

Doc No AUD 06/15-1

Agenda item 3

AUDIT COMMITTEE

DATE: WEDNESDAY 25 FEBRUARY 2015

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 5.30 pm.

PRESENT: Daud Ilyas (Chair), Tim Morris (External Co-Opted), Kazi Hossain, Ross Maloney.

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Ralph Moran, Director of Finance
James Sherrett, Mazars Internal Auditors
Barbara Morris-Welsh, Observer

1. Apologies for Absence

Michael Helene

2. Declarations of Interest

None

3. Minutes of the last meeting held on 25 November 2013.

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

4. Matters Arising:

- Written Assurance of no loan breach re FRS17 – The Director of Finance confirmed that all the loan banks had now confirmed in writing that FRS17 would not impact on the existing Loan Covenants. Noted.
- Merton Pension Scheme update – The Director of Finance informed Members that the College was still assuming a worse case scenario.
- Progress update on Disaster Recovery Plan for the College - The Director of Finance confirmed that this was still a work in progress and that it would be carried forward to the next terms meeting.
- The Clerk confirmed that the VFM Report was included as an appendix to the Audit Committee Report
- The Clerk confirmed that the final Audit Committee Annual Report was presented to the Corporation by the Chair
- The Clerk confirmed that the Insurance Report was added to work plan for the Summer Agenda

Director of
Finance

5. Internal Audit Service Reports - Presented by Mazars (Internal Auditors).

Items discussed:

i) Progress report on delivery of the Internal Audit Strategic Plan

- Members noted the update provided and the table at 3.1 summarising the actions. Members noted that the contingency days had not been used and sought clarification that the College would not be charged for them. Agreed.
- Members were advised that the discrepancy of actual audits against planned audits would be adjusted by the June Committee and that the annual schedule would be delivered as agreed. Noted.
- Members discussed the grading applied to the reports and the degree of comfort afforded to the Committee when adequate was stated. Members also debated the tipping point between fundamental assurance and limited assurance.

Report RECEIVED

ii) Visit 1

a) Learner Numbers

- Mazars outlined the sampling process undertaken to interrogate the data and informed Members that the main focus had been on any anomalies shown up by using the sampling software. The approach was considered to reflect that undertaken by the provider assurance auditors albeit on a reduced scale. Noted.
- Member's attention was drawn to the key findings in section 3 and the audit judgement of adequate assurance.
- Members noted the level of the recommendations made. Members discussed the main recommendations made at 4.4 and 4.5. Members queried the additional training referred to.
- The Director of Finance summarised the annual training provided. Members sought assurance that the recommendation referred to additional measures being put in place given that the standard training had still thrown up errors. The Director of Finance informed Members that he would look at the level of training referred to and update on what was proposed in relation to the recommendation.
- Members queried the % of income associated with the visa students? The Director of Finance agreed to circulate post meeting the breakdown of income for the area under audit.
- Members discussed at length the impact of the findings if the numbers were extrapolated to the whole. The Principal assured Members that the College conducted its own robust checks as well as being scrutinised by the UK Border Agency on a regular basis.
- Members sought clarification on the type of students and errors found under recommendation 4.4 and the level of any potential impact on funding. The Director of Finance agreed to circulate a response to this query after the meeting.
- Members queried the software used by the College in monitoring this area and how students were enrolled. Members sought assurance that the software enrolment process cross checked with entry requirements? The Director of Finance confirmed that he would raise this with the VP Planning and Resources and would circulate this information post meeting.
- Following further discussion and a request from Members that target dates be included in the report. It was agreed that the report would

Director of Finance

Director of Finance

Director of Finance

Director of Finance/VP Planning & Resources

be reviewed by the Director of Finance and the Auditors and re-issued. The review would cover the findings, the management response and target dates for completion. Agreed.

Director of Finance /Mazars

Report RECEIVED.

b) Purchasing & Procurement

- Members were reminded that this area of work was previously outsourced and had now been brought back in house.
- Members were advised that an e portal was now in use and their attention was drawn to the key findings in section 3.
- Members noted the comparator information provided at Appendix A.
- Discussion followed on the number and scope of transactions and sought assurance that the College actively sought economies of scale where possible.
- The Director of Finance confirmed that the College did so where possible. Members were informed that the College used call off contracts and actively sought discounts.
- Members were assured that the system in place prevented duplicate orders, however, more training was needed to ensure that staff stayed within procedures. Reduction of retrospective ordering and exception items was an area of focus at present.
- Members were informed that staff were being encouraged to use the management information tools at their disposal to actively manage their purchasing requirements.
- Members discussed the use of a specific KPI to support this focus to ensure that operating on an exception basis was onerous and open to detailed scrutiny. The Director of Finance agreed to consider this.
- Members commented that in the context of the size of the organisation they were pleased with the result achieved.

Director of Finance

Report RECEIVED.

c) Follow Up

- Members noted that implementation dates were key and requested that the original implementation date should also be shown to enable them to monitor progress more effectively.
- Members requested that the follow up report be consistently populated. Agreed.
- Following discussion Members requested that a one page summary dashboard of the areas of slippage on follow up areas be produced for the next meeting. Agreed.

Mazars

Mazars

Report RECEIVED.

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

Items discussed:

- The Director of Finance informed Members that a detailed annex was normally provided however as his report was synched with the follow up report at item c) above, the annex had not been provided at this time.
- Members were informed that 3 ICT items were reported as being completed previously, however, the actions had not been adequately documented so these recommendations were still being

considered as outstanding by Mazars.

- Members noted this and confirmed that these would also form part of the dashboard monitoring referred to in the previous item. Agreed.
- The Director of Finance verbally informed Members that attempted penetration testing of the IT network had been undertaken.
- The Director of Finance also verbally informed Members that 15 outstanding recommendations were reported in November, 2 had been completed by February and 1 subsequently and that 3 had been reinstated so the overall number of 15 remained outstanding. Noted.
- Members expressed concern at the lack of clarity in the monitoring report at paragraph 3.4 in relation to significant recommendations and requested that this be strengthened with more detail for the next meeting. Agreed.

Director of Finance

Director of Finance

Report RECEIVED.

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

Items discussed:

- Members were informed that a specific risk had been given a higher priority in relation to cash flow at the request of the Finance & Resources Committee. Noted.
- The Director of Finance outlined the risks identified in paragraph 6.
- **Risk 119** was discussed and overseas recruitment in general. The Principal identified the level of shortfall expected and confirmed that it was approximately .5m in year.
- Members discussed the risk associated with the overseas work and the reputation risk attached. The Principal provided a brief overview of the areas of international business and the negative impact of visa restrictions on recruitment in Bangladesh, Pakistan and India in particular.
- The Director of Finance confirmed that these factors had contributed to the risk moving from green to red. At this point in time the Risk Management Group deemed the target was not recoverable in year.
- Members queried how realistic the original target was? The Director of Finance assured members that the target was realistic at the start of the year and that external factors which could not be predicted had impacted.
- Members noted that this continued to be a volatile area of provision and income generation.
- **Risk 126** was discussed and the Director of Finance informed Members that HE loans were £200k below and 24+ loans were £80k below budget expectations.
- Members noted that the College could potentially draw down £2.1m of loan funding but that this was not realistic or sustainable at present.
- **Risk 22** Members were informed that the risk had now been rated as red as it was not recoverable in year.
- Members discussed the impact of the raising of the participation age and commented that although this was a significant challenge the College appeared to responding to the external factors as much as possible.
- The Principal confirmed that this would include a review of provision

within the College for 16-18 for future years.

- Members discussed concerns around risk 51 and the planned efficiency gains needed.
- Members also discussed the sale of the Tower and were informed that planning permission had been granted and that an update would come to the Corporation later in the term. Noted.

Report RECEIVED.

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

Items discussed:

- The Director of Finance confirmed the assessment given in the report on Buzzacotts performance. Members were advised that the questionnaire was based on a similar format to previous years and was commonly used in the FE sector. Noted.
- Members were informed that the service was due to be re-tendered in the Spring of 2016 and that the Audit Committee would be actively involved in the process. Members noted the additional duties.

Report RECEIVED.

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

Items discussed:

- Members noted that the Director of Finance's assessment confirmed that Mazars were performing well.
- The Director of Finance informed Members that some reduction in grading had been given due to the timescales on delivery which had been explained earlier in the meeting. Mazars confirmed that they had experienced a high turnover of staff but were now in a stronger position to deliver to the agreed timescales. Noted.
- Members emphasised the need for audit reports to maintain clarity, and useful details for the Committees monitoring purposes, both on findings and management responses. Noted.

Report APPROVED.

10. Freedom of Information Update

- The Director of Finance advised Members that there has been 3 Freedom of Information requests received since the last Audit Committee. One from the Tax Payers Alliance, one relating to information on a tender exercise and one relating to course sizes. All had been responded to within the timescales laid down in the policy.

Update RECEIVED

11. Whistle-blowing Update

- The Clerk informed Members that the Director of HR had confirmed that one issue was raised and submitted under the whistle blowing policy. Investigations had been undertaken and concluded appropriately.
- Members sought confirmation that the matter did not require further scrutiny by the Audit Committee, following a discussion with the Chair of the Committee it was agreed that the Clerk would in future ask the Director of HR to submit an outline of the issue to provide assurance to the Committee that any matters raised required no further attention by the Committee. Agreed.

Clerk

Update RECEIVED.

- 11. Fraud Response Plan-** Presented by the Interim Vice Principal Resources
Items discussed:
- The Director of Finance confirmed that the College continued to liaise and work with the Serious Fraud Office as per a previously reported matter.

Update RECEIVED

12. Any Other Business

- Terms of Reference of Committee. The Clerk informed Members that the Search and Governance Committee was conducting a review of all Terms of Reference and that each Committee was being asked to undertake a review of its Terms of Reference. Members indicated that they had some additional areas and comments they would like considered. It was agreed that the Clerk would circulate a word copy of the terms of reference to the Committee for comments to be flagged up. **Agreed.**

Clerk

13. Date and Time of the Next Meeting

- Wednesday 10th June 2014 at 5.30 pm Wandsworth Campus

Signed By: _____

Date: _____