

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD 10th MARCH 2011**

Members:	Mrs J Crowhurst (Chair)	- External Member
	Ms A Sayers	- External Member
	Mr D Moore	- Non Governor Co-opted Member
In Attendance	Mr J Allen	- Clerk
	Mr M Savage	- RSM Tenon
	Mr R Greenaway	- Deputy Principal (Corporate Services)
	Dr D Watkins	- Principal
	Ms J Sherborne	- Vice Principal
	Ms S McManus	- Curriculum Director
	Ms M Martin	- Curriculum Director

The meeting commenced at 1800.

13 APOLOGIES & DECLARATION OF INTERESTS

There were no apologies. There were no declared interests against any of the agenda items. The Chair welcomed the two Curriculum Directors who were in attendance for the agenda item 'Internal Audit Quality Report'.

14 MINUTES

It was **RESOLVED** that the minutes of the meeting held on 18 November 2010 be confirmed as correct record and signed by the Chair.

15 SUMMARY ACTION LIST & MATTERS ARISING

The three action points from the last meeting are agenda items – to receive the RSM Tenon Quality Audit Report; to receive the full FMCE that was made available for the PFA inspection; and to receive a copy of the PFA inspection report.

16 INTERNAL AUDIT QUALITY AUDIT

The '*Quality Audit Assignment Report March 2011*' from RSM Tenon was received (copy attached to the signed minutes). The quality audit was on the completion of learner's Personal Learning Plans (PLPs).

The report provided little reassurance that the College is progressing in a timely manner towards full compliance of the completion of PLPs. Some curriculum areas have improved but there are still too many curriculum areas receiving a Grade 1 (poor compliance) or a Grade 2 (partial compliance).

Only two curriculum areas achieved the maximum rating of full compliance (Grade 5).

The Chair of the Audit Committee confirmed that the outcomes of the audit were disappointing and sought explanations and reasons for the non-compliance. Clearly the College is not delivering what it is required to do and this was one of the issues raised with governors by inspectors during the recent Ofsted inspection.

The Curriculum Directors present noted that there are compliance issues and this has resulted in a change in strategy. From reviewing a sample of PLPs the focus will now be on weekly checks by Curriculum Directors on those learners due a review to see if a) the review has taken place and b) the quality of the review itself in terms of setting SMART targets.

The Audit Committee welcomed this more focused approach and re-iterated that all staff must take ownership of the requirement to undertake reviews as they are due, and for reviews to meet the required quality standards set by the College. The Audit Committee will expect action to be taken to ensure that all staff fulfil their responsibilities in this area.

After a thorough discussion the Principal made the following observations:

- 1) PLPs must have staged targets that are individualised. This is not just good practise; it is an expectation not just from the College but also external agencies such as the SFA and Ofsted.
- 2) Is the issue around training or compliance? The Principal referred to the definition of a Grade 2 which applied to the majority of the findings arising from the Tenon audit: 'major issues identified during testing, for at least 50% of learners tested, that jeopardised the effectiveness of the College internal quality systems' Despite training being made available to staff, the audit outcomes would imply that there is a compliance issue.
- 3) If compliance, then this becomes a leadership and management issue. There needs to be in place effective monitoring arrangements to ensure that the expectations and quality standards set by the College are delivered. Monitoring must be the responsibility of Curriculum Directors and compliance is the responsibility of staff. A failure to carry out responsibilities and to meet the needs of the learners could lead to capability.

After discussing the findings and implications arising, the Audit Committee **RESOLVED** to accept the report on the basis that:

- (i) The Curriculum Directors to ensure that there is full compliance with all the recommendations proposed by RSM Tenon and that progress in implementing the recommendations to be subject to review from the Vice Principal every 2 weeks;
- (ii) PLPs to be part of a wider curriculum review which may lead to some organisational changes;

- (iii) The Quality & Curriculum Committee to be notified of the concerns of the Audit Committee and for the Q&C Committee to consider whether they would want to issue a Notice to Improve; and
- (iv) That there be a further RSM Tenon audit on PLPs in May 2011 with outcomes reported to the Audit Committee meeting scheduled for 9th June 2011

The Chair thanked the two Curriculum Directors for attending the meeting and asked them to pass on the Committee's concerns to the other Curriculum Directors. The key message from the Audit Committee is for there not just to be an improvement in the completion of PLPs, but to maintain the standards required at all times.

(The two Curriculum Directors left the meeting at this point).

17 FINANCIAL MANAGEMENT & CONTROL EVALUATION (FMCE) AND PROVIDER FINANCIAL ASSURANCE (PFA) INSPECTION

At the time of the Ofsted inspection that took place in November 2010, there was also a PFA inspection that looked at financial controls and governance arrangements. The PFA inspection was used to validate the College's Financial Management & Control Evaluation (FMCE) document. As the full FMCE had to be prepared for the inspection it was not possible to obtain Audit Committee approval for the full FMCE until this meeting (The Audit Committee had though approved the short version of the FMCE at its November meeting)

The Committee received two reports – the full FMCE and the PFA Inspection Report (copies attached to the signed minutes).

The following table records the College's self assessment grades proposed in the FMCE and the PFA validated grades.

Area	Section	FMCE Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A)	FMCE Grade (Outstanding/ Good/ Satisfactory/ Inadequate/ N/A)	PFA Grade	PFA Grade
1. Accountability	1.1 Strategic Oversight	Good	Good	Good	Good
	1.2 Operational Oversight	Good		Good	
	1.3 Sub-contracting Arrangements	Good		Good	

2. Financial Planning	2.1 Long-term Financial Planning	Good	Good	Good	Good
	2.2 Short-term Financial Planning	Good		Good	
3. Internal Control	3.1 Risk Management	Good	Good	Good	Good
	3.2 Internal Control System	Good		Good	
4. Financial Monitoring	4.1 Financial Monitoring	Good	Good	Good	Good
Overall	Grade	Good		Good	

The Audit Committee welcomed confirmation that the PFA validated grades confirmed the College's self-assessment grades. The Audit Committee welcomed the large number of strengths identified by the PFA inspectors.

The PFA inspectors made three recommendations and the Audit Committee reviewed proposed management actions. It was noted and accepted by the Audit Committee that the College does not accept the recommendation relating to the timely presentation of Corporation minutes on the College website as it is the Corporation's agreed policy to publish minutes only once they have been confirmed as an accurate record of the meeting at the subsequent meeting. Once the minutes have been formally approved and adopted then they are placed on the College website.

The recommendation of the appropriateness of having the financial policy target of achieving a 2% operating surplus each year which is not covered in the College's current 3-year financial forecasts will be subject to review by the Corporation at the time that the 2011/12 budget proposals are presented for approval.

The final recommendation that the Audit Committee should be alert to the possibility of caveats being included in audit opinions in the Annual Report from the Internal Audit Service was noted.

It was **RESOLVED** to formally approve retrospectively the FMCE and to note and welcome the PFA Inspection report and grades.

18 RISK MANAGEMENT TERMLY REPORT

The College report '*Risk Management Termly Report*' was received (copy attached to the signed minutes).

The termly report provided the Audit Committee with a summary tolerance profile and tracking scheduled of all identified risks and the Risk Register 2010/11 that outlined the actions being taken to minimise all risks.

Four significant risks were confirmed at the last review conducted in February 2011. These being:

- HE Market and the impact on future numbers due to reduced levels of funding
- Failure to meet 16-18 funding targets
- Government policy
- Non compliance with curriculum review and quality systems.

The Audit Committee reviewed the actions being taken to mitigate against each of the significant risks and deemed the actions to be robust and appropriate.

Although currently amber, the Committee was notified that risk 22 will be assessed as a significant risk (red) and this will be reported at the next meeting. Risk 22 is an unsatisfactory outcome from an Ofsted inspection or FMV. The reason for the assessment of significant risk is the clear message from Ofsted that a College that continues to be only 'Satisfactory' will be judged to be 'Unsatisfactory' as it has not been able to demonstrate any capacity to improve.

It was **RESOLVED** to note the Risk Management Termly Report.

19 MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK

The College report '*Monitoring of College Performance & Assessment of Risk*' was received (copy attached to the signed minutes). The Audit Committee is responsible for the monitoring of college performance and assessment of risk in the area of audit.

All nine agreed audit performance indicators were assessed as green – no risk/no concern.

It was **RESOLVED** to inform the Corporation of the following assessment for the area of audit:

Audit	No Risk/No Concerns
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20 DATE OF NEXT MEETING

Thursday 9th June 2011 @ 1800.

The meeting closed at 19.00

Signed: _____ Date: _____
(Chair)

CURRENT AUDIT SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
18	Risk 22 (Unsatisfactory Ofsted Inspection or FMV) to be assessed as a significant risk and for this to be reported on in the next termly risk management report	DP
16 (iii)	Q&C Committee to be notified of the Committee's concerns on PLPs and for the Q&C to give consideration to issuing a Notice to Improve	DP
16 (iv)	To receive a follow up audit report on PLPs at the June meeting	DP