

AUDIT COMMITTEE

DATE: WEDNESDAY 10 JUNE 2015

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 5.30 pm.

PRESENT: Daud Ilyas (Chair), Tim Morris (External Co-Opted), Kazi Hossain, Katie Driver, Barbara Morris-Welsh (External Co-Opted), Michael Helene.

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Ralph Moran, Director of Finance
James Sherrett, Mazars Internal Auditors
Katherine Patel, Buzzacotts

1. **Apologies for Absence**

None

2. **Declarations of Interest**

None

3. **Minutes of the last meeting held on 25 February 2015.**

The minutes were approved and signed by the Chair subject to minor typo corrections identified.

4. **Matters Arising:**

- **Merton Pension Scheme Update-** the Director of Finance confirmed that this had now been resolved. No cash payment was required and approximately £1m had been transferred to the Wandsworth Scheme as a final settlement. It was hoped that the scheme was benefit from this in 2017. The Director of Finance confirmed that both schemes were administered by the London Pension Fund Authority. Noted.
- **Disaster Recovery Plan** – Members were informed that the deadline for this was August 2015 and it was hoped that a plan would be finalised and in place by that date. However this was still a work in progress. Noted.
- **Learner Numbers Training provided** – This item is on the agenda.
- **Income % and amount for students with visas** - further information is awaited on this and will be provided to follow by the Director of Finance. Noted

**Director of
Finance**

**Director of
Finance**

- **Detailed breakdown on errors referred to on learner numbers audit** – On agenda, report has been re-issued.
- **Software crosses checking update** – Members were informed that visas were checked on application and the mistake was down to human error where the visa expired mid-course. Visas were due to be re-checked when progression courses were applied for and this has been restated. The sample size was 50 of which 2 errors were found. Discussion followed on sample sizes and Mazars confirmed that it was a random sample. Noted.
- **Re-issued Learner Numbers report** – On agenda.
- **Proposed KPI for purchasing** – College Key performance indicators are currently being considered. After review it was agreed that purchasing as a stand alone KPI was not appropriate. Noted.
- **Follow up report** -to be populated with original implementation dates, original dates will be included in future. Noted.
- **Dashboard update on slippage** – Traffic light system attached to report from Internal Auditors – on agenda. Noted.
- **Audit Implementation Report** - Clarification of monitoring undertaken reported in paragraph 3.45 of the Audit Implementation Tracker Report, report expanded and on agenda.
- **Direct report from the Director of HR** – circulated with agenda.
- **Terms of Reference** for review – on agenda

5. **Internal Audit Service Reports - Presented by Mazars (Internal Auditors).**
Items discussed:

i)Progress report 2014/15

- Members were informed that two new audits had commenced and two reports had been completed.
- Members noted that the third audit on Freedom Of Information and Data Protection had been completed but the report was still outstanding.
- Members queried the slippage on the PAYE audit and were informed that this had been poorly timed and at the request of the Director of Finance had been postponed.
- It was noted that this service was in the process of being outsourced and the audit would be conducted at this point.
- Members were also informed that the Director of Finance was seeking agreement of the Committee to deferring the Quality Audit to the following academic year following the introduction of significant changes in the system.
- The Director of Finance confirmed that he could provide a report on the changes to the Quality system to support the request. It was agreed that this report would be circulated post meeting.
- The Audit Committee agreed to the deferment of the Quality audit to 2015/16.
- Members sought confirmation that this work would not be billed for and that the days would be carried forward to next year to ensure that next year's delivery was not compromised. Agreed.
- Members noted that the Freedom Of Information audit had been deferred in June but would still be undertaken in year. Noted.
- Members sought clarification about the delays and who was accountable. Mazars confirmed that the majority of the delay had

Director of Finance

Director of Finance

been the result of not having enough suitable field personnel but that this had now been rectified.

- Members expressed their concern and requested that any further issues in the following year be flagged up as soon as possible. Agreed.

Report RECEIVED.

ii)Learner Numbers Report – Re-Issued

- Members discussed the sampling approach taken for the audit. Members noted the contents of point 4.2 and discussed the stretch and challenge aspect of the target setting policy.
- The Principal provided a summary of the Government policies in relation to English and maths and its impact on Learners.
- Members noted that the Management Team were looking at more cost effective methods of delivery including e learning.
- Members noted at point 4.4. that additional training had been provided and refresher courses were in place for staff in relation to delivery of maths and English.
- Members queried recommendation 4.5 and were informed that this had been backdated to the date of the audit.

Report RECEIVED.

iii)Visit 2

a)Partnerships Audit

- Members' attention was drawn to the recommendations on page 2 of the report and the Committee was given assurance by the auditors that in the context of other FE providers the College performed strongly.
- Members noted the double negative on page 3.
- Members noted some discrepancy between the names of individuals and job titles.
- It was agreed that these would be checked for consistency. Members commented on the lack of detail and explanation in the report regarding the precise nature of what had been audited.
- Members noted that the risk management update on page 3 failed to identify in detail what the risks were, which specific risks had been checked for and which areas were found to be solid.
- Members requested that future audit reports contain greater clarity of the scope, risks and areas of assurance. Noted.

Report RECEIVED.

b)Property Strategy & Capital Projects Audit

- Members noted that several of the risks identified in the risk register related to property.
- Members were informed that the audit had received substantial assurance. However, the Accommodation Strategy itself needed to be updated in light of recent and on-going developments. Noted.
- Members noted the comment on value for money on Page 3.
- Members were advised that the Merton project was currently under budget by £300k.
- Discussion followed on the status of the Tower Block and the Principal updated Members on the marketing of the block and potential use of any capital receipt.

Mazars

Mazars

**Director of
Finance**

- Members briefly discussed the loan covenants and potential to re-structure the loans.
- Members requested a copy of the latest capital project report when it went to Corporation. Agreed.

Clerk

Report RECEIVED.

c) Freedom of Information & Data Protection

- Members were advised that fieldwork had been undertaken and completed and that the report was in the final stages of preparation. The report would be C/F to the next meeting. Noted.

Update RECEIVED.

iv) Internal Audit Operational Plan for 2015/16.

- Members were informed that the plan had been developed largely based on the latest risk register and through discussion and meetings with the Director of Finance.
- Members queried the number of days allocated for the core financial systems and queried the rationale for the number of days.
- Members were informed that this was based on previous year's plans.
- Members queried whether areas that previously only scored adequate were included on the list. The Auditors stated that this was not used as part of the rationale and instead the plan was based on a five year rolling programme. Areas were only subject to further review where performance was inadequate.
- Members expressed their concern at this and asked that areas rated only as high as adequate should be included in coverage for the coming year especially where they correlated to risks identified in the risk register. Noted.
- Members requested an increase on the number of days for core financial systems.
- Members queried the number of days allocated to staff sickness and proposed that this be reduced slightly.
- Members noted and sought confirmation of the external auditors regarding the reliance placed on the scope and coverage of internal audit. The Committee requested that greater focus be given to potential areas of risk.
- Members queried the number of days for Internationalisation and it was noted that this would need to be re-considered in light of recent developments.
- Members noted that some contingency was needed and would potentially be used prior to any Inspection to focus on areas during the year.
- Members queried the IT systems and expressed their concern that specific systems were not referred to. They requested that Finance IT systems be explicitly mentioned.
- Members also stressed that the Quality System audit also needed to be built in to the scope of the Internal Audit provision.
- Members requested that the necessary changes be made and the revised plan circulated for comments prior to submission to the Corporation on the 1st July 2015. Agreed

Internal Audit Plan considered and amendments requested.

Mazars

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

- Members noted the number of matters outstanding as reported by the Director of Finance.
- Members expressed serious concern at the recommendations that were more than 2 years old.
- Members were advised that the longstanding recommendation regarding HR systems was now near completion with the roll out of the combined itrent system (identified as the new Human Resources management information system). Noted.
- Members were concerned at the outstanding recommendation relating to business continuity and were assured by the Director of Finance that this would be completed by the end of the year.
- Members requested that the next report provide more detailed explanations of each of the recommendations that were more than 24 months old with confirmation as to their relevance.
- Members expressed concern at the priority 2 recommendation relating to an outstanding marketing strategy and queried why no end date had been identified. Members were particularly concerned that this point remained outstanding given serious need to increase income levels. The Principal informed Members that a Marketing Plan was in place. The Strategy had been drafted but rejected and was being finalised by the Senior Leadership Team. It was agreed that this would be completed by August 2015.
- Discussion followed on the sourcing out of the payroll system and the Director of Finance confirmed that the integrated systems would be fully live by September 2015.

Director of Finance

Director of Finance

Principal

Report RECEIVED.

7. Strategic Plan for the Audit of the Financial Statements and Regularity Audit for the 2014/15 Year – Presented by Buzzacotts (External Auditors)

Items discussed:

- Members were advised that the strategic plan reflected requirements in the accounts direction handbook.
- As per this direction a separate report on Governance would now be required. The External Auditors confirmed that they would be preparing the statement on behalf of the Governors and that this would form part of the regularity framework.
- Members were informed that the Teachers' Pension Scheme would also be subject to its annual audit.
- Members' attention was drawn to page 3 and the significant areas of focus, detailed below:
 - SFA Income Recognition
 - Capital Projects
 - .Bank Loan Covenants
 - Staff Restructuring
 - Impairment (in relation to the Tooting Centre)
 - Management Override of Controls
 - Related Party Transactions
 - Accounting Estimates
- Members noted that the External Auditors' fees would remain stable. Members also noted the additional appendices detailing

updates relevant to the FE sector.

Strategic Plan APPROVED.

8. Risk Management 2014/2015– Presented by the Director of Finance.

Items discussed:

- Members attention was drawn to Annex A. The Director of Finance assured Members that each Committee reviewed the risks within its area of responsibility in detail at each meeting.
- Members expressed their general concern at the number of risks moving from Green to Amber. Noted.
- Members queried some of the risks rated medium. Members noted that the risks around Income were relevant in terms of the concerns expressed at the Committee around the lack of a marketing strategy and decreasing student numbers.
- Members discussed the amount of financial stress the sector was suffering under. Noted
- Members noted the proposed amendments to the Risk Management Policy. Members noted a typo under the second bullet point – to be corrected.

Report RECEIVED and Risk Management Policy APPROVED.

9. Value for Money & Purchasing Activities - Presented by the Director of Finance.

Items discussed:

- Members noted the plan and progress to date. Members noted the level of room utilisation and the drop in February which was of concern.
- The Director of Finance confirmed that non-attendance and timetabling can have a significant effect on the outcome as it directly affects when the survey takes place.
- Members asked for information on what the average was for other similar Colleges, to provide context. Noted.
- Members discussed the attendance strategies and the Director of Finance confirmed that a review of timetabling was underway to seek to maximise times that are traditionally low usage such as Friday afternoons.
- Members noted that the lack of growth and declining income could also impact on room utilisation.
- Members were assured that the Management Team were also focussing on average class sizes.
- Members queried the lettings policy. The Director of Finance confirmed that the College had a lettings policy and that regular lettings took place. However this area needed more resourcing in order to develop as a more significant income stream.
- The Principal informed Members that there was potential to use the space to a greater extent at the Merton Campus, and this was being pursued. Noted.

Report RECEIVED.

**Director of
Finance**

10. Insurance – CONFIDENTIAL – Presented by the Director of Finance and the Clerk to the Corporation

- Members received the attached report for information. The Committee noted that the awarding of the contract was more

appropriately decided by the Finance and Resources Committee. The Clerk confirmed that this was on the agenda for the Finance & Resources Committee.

Report RECEIVED for information.

11. Fraud Response Plan – CONFIDENTIAL

Update received from the Director of Finance.

12. Whistle-blowing Update - CONFIDENTIAL

Update RECEIVED

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

Items discussed:

- The Director of Finance confirmed that one request from a researcher had been completed; however, it had extended beyond the due date.
- The College had also received a request seeking market intelligence information which was being responded to.
- The Clerk to the Corporation confirmed that a specific Member of the management team had responsibility for Freedom of Information and Data Protection. Noted.

Update RECEIVED.

14. Draft Terms of Reference for the Audit Committee– Presented by the Clerk to the Corporation

Items discussed:

- Members noted the proposed changes. The Chair of the Committee asked Members to review the proposed changes in detail.
- The Director of Finance requested that the External Auditors review the Terms of Reference to ensure that there was a clear division of responsibilities between the Audit Committee and the Finance and Resources committee.
- Discussion followed on appropriate responsibility for accounting policies and the External Auditors agreed to provide guidance on this.
- Members were asked to respond by Friday 19th June with any comments or proposed amendments to the draft Terms of Reference.
- The Clerk confirmed that all of the Terms of Reference would be presented to the Search and Governance Committee.

Report RECEIVED.

**15. Any Other Business
Self-Assessment of the Committee.**

- The Clerk confirmed that those Members who had served on the Committee during the year would be asked to complete a self-assessment form reviewing the performance and impact of the Committee as part of the Governance self-assessment process. Noted.

Mazars FRC Report

- Members of the Committee questioned Mazars on findings in an

Buzzacotts

FRC report regarding their ability to deliver an efficient and effective service.

- Members sought an assurance that Mazars had sufficient staff appropriately trained to undertake audits in the coming year, especially in light of the slippage reported at the meeting. This assurance was given.
- Mazars representative confirmed that this report related to an old audit and was specific to External Audit.
- It was agreed that a statement by Mazars would be circulated to Committee Members asap.

Mazars

16. Date and Time of the Next Meeting

- Wednesday 11 November 2015 at 5.30pm at the Wandsworth Campus
- Wednesday 24 February 2016 at 5.30 pm at the Wandsworth Campus
- Wednesday 15 June 2016 at 5.30 pm at the Wandsworth Campus

Signed By: _____

Date: _____