – What constituted being a 'Going Concern'? Dominic explained that Baker Tilly had to agree with the College's assessment that its cash position was secure enough to allow it to continue to operate over the next 9 – 12 months. This was clearly the case here.

Section 4 – the money collected for student trips and not spent should have been recognised as income, since there was no obligation to return it. The College accepted this finding and amended the final year end accounts to reflect this income.

Section 5 – there were no significant adjustments.

Shaneel Shajpal and his team were congratulated on the year end process and accuracy of accounts.

The Letters of Representation did not include anything that was not standard and there were no issues for the College to report.

The committee accepted the report and thanked Dominic Blythe for attending the meeting and for his input.

At this point Dominic Blythe left the meeting.

8. **Annual Internal Audit Report**

Shaneel Shajpal explained that this was a 'wrapping up' of Tenon's visit in March / April 2011 and all assessments were 'green' (fine). All recommendations and suggestions were at a very low level and raised no concerns.

It was noted that 'recommendations' were reported, but 'suggestions' were not.

The report was accepted.

9. **Monitoring of Audit Recommendations**

It was agreed to take this item here although it was listed as Item 12 on the agenda.

Tenon's report from their March 2011 visit:

Suggestion 1 – registers for EPQs would be useful. Management had considered this and concluded that the current system was fine.

Suggestion 2 – completion of registers to be improved. Shaneel Shajpal reported that a lot of work had gone into encouraging staff to complete registers in a timely fashion, but there was no indication that there was an improvement.

It was agreed that Mazars be asked to pick this up under their audit of 'Learner Numbers' as the committee felt that it was possible that this presented a funding risk.

Recommendations 1 and 2 – Journals posted and reconciliations were not subject to interim review. Shaneel reported that this had been an omission during his absence, but that since he returned, it was being done.

Recommendation 3 – Financial Regulations needed to be reviewed – this was done and presented to the full Corporation at their June meeting.

Recommendation 4 – There should be an independent review of the Principal's expenses. The chair of the Corporation was now doing this.

Recommendation 5 – the on-line ordering system had not been fully rolled out – this was a conscious decision as some departments were too small and placed very few orders to make it worthwhile for them to raise their own orders.

Recommendation 6 – in some instances orders did not evidence competitive quotes. Quotes were now scanned and attached to the orders as evidence.

10. **Review of Draft Performance Indicators**

The Internal and External Audit Performance Indicators were proposals from SMT1, and Shaneel Shajpal explained the reasoning behind the grades.

It was noted that Baker Tilly's Performance Indicators were slightly lower than last year with a few grades reducing from 1 to 2. Overall there remained a good deal of satisfaction with Baker Tilly. The committee endorsed the management recommendation to re-appoint Baker Tilly for the coming year.

Tenon – there was no reason to think that there had been any improvement in Tenon's performance and therefore the performance indicators had remained as for last year. There was no management recommendation to re-appoint Tenon as, following a competitive tender exercise, Mazars had been appointed as internal auditors from August 2012. This was endorsed by the committee.

The performance Indicators as presented were accepted.

11. **FMCE report**

It was explained that as a full report had been presented 2 years ago, it was acceptable that a short report was presented this year and this had been circulated to committee members.

It was noted that a grade was missing in the last box. Shaneel Shajpal assured governors that this would be amended.

With this amendment the FMCE report was accepted.

12. **Annual Risk Management Report**

The Committee considered the College’s Risk Management Report and the Risk Register.

The Committee agreed the report but reiterated its desire to hear what Mazar’s had to say about it.

13. **Audit Committee – Annual Report to Governors**

Small amendments were made to the Chair’s Annual report to include new members and to recognise changes to the Risk Register made following the year end .

CLERK

Members of the Audit Committee agreed that, with these amendments, the report should be presented to the Corporation at their December meeting.

13. **Whistleblowing**

There was a nil return on this.

14. **Date of next meeting:**

Tuesday 6th March 2012 at 6pm

Philip Knights asked Clive Morton to present the minutes at the full Corporation meeting on 6th December as he would be unable to attend.

The meeting ended at 7.45pm.

Signed:

Date: