

Doc No AUD 06/16-1

Agenda item 3

AUDIT COMMITTEE

- DATE:** WEDNESDAY 24 FEBRUARY 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).
- IN ATTENDANCE** Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Ralph Moran, Director of Finance
Jerry Barton, Mazars, Internal Auditor

1. **Apologies for Absence**
Michael Helene, Kazi Hossain.
2. **Declarations of Interest**
None
3. **CONFIDENTIAL SESSION – AUDITORS AND GOVERNORS ONLY, Subject to a separate confidential minute.**
4. **Minutes of the last meeting held on 11 November 2016 were agreed as a true and correct record of the meeting and were signed by the Chair of the Committee.**
5. **Matters Arising:**
 - **Disaster Recovery Plan (Business Continuity Plan)** – Members were informed that this document was in draft and currently being finalised by the new Head of Estates and Facilities. The Director of Finance informed Members that this was being updated to reflect the need to address what to do in the event of a bomb threat. The Director of Finance confirmed that live evacuations were regularly held and were scheduled for all Campuses. Members would be advised when this action was complete. Noted.
 - **SFA Funding Reconciliation** – The Director of Finance confirmed that this had been received and was in line with the predicted sum. Noted.
 - **Governance Documents** – The Clerk confirmed that draft minutes, terms of reference for Committees other than Audit and documents requested had been circulated immediately after the

Director of
Finance

meeting. Noted.

- **Corporation Meeting** – The Clerk confirmed that the Chair of the Audit Committee had invited the External Auditors to attend the Corporation meeting to present the management letter in person and that they had done so.
- **UKVI** – The Principal informed Members that the College has received confirmation that its highly trusted status has been revoked. Existing Students were being allowed to complete their qualifications so there were no claims expected as a result of this decision. The Director of Finance confirmed that provision against this had now been released. Noted.
- **Accommodation Strategy** – The Principal confirmed to the external co-opted Members that the sale of the Tower Block has gone through the week prior to the Committee. The Principal updated Members on the transaction details and challenges.
- **Post Audit Management Letter** – The External Co-Opted Governors requested that the final post Audit Management Letter be re-circulated. Agreed.
- **Document Control** – Mazars confirmed that this was now in hand.
- **Follow Up Report** – On Agenda
- **Implementation Report** – Format change requested had now been actioned. Noted.
- **Financial Regulations** – The Director of Finance confirmed that all budget holders had been emailed and provided with an update on the changes to the Financial Regulations. Noted.
- **Insurance** – Claims report had been forwarded to the Director of Finance for consideration by the Risk Management Group.
- **Terms of Reference** – The Clerk confirmed that these had been considered against the Joint Audit Code of Practice.
- Draft TOR was circulated for comment –Members confirmed that they wished a further review to be undertaken in conjunction with consideration of the Finance and Resources Committee Terms of Reference.
- It was agreed that the changes would be communicated to the Clerk outside of the meeting and circulated to the remaining Committee Members.
- The Clerk confirmed that the Director of Finance and the external and internal auditors had all been asked to contribute to the current draft of the Terms of Reference. Noted.
- **Extension to External Audit Contract** – The Clerk confirmed that this had been approved by the Corporation following assurance by the Director of Finance that the Corporation was compliant with external and internal frameworks and regulations.

Committee
Members

6. **Assurance Report on Subcontracting Controls 2015/16** – Presented by the Director of Finance.

Items discussed:

- Members were informed that this audit was now a requirement by the SFA.
- The College had contracted with Buzzacotts to deliver it for this year, however, it was also accepted that this function could be

completed by the Internal Auditors should the College decide to do so in the future.

- Members attention was drawn to appendix 2 of the report, the Director of Finance confirmed that the College had been in a challenging cash flow position and had actively managed its payments schedule.
- It was not expected that this level of difficulty would be experienced again in the near future. Noted.
- Members noted that the College had commissioned a review that covered the minimum scope was required and queried why and what additional level of assurance could have been provided. The Internal Auditors commented that this was in line with practices at other Colleges.
- The Director of Finance confirmed that a minimum scope had been requested to reduce the cost and because additional assurance had been provided by Internal Audit recently on this area.
- Members were advised that the cost of sub-contracting for 2015/16 had been £168k. Members were informed that College Management felt that any additional scrutiny would have had limited value. Noted.

Audit report RECEIVED.

7. Internal Audit Service

i) Progress Report on delivery of the Internal Strategic Plan

Presented by Mazars (Internal Auditors).

Items discussed:

- Members noted the contents of the report.
- Mazars informed Members that the audit on PREVENT had also been completed but that the report was not yet published.
- The Committee was assured that there were no problems in the area which would be borne out by the report; however, it was currently going through quality checks. Noted.
- Members were informed that the Learner numbers audit had been pushed back to March at the request of the Director of Finance.
- Members were assured that the programme would be brought back on track by the end of term.
- The Director of Finance and the Principal confirmed that additional pressures on staff time had resulted in limited availability. Noted that merger proposals were on-going as were strategic area reviews in addition to normal challenging business.

Progress report RECEIVED.

Visit 1

i) Follow Up Audit

- Members queried the numbering used in the report and noted on page 3 that targets should not be changed.
- Mazars agreed to ensure that all future reports maintained the original target dates.
- The Director of Finance discussed contracts in general and confirmed that the majority of contracts were called off

Government approved framework agreements. Noted.

- Members expressed some concern that the contents of the report were cut and pasted from elsewhere and asked that the recommendations be re-visited and interrogated by management and Mazars to confirm appropriateness.
- Members requested that where recommendations were not yet implemented for example page 6 that explanations be included with some context i.e. due to merger.
- Members noted on page 8 that the testing was scheduled to be completed by June.
- Members noted on page 10 that the date needs to be inserted.
- Members noted that at page 13 1 recommendations were due to be implemented at the earliest possible time – specific dates were requested.
- Members requested that current status of the recommendations be available as well as the fixed times originally agreed. Noted

Mazars/Director of Finance

Director of Finance

Report RECEIVED.

ii) Staff Absence Audit

- Members noted that there was one low priority recommendation made that had not been accepted by management.
- Members asked for information on whether the Bradford factor was used as a form of monitoring in the College. The Director of Finance confirmed that this was not used.

Report RECEIVED.

8. Audit Recommendations Implementation Tracker Update –

Presented by the Director of Finance.

Items discussed:

- Members noted the summary provided verbally by the Director of Finance.
- The Director confirmed that the age of outstanding recommendations had now been included. Members noted the typo on page 2 item 6.
- Members noted that a date was needed for the cash and banking recommendation. Agreed.
- Members asked for clarification where it was not clear on the report for example end of the academic year or calendar year. Noted.
- Members noted the update on staff utilisation and requested that where this was being dealt with post-merger that this be updated in the report.
- Members requested that the dates of the formal consultation be included.
- Members noted that a combined strategy would need to be developed in some areas but asked that provisional dates be included for information and context. Noted.
- Members requested that the format be reviewed to ensure that there was sufficient clarity for the next meeting. Agreed.
- Members were assured that risk management assurance mapping was taking place and would be completed in the following academic year.

Director of Finance

Director of Finance

Director of Finance

Report RECEIVED.

9. Risk Management 2015/2016– Presented by the Director of Finance.

Items discussed:

- Members requested that the calculation for risk scores be included in the report.
- Members noted that the Senior Leadership Team were reviewing College Performance Indicators.
- Members queried why so many risks had moved to Red. Discussion followed over concerns over enrolment for the future and the need to continue to focus on progression.
- Members expressed the view that the Marketing Strategy was key in reducing this risk and that the Plan needed more work.
- The Principal acknowledged that the Marketing Plan needed more focus.
- It was acknowledged that the facilities needed to be pushed further and that more analysis was needed on student numbers and viability of courses.
- Detailed discussion followed on the Strategic Area Review being undertaken and the immediate competition from neighbouring colleges.
- Members also discussed the A level provision and the context of that area of provision in a competitive market.
- The Principal confirmed that progression is a key focus and delivery of professional qualifications at levels 3, 4, 5.
- Discussion followed on the 3 degrees being launched in September 2016.
- Members also raised discussed the need to make the curriculum offer more competitive. Agreed.
- Discussion followed on the brand of the College and the need to maximise the offer for the merged College and capacity of the existing South Thames College offer.

Director of
Finance

Report RECEIVED.

10. Freedom of Information Update – Presented by the Director of Finance.

- Two requests were received and responded to in time:
1 - Types of IT systems in use
2 - Enquiry for data for tendering opportunities.

RECEIVED.

11. Whistleblowing

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

Update 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. Proposed Review of the Financial Statements and Regularity

Auditors and the Internal Audit Service – Presented by the Director of Finance.

Items discussed:

- The Chair of the Committee invited all those present to remain in the meeting for the discussion.
- The Director of Finance confirmed that he was seeking input from the Committee on how to undertake the annual performance reviews on the two Audit firms.
- Members queried who set the terms of reference for individual audits. The Director of Finance confirmed that he agreed the terms of reference with Mazars for each Audit.
- Members discussed this approach and were assured by Mazars that this was the practice across other FE Colleges.
- Members debated how they could review the Terms of Reference of the audits. Mazars pointed Members to the sample audit report where the planning objectives for each audit were clearly stated.
- Members requested that is possible if this could come at the front to the report that would be more helpful. Mazars agreed to take this request for consideration.
- The Director of Finance informed Members that after each audit a survey questionnaire was issued by Mazars for feedback but that they were rarely completed.
- Members expressed the view that they were only able to comment on the quality of the end report as that is all they had access to.
- Following discussion the Director of Finance proposed that the surveys be completed from now onwards and a summary provided to the Committee as evidential feedback to support his proposed grading of the performance of the Auditors.
- Members were invited to provide any additional feedback or changes to the Clerk by the Easter holidays.
- It was agreed that the final performance reviews would be drafted by the Director of Finance for the Committee to comment on in advance of feedback to the Auditors and that these would be reported back to the next Committee.

Mazars

Director of Finance

Director of Finance

Report RECEIVED.

14. Any Other Business

Terms of Reference – Discussed under matters arising – noted that Members would provide detailed feedback for the Chair of the Committee and the Chair of F&R to consider.

Clerk

Audit Committee external briefing note - circulated on behalf of the Chair of the Corporation for information and interest. – **RECEIVED.**

15. Date and Time of the Next Meeting

- **Wednesday 15 June 2016 at 5.30pm** at the Wandsworth Campus

Signed By: _____

Date: _____