



**Minutes of the Meeting of the
AUDIT COMMITTEE**

held in the Boardroom, Fawcett Building (WF120),
Willesden Centre,
at 5pm on Wednesday 4 June 2014

MEMBERS**Name****Category**

**Present [2]
[2/5 : 40%]**

Ann John OBE [Chair]
Gerry Burnett

Independent
Independent

Apologies

Jack Gill [Vice-Chair]
Tracey Connage

Independent
Independent

Vacancies [-]

IN ATTENDANCE**Name****Office**

Gill Winward
Ashok Patel
Anthony Moore
Fola Thomas
Sarah Mason

Clerk to the Corporation
Finance Director
Financial Accounting Manager
MacIntyre Hudson [Items 3 & 5]
Baker Tilly [Items 1-5]

Declarations of Interest – None declared

[Action]

1 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 9 April 2014 were **APPROVED** as a true and accurate record and, as such, were signed by the Chair.

2 MATTERS ARISING

[i] Item 3: Internal Audit Report of Visit No1 of 2013/14 - Insurance - The Finance Director reported that he had followed up on matters as requested and had obtained some further information. However, it was **agreed** that this matter should be carried forward to the November meeting.

AP/Clerk

[ii] Item 4: Risk Management 2013/14 – update – The Finance Director reported on progress with the review of arrangements which was still ‘work in progress’. The EMT were in discussion on various matters, including the possible outsourcing of Contingency Planning.

Item 4 was taken next

4 APPOINTMENT OF FINANCIAL STATEMENTS AND REGULARITY AUDITORS FOR 2013/14 WORK AND ASSOCIATED AUDIT PLAN

Ms Mason presented the proposed Plan and outlined the background to its content. There was a new SORP in place but this would not have effect until reporting on the

[Action]

2015/16 year. New Regularity Audit arrangements were also expected shortly but these were still under debate with the SFA. Some parts of the Plan were therefore still in draft form and a revised Plan would be circulated in the autumn.

Baker Tilly

Meetings had taken place with college management to look at the timetable for the work and the scope and particular risk areas had also been examined. Ms Mason enquired of the Committee if they had any areas of concern to include: Members confirmed they did not and had been content with all recent audit findings.

Fees for the 2103/14 work as quoted were approximately 2% up on the previous year.

During ensuing discussion, the Finance Director alerted the Committee to the increasing difficulty in ensuring segregation of duties within the Finance team as the Department now comprised only 5 people. The Clerk also queried the planned dates for the audit work, especially the limited turnaround time for ensuring final completion of the written report in time for sending to the Audit Committee by the deadline. Ms Mason gave assurances that everything would be completed in time for that 31st October despatch date.

The Committee then **AGREED TO RECOMMEND** to the Corporation that they appoint Baker Tilly as the Financial Statements and Regularity Auditors for the 2013/14 work, for the fees as proposed.

Ms Thomas joined the meeting

3 INTERNAL AUDIT - REPORT OF VISIT NO 2 OF 2013/14

Ms Thomas presented the Report which covered 4 areas. All had received a 'satisfactory assurance' rating with 12 recommendations made (1 High, 10 Medium and 1 Low)

The 'Follow up' report had looked at 21 recommendations brought forward and found 18 of these to have been actioned, leaving just 3 now outstanding.

Ms Thomas then took the Committee through the detailed findings in turn and the following key points were raised:

- *Corporate Governance and Strategic Oversight* : the report had mentioned a high number of Governor 'Register of Interests' forms missing. The Clerk explained that the actual number was much lower, as many returned forms had been awaiting data entry on to the computer and had simply been missing from the main file at the time of the auditor's visit. Ms Thomas stressed the importance of striving for 100% completion of the forms.

The Clerk also queried why the review and report had encompassed such checks, as the whole reason for the delay in the field work (should have been Visit No1) was to revise the brief and ensure clarity on the scope for the work. This was supposed to have removed any reference to compliance checking and focussed on measuring impact of Governors decisions, particularly on learner outcomes. Ms Thomas explained that they always performed 'governance mechanics' checks each year, irrespective of the agreed theme of the visit.

- *Performance Management – Staffing* : This review had been carried out by an HR specialist within MacIntyre Hudson. Some of the recommendations had resource implications, such as training for staff, so were being examined further.

[Action]

- *Supply Chain Management* : This review contained the one 'High Priority' recommendation in the report and related to an un-signed contract. The Finance Director explained that funding guidance for 16-18 yr olds had been unclear so there had been a delay in signing. This had now been sorted out.

The Finance Director also commented on the recommendation made relating to payment of suppliers and gave assurances to the Committee about practices at the College regarding no up-front payments.

- *Value for Money – FE and HE loans* : The findings had been that CNWL were better than most colleges in this arena, but some recommendations had been made to enhance processes and procedures.

The Finance Director explained that the change in approach by government to this aspect of funding had caused difficulties for all colleges, who suddenly had to move to the practice of 'selling' loans, as part of recruitment. The College aimed for a 70% drawdown and achieved it, however there were financial consequences to the new arrangements as cashflow was affected. Previously 90% of fees had been collected by Christmas each year but now only 30% of income was being received at the same stage. There has also been a small negative impact of general tuition fees, because students who were perhaps previously paying their own fees are now drawing down a loan.

During discussion, Members were informed that it was not the culture of the education sector to use debt collection agencies with learners. The Committee recognised that this was another additional risk area for the College.

In the summary discussion, the Committee noted the greater number of recommendations being made than in the recent past, though only one of these had been regarded as 'High priority' and which had now been resolved. Exploring possible reasons for this, Members noted the new approach to the Audit Plan and review areas this year whereby a number of 'Value Adding' type reviews had been undertaken, also some designed to take longer to examine matters in more detail. The combination of both these factors had likely given rise to the increase.

Members also commented on the 'Follow Up' review work and commended the efforts made to result in 18 out of the previous 21 outstanding actions being 'cleared'. This was particularly notable in a year of intense work to prepare for external inspection.

The Committee **NOTED**:

- a) The report and its recommendations
- b) The additional risk area for College posed by tuition fee loans
- c) The low number of remaining action points

5 DATE & TIME OF FUTURE MEETINGS

The dates of meetings for the following academic year were **AGREED** as:

Wednesday 12 November 2014
Wednesday 11 March 2015
Wednesday 24 June 2015

All commencing at 5pm.

[Action]

Ms Mason and Ms Thomas left the meeting

6 AUDIT SERVICES: RE-TENDERING

The Finance Director presented the paper and explained the rationale. Both current audit service providers had worked for the college for a considerable number of years and it was judged that it would now be sensible to test the market.

The scope of External Audit work was such that there was limited opportunity to alter the brief, given this was largely prescribed by legislation and regulation. However, the new Audit Code of Practice (JACOP) gave huge flexibilities over the way Internal Audit work was operated, including the option to remove it completely.

The Finance Director then described the proposed process and timetable for the exercise, which was discussed and agreed. Both A.John and G. Burnett expressed willingness to serve on the Selection Panel, diaries permitting. There was also discussion on the likely field of candidates and the levels of service sought.

The Committee:

- a) **CONFIRMED** their wish to retain an Internal Audit Service
- b) **AGREED** the proposal that two separate firms be sought to provide the two distinct services
- c) **APPROVED** that the shortlisting of firms be delegated to management and the Clerk **AP/Clerk**
- d) **AGREED** that the Selection Panel would interview shortlisted firms, then make a recommendation to the Corporation regarding appointment
- e) **AGREED** that the Panel would comprise members of management, the Clerk and at least one Committee Member

7 ANY OTHER URGENT BUSINESS

There was no further business.

The meeting closed at 6.10 pm

Signed.....
(Chair of the Committee)

Date.....