

Doc No Aud 02/15-1

Agenda item 3

AUDIT COMMITTEE

DATE: WEDNESDAY 12th NOVEMBER 2014

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 5.30 pm.

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

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Julian Grindell, Interim Vice Principal Planning & Resources
Ralph Moran, Director of Finance
Debbie Tilson, Buzzacott, External Auditors
Graeme Clarke, Mazars Internal Auditors

1. **Apologies for Absence**
Ross Maloney
2. **Declarations of Interest**
None
3. **Minutes of the last meeting held on 17 June 2014.**
The minutes were approved and signed by the Chair.
4. **Matters Arising:**
 - Members were informed that the Chair of the Audit Committee had accepted the resignation of Mr Mark Glover. The Chair and the Committee expressed their appreciation of Marks contribution and wished him well. **Noted.**
 - The Clerk confirmed that a prospective Governor had expressed an interest in serving on the Committee and that this was being followed up. **Noted.**
 - Members were informed that no additional work had been commissioned in relation to a funding audit. **Noted.**
 - Members were advised that Whistle blowing had now been added as a standing item to the Committee agenda at the request of Members. **Noted.**
5. **External Audit Financial Statements**
 - i) **Financial Statement Audit** – Presented by BuzzacottItems discussed:
 - Members noted that the report had been sent to follow.

- Member's attention was drawn to the statements made on page 10 of the report. The Clerk and the Director of Finance confirmed that they were in agreement with the statements made for the respective areas. Noted.
- Members noted the key audit risks identified on page 10-12.
- Member's attention was also drawn to the regularity audit report and the clear unqualified audit opinion given.
- Members noted the deficit identified on page 18 (Income and Expenditure) and the impact of FRS17. Discussion followed FRS17 and the level of contribution for pensions.
- Members noted the audit risks and results detailed on pages 7-10. Members were advised that the further adjustments advised of would be made in year.
- The Director of Finance and the Auditors confirmed that there were no breaches of loan covenants triggered by the end of year out turn.
- Members noted that Lloyds Bank had yet to confirm in writing that they agreed that no breach had occurred when taking in to account FRS17.
- The Director of Finance was asked to obtain this written assurance as soon as possible. Agreed
- Members noted the ratio analysis on page 13 and it was agreed that this would be attached to the Audit Committee Annual Report along with the key findings and risks. Noted.
- Members noted the points raised on adjustments on page 18 and the outstanding cessation payment identified for Merton Pensions on page 20.
- Members requested that the Director of Finance seek to resolve the issue of the Merton Pension Scheme as soon as possible. It was noted that the College had been seeking a resolution to this outstanding matter since the merger in 2009.
- Members noted the developments summarised on Appendix 4 and thanks the Auditors for the update.
- Members were advised that the Post Audit Management Letter proposed for signature was in the standard format for the sector. Noted.
- Members debated the current pension deficit identified at page 20 for the sector and noted that the College was above the sector norm in terms of the financial pressure over pension deficits.
- The Director of Finance confirmed that there were payments that would need to be factored in for the future.
- Members discussed the reasons for this additional exposure and the Interim Vice Principal Special projects informed the Committee that a significant amount of the exposure related to London Colleges.
- Discussion followed on how to reduce the deficit. It was noted that the deficit would reduce over time. Members were assured that the College no longer applied enhancements to pensions or retirements as was historically the case.
- Members queried the reference to the Lennartz agreement and discussion followed on the conditions of the arrangement and repayment.
- Members were advised that cash payments continued for a further 3 years.

Director of Finance

Director of Finance

Financial Statement Management Letter RECEIVED and Regularity Audit, Management Letter RECEIVED and recommended for APPROVAL to the Corporation.

6. Internal Audit Service Annual Report (IAS) 2013/2014– Presented by Mazars (Internal Auditors).

Items discussed:

The Auditors provided an overview summary of the report. Attention was drawn to Section 3 and the unqualified opinion offered. Members were assured that there were no limited assurances across the range of audits undertaken.

- The Auditors noted that the outcome of the audits provided the College with a very positive level of assurance. Members' attention was drawn to Appendix A2 which summarised the level 2 priority recommendations.
- Mazars drew to Members' attention that this was the last year that they were required to produce an annual report. In future the Financial Statements' Management letter would be submitted to the SFA along with the Audit Committee Annual Report. Noted.
- Members queried progress to date on the recommendation on the Business Continuity Plan? The Director of Finance informed the Committee that a collection of documents existed such as a critical incident plan, however, no coherent cross college business continuity plan had been documented.
- Members noted that an IT disaster recovery plan was also in place.
- Members asked for clarification on when this would be available. The Director of Finance assured the Committee that the plan would be completed during this academic year and reported back to the Committee. Noted.
- Members discussed the annual plan and queried the level of assurance provided on the Core Financial Systems. The Auditors were invited to comment on the number of days allocated for these areas. The Internal Auditors assured the Committee that the coverage was in line with the sector and that the rolling programme in place throughout the contract period covered all core financial systems.
- The Interim VP Special Projects informed the Committee that the bulk of income is via learner number funding which mitigates some of the risk in connected to Core Financial Systems as all funding is scrutinised in detail.

Director of Finance

IAS Report RECEIVED.

7. Internal Audit Report – Visit 3 – Presented by Mazars

Items discussed:

Corporate Governance & Risk Management

- Members were informed that the two areas had received substantial assurance.
- It was noted the recommendation from last year remained outstanding, but that progress had been made towards assurance mapping across the College for Risk.
- The Clerk requested that when the Corporate Governance Audit was undertaken that an on site meeting be held to discuss value added areas and scope. Agreed

Reports RECEIVED.

8. Implementation Monitoring – Presented by the Director of Finance.

Items discussed:

- Members noted the update report received. In terms of Business Continuity Members were informed that as previously reported this was a work in progress.
- Members were advised that the marketing strategy recommendation was also near to completion and that a revised strategy was due to be submitted to the Senior Leadership Team meeting in November.
- Discussion followed on the cash and banking handling facilities and the Director of Finance confirmed that the College had no success to date in generating external interest in this service.
- It was proposed that this contract would be re-tendered in January. Noted.

Report RECEIVED.

9. South Thames College

Financial Management Control Evaluation (FMCE) – Presented by the Director of Finance

Items discussed:

- The Director of Finance confirmed that the evaluation had been fully completed and no exceptions were noted.
- The Clerk to the Corporation confirmed that she had met with the Director of Finance and that all areas of evidence were readily available. Noted.
- Members noted that the internal FMCE provided part of the assurance framework upon which they were relying.
- The Director of Finance reported to the Audit Committee that he had self assessed the STC FMCE as Good.
- Members approved this assessment.

Report APPROVED.

10. Audit Committee Annual Report 2013/14– Presented by the Chair of the Committee

Items discussed:

- The Chair confirmed that he had reviewed the draft report.
- The Clerk summarised the contents and changes from the previous year and thanks the Internal Auditors for their help and guidance regarding the format and coverage of the report.
- The Internal Auditors proposed appending the value for money report produced as an example of best practice and an additional assurance. Agreed.
- It was agreed that final editorial approval of the report would rest with the Chair of the Audit Committee and that a final version would be circulated to all Members of the Audit Committee. Agreed.

Report APPROVED.

Clerk

Chair

11. Fraud Response Plan- Presented by the Interim Vice Principal Special Projects

Items discussed:

- The Interim VP Resources informed members that the area previously identified last year was subject to ongoing external

investigation.

- No new areas of fraud were reported.

Update RECEIVED

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

Items discussed:

- Members were informed that a different more robust process had been adopted to Risk Management and was working well. Workshops had been held and the College was moving towards assurance mapping.
- Members asked what specific risks had been identified for priority 5. The Director of Finance confirmed no specific risks had been identified for this.
- Members noted the progress report attached.

Report RECEIVED.

13. Freedom of Information Update – Director of Finance.

Members were informed that 5 requests had been received since the last meeting.

- Agency Spend for 2013 – 14 – Request completed
- Special Needs Request – work in progress
- UK Visa – Request completed
- Student Identity requested – Denied
- College Structure Chart – Work in Progress.

Update RECEIVED

14. Whistle blowing

- The Clerk to the Corporation confirmed that the Director of HR had confirmed that no instances of Whistle blowing had been received as at the date of the meeting.

Update Received.

15. Any Other Business

- **Draft Audit Committee Work Plan -Noted.**
- **Terms of Reference** – Members were advised that these were being reviewed and would be presented to the Search & Governance Committee at its next meeting and circulated for comment to the Committee. Noted.
- **Insurance Report** – The Clerk sought Members input into the presentation and format of an annual Insurance Report. It was agreed that a summary of claims and costs would be provided on an annual basis. Agreed.

Clerk

15. Date and Time of the Next Meeting

- **Wednesday 25th February at 5.30pm** at the Wandsworth Campus

Signed By: _____

Date: _____