

Doc No AUD 11/16-1

Agenda item 3

## AUDIT COMMITTEE

- DATE:** TUESDAY 14 JUNE 2016
- PLACE:** RM 410 WANDSWORTH CAMPUS
- TIME:** 5.30 pm.
- PRESENT:** Daud Ilyas (Chair), Barbara Morris-Welsh (External Co-Opted Governor), Katie Driver, Tim Morris (External Co-Opted Governor), Kazi Hossain, Michael Helene.
- IN ATTENDANCE** Natalie Watt, Clerk to the Corporation  
Sue Rimmer, Principal & Chief Executive  
Ralph Moran, Director of Finance  
Jerry Barton, Mazars, Internal Auditor  
Katherine Patel, Buzzacotts, External Auditors

1. **Apologies for Absence**  
None
2. **Declarations of Interest**  
None
3. **Minutes of the last meeting held on 24 February 2016.**
  - The minutes of the meeting were confirmed as a true and correct record of the meeting (subject to the correction of identified typos) and were signed by the Chair of the Committee.

**Minutes APPROVED**
4. **Matters Arising:**
  - **Disaster Recovery Plan** – The Director of Finance informed Members that this was still a work in progress and that it was hoped that this would be completed by the start of the next academic year and would be reported back to the next meeting.
  - **Draft TOR** – The Clerk confirmed that all comments had been considered by the Director of Finance. The Terms of Reference had been circulated in advance of the meeting and had been considered and agreed by the Chairs of both the Audit and Finance and Resources Committees. The Chair of the Audit Committee confirmed that these were now approved.
  - **Mazars Reports** – Mazars confirmed that all contents had been reviewed. The Director of Finance confirmed that he had also checked the reports to ensure that there was no cutting and pasting and that all comments had been carefully considered.

Director of  
Finance

Noted.

- **Audit Implementation Report** – Director of Finance confirmed that the format had been amended as requested and all dates had been reviewed.
- **Risk Assurance** – The Director of Finance proposed that this be considered under the strategic Plan item. Members were informed that the Director had requested that the time allocated for Corporate Governance and risk management would be reallocated for this purpose. Agreed.
- **Performance Reviews** – On the agenda. The Director of Finance confirmed that for 2016/17 he would monitor and use the survey returns from audits next year as the evidence base for the performance reviews.

Director of Finance

Director of Finance

### **Internal Audit Service**

#### **i) Progress Report on delivery of the Internal Strategic Plan**

Presented by Mazars (Internal Auditors).

Items discussed:

- Members were advised that cash flow and IT audits had now been completed and that these reports would be presented to the next meeting pending Management responses.
- Members were advised that the income forecasting audit had been delayed to a more meaningful period of time. It was noted that this would not incur any additional costs in the following year and would be reported back to the next meeting of the Committee.
- Discussion followed on the need to review accurate income forecasting and outcomes as well as income planning going forward. Noted
- Members were also advised that the combined audit of risk management and corporate governance had been re-focussed to enable Mazars to work with the Director of Finance to establish a risk assurance framework. Members were assured that this work would be undertaken in July before the end of the financial year and reported to the next meeting of the Committee. Noted.

Director of Finance

Director of Finance

**Progress report RECEIVED.**

#### **ii) Visit 2**

##### **a) Prevent Strategy Audit**

- Mazars introduced this report and summarised the 4 strands of the strategy.
- Members challenged the auditors to identify which areas were tested given that it was a strategic audit and no recommendations were made.
- The Auditors confirmed that they had reviewed the approval process of the strategy and also its dissemination through the organisation and the system used to deliver it.
- Members were informed that the action plan produced to deliver the strategy had been considered as part of the audit.
- Members attention was drawn to the findings that confirmed that training for prevent had shown 95% coverage for staff.

**Report RECEIVED.**

## **b)Quality Management Systems**

- Members were informed that the audit result was substantial assurance.
- Discussion took place about the recent Ofsted visit and the provisional outcomes.
- Members challenged the audit result given that the Ofsted result appeared to be in conflict with this.
- The Principal informed the Committee that the system had been audited and had received substantial assurance.
- The Principal also informed the Committee that the College had confidence in its self-assessment process and that it had registered a complaint with Ofsted regarding the draft outcomes of the report which were not accepted. Noted.

**Report RECEIVED.**

## **c)Learner Number Systems Audit**

- Members discussed the fundamental importance of the learner numbers audit. Members were assured that the College itself undertook an annual review of learner numbers given the significance of the area in terms of funding.
- Recommendations from the previous year's audit had been fully implemented.
- Members discussed the outcome of the audit noting that the result was adequate assurance.
- Discussion followed on what level of assurance would ever be provided in this area given the sample size selected. Members debated the need for a larger sample size and also discussed what was custom and practice in other Colleges.
- Members also asked for detail on the skill level and expertise of those undertaking the audits. Members were informed that Steve Holder (previously SFA Auditor) was responsible for learner numbers audits. The Vice Principal Planning and Resources confirmed that the College was comfortable with the level of expertise of the auditors fielded in this current year.
- Mazars confirmed that all audit firms would be reluctant to give false comfort in such a financially key area hence the outcome of adequate assurance despite no errors being found. Members debated the amount of time allocated to the audit in relation to the relatively small sample size. However it was noted that for fuller coverage a significant allocation of the total audit resource would be needed. The Director of Finance confirmed that the sample size was 55 students.
- Members challenged the report and requested that the recommendations should be commented upon to reflect whether or not they improved the system. It was agreed that Managers would be asked to provide a narrative response to recommendations in future. Noted.
- Discussion followed on the internal checks and balances in place within the College which were in place to provide on-going assurance regarding the accuracy of funding and learner number checks.

**Report RECEIVED.**

**iii) Internal Audit Operational Plan for 2016/17 – Presented by Mazars.**

Items discussed:

- Members asked for more details and assurances that the plan was linked directly to the risk register.
- Discussion followed on the process undertaken to formulate the plan. The Director of Finance confirmed that the risk register was used to help inform discussions.
- Members discussed the allocation of days within the plan and sought assurance from the auditors that they were confident that they had a satisfactory number of days to provide significant assurance to the Committee on all core financial systems. Mazars confirmed that they were content with the number of days allocated.
- Discussion followed on the scope of the risk management audit and the corporate governance audit.
- Members sought assurance that the management information around risk is also considered.
- Members discussed the need for the auditors to have a broad range of skills to ensure that where necessary specialists were able to review the areas being audited such as risk.
- Members were assured that professional standards are adhered to and where necessary that specialist auditors are used.
- Members also accepted that in some cases the higher level of experience remained with the manager in charge of the audit.
- Members queried whether the Director of Finance was provided with a skills matrix to provide assurance that the skills of the auditors were matched to the audit? The Director of Finance informed Members that he was actively involved in discussions but that ultimately the decision rested with the Internal Audit firm itself.
- Members requested that a one page summary be developed and that the format of the report be considered for ease of reference in the future. Noted.
- Members discussed Risk 143 (Attendance) in detail. Discussion followed on the systems in place to underpin the risk management plan Members noted that the high use of sessional teachers (VT's) was a key risk that needed to be considered and reviewed in year. Agreed.

**Mazars**

**Director of Finance**

**Internal Audit Strategic Plan APPROVED.**

**6. Audit Recommendations Implementation Tracker Update – Presented by the Director of Finance.**

Items discussed:

- The Director of Finance briefly summarised progress with the recommendations since the last report. Members were informed that the format had been changed as requested at the previous meeting and dates were now clearly recorded.
- **Petty Cash** - Discussion followed on the petty cash recommendations. The Director of Finance discussed the

business need for petty cash to be held and confirmed that the Senior Leadership Team had concluded that it was neither cost effective nor practicable to go for a cash less option. Members discussed the level of use of the petty cash system currently. The Internal Auditors confirmed that petty cash would be reviewed again within the rolling programme.

- **Business Continuity** – Members were informed that a draft business continuity plan was due to go to the next meeting of the Senior Leadership Team.
- **Staff Utilisation** – Members were informed that management reports were now run in real time for managers. Members queried whether this was linked to staff absence and the HR and payroll system. The Director of Finance confirmed that there was no link as staff utilisation reflected teaching hours.
- **Property Strategy** – Members were advised that this was still a work in progress and that the Senior Leadership Team were working with Fusion project Consultants to review the strategy and to seek ways of maximising income from the buildings. Members were informed that an update would be provided to the next meeting.
- Members expressed their approval at the progress made towards reducing the number and age of the recommendations.

**Director of Finance**

**Director of Finance**

**Report RECEIVED.**

**7. Strategic Plan for the audit of the Financial Statements and Regularity Audit for the 2015/16 year. – Presented by Buzzacotts.**

Items discussed:

- Buzzacotts (Financial Statements Auditors) provided a summary of the structure of the report and how the financial statements audit would be conducted.
- Member's attention was particularly drawn to the accounts direction and the changes resulting from this.
- It was recommended that these changes be reaffirmed to the Finance and Resources committee in due course.
- Members were also advised that the remuneration of key personnel would also need to be identified in the accounts. Buzzacotts confirmed that this would be at Senior Leadership Team level.
- Members attention was also drawn to the Regularity Audit which would be undertaken at the end of September as part of the audit.
- Members noted the fee proposal at page 8 and appendix 2 containing the detail of the audit.
- Members were informed that pension liabilities were expected to remain the same for this year but that details would be worked through with the Director of Finance.

**Director of Finance**

**Strategic Plan APPROVED for recommendation to the Corporation.**

**NB Both Audit Representatives left for the meeting for the following discussion.**

**8. Review of the Financial Statements and Regularity Auditors - Presented by the Director of Finance.**

Items discussed:

- Members discussed the performance of the Auditors at the Committee meetings.
- The Director of Finance confirmed that the auditors were challenging but supportive, particularly during 2015/16 and the challenges in managing the loan and cash flow.
- The Director of Finance confirmed that the College would need to re tender External Audit provision in the coming academic year. Members were advised that it was proposed that the CPC framework was used for this. Agreed.
- Members requested a schedule for the process and provisional dates for tender panel to be made available. Agreed.
- The Director of Finance drew Members attention to the grades recorded for the performance review. Following discussion the performance review proposed was agreed.

**Report APPROVED.**

**Director of Finance**

**9. Review of the Internal Auditors – Presented by the Director of Finance.**

Items discussed:

- The Director of Finance informed Members that he had no new post audit surveys available as evidence of direct feedback on performance.
- Members were advised that the same format as the previous year had been used to make the assessment.
- Detailed and lengthy discussion followed on the performance of Mazars at the Committee meetings and during the course of the year.
- Members noted that there had been some delays in delivering reports and audits as specified in the strategic plan.
- Following discussion the grades were reviewed by the Committee at the meeting.
- The Director of Finance was asked to report back to the Auditors outside of the meeting.

**Report APPROVED (Subject to amendments at the meeting).**

**Director of Finance**

**10. Risk Management Annual Report 2015/2016– Presented by the Director of Finance.**

Items discussed:

- Members were informed that the Director of Finance had proposed using Mazars to understand Risk Assurance mapping across the College and that this had been agreed for July 2016.
- Members noted the risks on page 5 and 6 in particular and these were discussed in some detail.
- The Director of Finance agreed to review the comments under risk 119.
- Members requested that better and more consistent language be used in when defining the mitigating factors in place against risks. Agreed.

**Report RECEIVED.**

**Director of Finance**

**11. Value for Money & Purchasing Activities – Presented by the Director**

of Finance.

Items discussed:

- Members were informed that there had been less activity in previous years due to the merger discussions that had been taking place which included a review of major contracts and potential mutually beneficial arrangements. Noted.
- The Director of Finance confirmed that facilities were currently re-scoping contracts and that tender exercises would be undertaken in the coming year.
- Members queried whether or not room utilisation would also be factored in to the re-assessment.
- The Director of Finance confirmed that this would be fed in to the process to alongside curriculum efficiency reviews to achieve savings where possible.
- Members requested that any updates provide a total quantum of the savings and efficiencies achieved. Agreed.

**Director of Finance**

**Report RECEIVED.**

**12. Fraud Response Plan - Director of Finance**

- Members were informed that no new cases had been reported. One on-going case was being pursued by the Serious Fraud Office as previously reported.

**Update RECEIVED.**

**13. Whistle blowing**

- The Clerk to the Corporation confirmed that the Director of HR & Workforce Development had confirmed that no new instances of Whistle blowing had been received since the last meeting.

**Update RECEIVED.**

**14. Freedom of Information Update – Presented by the Director of Finance.**

- Members were advised that one Freedom of Information request had been received since the last meeting. The request related to the use of IT services and was based on commercial information to inform private providers. Noted.

**Update RECEIVED.**

**15. Any Other Business**

- **Terms of Reference - RECEIVED**
- **Self Assessment Process** - The Clerk confirmed that the Search and Governance (S&G) Committee had agreed to use the same questionnaire process as per the previous year with outcomes being discussed at each Committee.
- The S&G Committee has also agreed that to enhance this process the Chair would hold one to one meetings with Governors as part of the assessment process and to consider corporate challenges such as succession planning for the future. The Clerk confirmed that these would be arranged over the following months. Noted.

**Clerk**

**16. Date and Time of the Next Meeting**

- Wednesday 9<sup>th</sup> November 2016 at 5.30 pm at the Wandsworth

Campus.

- Wednesday 1<sup>st</sup> March 2017 at 5.30 pm at the Wandsworth Campus
- Wednesday 14<sup>th</sup> June 2017 at 5.30 pm at the Wandsworth Campus.

Signed By: \_\_\_\_\_

Date: \_\_\_\_\_