

Doc No AUD 03/17-1

Agenda item 4

AUDIT COMMITTEE

DATE: WEDNESDAY 9 NOVEMBER 2016

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 5.30 pm.

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

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Sue Rimmer, Principal & Chief Executive
Ralph Moran, Director of Finance
Katherine Patel, Buzzacott, External Auditor
Graeme Clarke, Mazars, Internal Auditors
Jerry Barton, Mazars, Internal Auditors

1. Apologies for Absence

Chris Wright

2. Declarations of Interest

None

3. Minutes of the last meeting held on 14 June 2016.

- The minutes were approved and signed by the Chair, subject to 2 typos being amended. Noted.

4. Matters Arising:

- **Disaster Recovery Plan** – The Director of Finance confirmed that this had now been completed and was a combination of three approaches: the business continuity plan, the critical incident management plan and the IT disaster recovery plan.
- **Risk Assurance** – The Director of Finance confirmed that this work had been completed and the final report was being reviewed. Risk was on the agenda and the following term the assurance mapping would be available for consideration, Noted.
- **Performance Reviews**- The Director of Finance confirmed that responses to audit surveys would be used to inform performance reviews for 2016/17. None had been completed to date. Noted. C/F
- **Mazars** – Members were informed that the auditors were meeting with the Director of Finance shortly to review reporting formats. Noted.

Director of
Finance

Director of
Finance

- **Risk Identified** – Members were advised that a risk for the budget management of Visiting Teacher payments had now been identified.
- **Property Strategy** – Members were informed that this was still in a development phase. Update to the next meeting. Noted. C/F
- **Value for Money** – The Director of Finance confirmed that the annual report would contain specific financial information quantifying what savings had been achieved in monetary terms. C/F
- **Self-Assessment** – on the agenda.

5. **External Audit Financial Statements**

i) Financial Statement, External Auditors Audit – Presented by Buzzacott

Items discussed:

- Members were informed that an unqualified opinion was given on the financial statements on page 1 of the management letter.
- Buzzacotts then provided an overview and summary of the work carried out as part of the audit.
- Members were advised that time pressures had been a consideration and that final deadlines had proved challenging but that all work had been completed and full co-operation had been received. Noted.
- Members noted that as in previous years the final statement from the SFA was still pending and that this would be included in the final submission to the Board.
- Members were also advised that the regularity self-assessment questionnaire had been completed but needed to be signed by the Chair and the Principal as accounting officer. Noted.
- Members were also advised that the accounts had been completed in line with the FRS102 directive (see page 3).
- Members noted the balance sheet on page 3 and the points raised on page 4 and that the College was confirmed as a going concern, incurring a deficit of £3,272,000 against a budgeted deficit of £2,269,000 for 2015/16.
- The Director of Finance confirmed that the sale of the Tower Block had been accounted for in year.
- Discussion followed on the debts and loans outstanding and the strategic area review process which had also been taking place in the sector.
- Members' attention was drawn to bullet point 4 on page 4 and the remuneration of key personnel which was now required in the accounts. Noted.
- Members' attention was then drawn to page 7, the accounting policies, also referred to in appendix 4. Members noted that the comments on page 8 needed to be updated to reflect the repayment of the Lloyds loan.
- Members were advised by the Director of Finance that the break costs of repaying the loan were now being dealt with by the College's legal advisors. Members were advised that regular updates on this would be provided to the Finance and Resources Committee. Noted.

Director of Finance

Buzzacotts & Director of Finance

Director of Finance

- Members noted the update on ratios and discussion followed on how these were monitored through the year by the F&R Committee.
- Discussion followed on the pension deficit reported. The Director of Finance was asked to investigate further with the pension authorities why the rate applied was higher than previously reported. Agreed.
- Discussions followed on assumptions made during the course of the year which were not fulfilled. The Director of Finance confirmed that a review of forecasting and budget control systems had been undertaken.
- Members were assured that the forecasting for 2016/17 was expected to be more accurate than in previous years. Noted.
- Members noted some typos in the financial statements which were identified to the Director of Finance for correction. Received.
- **Management Letter and Financial Statements for 2015/16 RECEIVED.**

Director of Finance

Director of Finance

6. Internal Audit Service

i) IAS Annual Report (IAS) 2015/2016 – Presented by Mazars (Internal Auditors).

Items discussed:

- Members were informed that the assurance given was based on a full scope service which the Corporation had opted to retain.
- Members were informed that the report was one of a suite of assurance documents. The external management letter and the risk management reports also provided assurance to enable the Committee to reach an opinion. Noted.
- Members were informed that all scheduled work had been completed in year and that work on the annual programme for 2016/17 was underway.
- Members noted the annual opinion on page 1 and 2, section 3.
- Members also considered the benchmarking and information provided in section 4 page 4, noting that the College audit performance was broadly in line with other similar providers.
- Members commented on the improved presentation of information.
- Discussion followed on the need to use the returned surveys to help inform performance reports. Agreed.
- Members also proposed that in future reports there should be cross referencing with College reports e.g. VFM.
- Members noted the need to continue to focus on all risks including non-financial ones, e.g. Health and Safety issues.

Report RECEIVED.

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

Items discussed:

i) Core Financial Systems – Cash Flow & Working Capital

- Members noted that the audit had been graded as providing substantial assurance, with only one priority recommendation.

Audit Report RECEIVED.

Mazars

ii) Core Financial Systems – Income Forecasting & Monitoring

- The Chair noted that this was considered a key area of control.

- The Clerk advised the Committee that the Chair of the Finance & Resources Committee had also flagged up concerns over the inaccuracy of forecasting, based on the final out-turn from the previous year.
- Mazars drew Members' attention to the context and background information provided on pages 1 and 2. Members were advised that this area received a grade of adequate assurance. Members noted the number of recommendations.
- The Director of Finance informed the Committee that all of the recommendations had been accepted and that additional actions were in place to strengthen forecasting across the college.
- Members were advised that this had also been reported to the F&R Committee. Noted.
- The Director of Finance also informed Members that he was working with the Director of CIS to ensure that appropriate data systems were linked to the financial systems. Noted.
- The Director of Finance agreed to provide the Audit Committee with the same information that was provided to the F&R Committee to support the assurances given for 2016/17. Noted.
- Members noted that the incorrect year had been used at 4.1. Noted.

Director of Finance

Report RECEIVED.

iii) Risk Management

- Members were informed that no grading had been attributed to this work as it was undertaken in an advisory capacity at management's request.
- Members were informed that the report had been received by management but that it was currently being reviewed before being released.
- Members sought assurance that the management team felt that proposals would aid them in managing risk.
- The Director of Finance confirmed that this was the case and that the new approach would provide easier milestones to monitor and more detailed timelines.
- The Committee stressed the importance of management being confident that the changes would enhance effectiveness and efficiency rather than just taking place.
- The Director of Finance confirmed that it was being implemented during 2016/17 and that he would provide the Committee with an opinion on its performance at the end of the year. Agreed.
- Members were advised that further work would be needed to update the risk management policy prior to implementation and that details of the changes would be circulated outside of the meeting timetable.

Director of Finance

Director of Finance

Report RECEIVED

iv) IT E-Financials

- Members were informed that this work was undertaken by specialist audit staff. Discussion followed on how this work linked to the main accounting system.

Report RECEIVED.

<p>8.</p>	<p>Implementation Monitoring – Presented by the Director of Finance.</p> <p>Items discussed:</p> <ul style="list-style-type: none"> • Members noted the comment at 4.1 and the Director of Finance confirmed that this work was now complete. • Members requested that future reports provide a comparison between levels of assurance given in each area before and after audit recommendations were actioned. Noted. • Members also requested information on where the audit recommendations were in terms of the cycle of audit for each area so they could monitor how much impact the recommendations were having before the area was audited again. Agreed. • Members discussed the requirements around passwords and requested that the SLT indicate where they felt recommendations were proportionate. For example, where they felt a recommendation was onerous and provided little additional re-assurance the Committee would accept an indicator of acknowledgement of an acceptable level of risk attached to not following the recommendation. Noted. • Members noted that the review identified at 4.5 was undertaken late in the year. Discussion followed on the use of ransom software. • The Director of Finance confirmed that the College had been the subject of an IT attack but that the systems in place had proven robust. Noted. • Members requested that the numbers in the report be checked for reconciliation against the register. Agreed. • Members requested that the report identify which actions were considered significant and outstanding. • The Director of Finance was reminded that the report should be exception-based only and that completed items should be removed from the report. • Members acknowledged the usefulness of the report. • Members queried the lack of implementation date for the property strategy. The Director of Finance confirmed that this was on hold pending the merger discussions. • Members were informed that FUSION consultants had been retained for this project to be completed. • The Principal advised the Committee that they would be provided with a forecast completion date for the property strategy at the next meeting. Noted. <p style="text-align: right;">Report RECEIVED.</p>	<p>Director of Finance</p> <p>SLT</p> <p>Director of Finance</p> <p>Principal</p>
<p>9.</p>	<p>Audit Committee Annual Report 2015/16– Presented by the Chair of the Committee</p> <p>Items discussed:</p> <ul style="list-style-type: none"> • Members were asked to consider and comment on other areas as appropriate. • Members noted that additional information had been requested from the Director of Finance for page 7 of the report. • Members requested that the Audit Committee opinion be repeated and highlighted on the front sheet of the report as this was the key focus for the Corporation. Agreed. 	<p>Director of Finance</p> <p>Clerk</p> <p>Director of Finance</p>

- Members noted that proposed dates for the tender exercise were still awaited from the Director of Finance.
- Members noted that the Committees self-assessment grade would be suitably updated following due consideration of the responses received.
- Members agreed that the Clerk would revise the draft and agree the final version with the Chair of the Committee before circulating it for final review by Committee Members.
- Members noted that the number of substantial assurance opinions had increased and that this improvement should be reflected in the percentages shown in the report. Noted.
- Members noted that the report should suitably reflect the Committee's expectation that reports should provide substantial assurance.

Clerk

Clerk

Report APPROVED subject to the above amendments.

10. **Fraud Response Plan- CONFIDENTIAL** subject to a separate confidential minute.

Update RECEIVED.

11. **Risk Management 2016/2017**– Presented by the Director of Finance.
Items discussed:

- Members were informed that as requested the Director of Finance had included a risk specifically around the payment of late Visiting Teacher invoice claims and staffing resources. Noted.
- Members noted the summary of outstanding insurance claims and that no new claims had surfaced for 2015/16.
- Members sought assurance that value for money had been achieved on Insurance premiums and the Director of Finance confirmed that the overall cost had reduced when the contract was tendered the previous year.
- Members noted the update at paragraph 8. Discussion followed on the challenging environment.
- Members also discussed the removal of risks associated with the bank covenants in light of the repayment of the Lloyds loan.
- Noted that the risk associated with international tier 4 provision had been removed as the tier 4 provision had ceased.

Report RECEIVED.

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

- Members were informed that no new freedom of information requests had been received since the last meeting.

Update RECEIVED.

13. **Whistleblowing**

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

Update Received.

14. **Self-Assessment of the Audit Committee** – Presented by the Clerk.

- The Clerk confirmed that the provisional grade had been indicated based on the numerical returns against each question.
- Members discussed the comments made and it was proposed that these be reviewed by the Chair.
- Members noted the development areas identified but confirmed that they felt things were improving as evidenced by the reducing number of recommendations outstanding.
- The Principal provided some reflections on her role within the audit committee at St George's teaching hospital.
- Some Members queried the Committee's ability to confirm that it discharged its responsibility in relation to value for money.
- Detailed discussion followed and Members indicated that the value for money annual report and the focus on this matter within the audits was considered to be adequate for this purpose.
- Members noted that an action plan was in place specifically on value for money.
- The Director of Finance was asked to quantify the value for money savings in financial terms for the next report. Agreed.
- It was agreed that the overall grade should remain as GOOD with a comment that the Committee would always seek to improve and strengthen performance.

**Director of
Finance**

Self-assessment grade APPROVED.

15. Any Other Business

- **Draft Audit Committee Work Plan** – The Clerk confirmed that the work plan had been circulated to the Director of Finance for comment. Agreed as presented.
- **Terms of Reference received for information.**

18. Date and Time of the Next Meeting

- **Wednesday 1 March 2017 at 5.30pm** at the Wandsworth Campus

Signed By: _____

Date: _____