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

held in the Board Room, Fawcett Building,
Willesden Centre,
at 6.30pm on Wednesday 8th March 2017

MEMBERS**Name****Category****Present**

[2/5:40%]

Peter Child

Independent

Jan Knight

Independent

Vacancies [1]**IN ATTENDANCE****Name****Office**

Fiona Chalk

Clerk to the Corporation

Phil Bunker

Interim Head of Information and
Planning

Eamonn McCarroll

Vice-Principal Finance

Anthony Moore

Financial Accounting Manager

Andy Cole

Principal

Mary Prince

Assistant Principal Enterprise and
Employment

Jerry Barton

Mazars

[Action]**1 APOLOGIES FOR ABSENCE**

Apologies were received from Vineeta Machanda and Diane Kennedy. In the absence of the Chair, it was agreed that Jan Knight would chair the meeting.

It was noted that Tony Johnston has now taken the position as Chair of the Corporation and therefore it is no longer appropriate that he be on the Audit Committee.

2 DECLARATIONS FOR INTEREST

None.

3 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 28th November 2016 and 7th December 2016 were unanimously approved. **Clerk**

5 KPMG AUDIT REPORT – SUB CONTRACTING – ACTION PLAN PROGRESS REPORT

Members noted that the sub-contracting audit is a requirement from the SFA to ensure the college is implementing all the assurances given by CNWL. This report was sent to the SFA in January and a follow up audit was undertaken by RSM on

[Action]

23rd February and the progress made by the college in February was noted. The RSM audit follow up report was sent to the SFA and they have given their approval of it and stated that it gives the necessary assurance that the college is taking all the actions it said it would. A further meeting with the SFA is taking place on 3rd April where there will hopefully be a final sign off. The SFA further confirmed today that they have no further concerns to raise and are happy the matter is in hand. **It was resolved that the Post Audit Action Plan be recommended for approval by the Corporation.**

MP

6 RSM AUDIT OF LEARNER NUMBERS

The audit progress review update was noted by governors, in particular:

- 1.1c – further work will be undertaken on learning agreement return rates
- 1.1e – mock audit to be carried out in the Easter break
- 1.3a – ILR and course dates will be aligned
- 1.3b – minimum hours monitoring system is not fit for purpose and its replacement is in hand and the new system will be installed this month in time for next year's enrolments. This purchase went through a tender process and is the same system as CWCs.
- 1.4a – further work is being done on the report for reconciliation of data
- 1.6 – study programme hours is ongoing work
- 3 – 24+ loans will not be a risk going forward as colleges are no longer allowed to subcontract for 24+ hours
- 6b/c – ESF eligibility. 32% of students have declined to give information. Governors asked if this threatened funding. Management advised that this affects funding at ESF level, not college level. It is more of a data quality issue, not a funding issue.

Phil Bunker left the meeting

7 INTERNAL AUDIT REPORTS

Progress Report

Members noted that:

- the auditors have finalised 3 reports since the last meeting of the committee. These relate to purchasing, budget setting and control and subcontracting controls
- A meeting with Director of Finance and the Finance Manager was held on 10th February to discuss strategic developments (merger) as well as progress against the Plan
- IT and Learner number audits could be replaced given the current level of audit work being undertaken in those areas. It is suggested that they be replaced with Fraud Awareness training and compliance in HE. This was agreed.
- The Audit Plan was noted.

EM

Budget setting and control

Members noted that:

- Core financial systems are covered over a 3-year period and this audit was deferred to this year to allow time for new systems to bed in.
- Adequate assurance was given
- 1 significant recommendation and 1 housekeeping recommendation were given – both agreed by management
- A sensitivity analysis will take place around budget setting – governors agreed this would be very useful to the committee by giving more assurance around the assumptions and forward planning scenarios
- Adequate assurance was given as budget is not on target, however control is improving as the year progresses

[Action]

Purchasing and Procurement

Governors noted that back in 2014/15, a special advisory report was given around controls on capital projects. Since then, progress has been made and substantial assurance has been given, with 3 housekeeping matters. Governors asked for their thanks to be passed to the Procurement Team **EM**

Subcontracting

Mazars advised that since September 2015, external auditing of this area has been required by the SFA on an annual basis. The new guidance advises that an Action Plan should be put in place if no adequate external assurance is given. The college already has this as part of the work with RSM. Mazars advised they have tried not to duplicate work that has already been undertaken by RSM. 2 significant matters have been raised – draft contracts to be checked to ensure they comply with SFA requirements and should be signed off by the Principal, and that the college should carry out a financial health assessment of all subcontractors and have them graded according to risk. Governors noted that both these recommendations have now been carried out.

Mazars also recommended that payment procedures need to be more formally documented. **Governors noted the Supply Chain Fees document will be presented to the Corporation this month for endorsement.** **MP**

8 RISK MANAGEMENT AND BOARD ASSURANCE

The Board noted the new risk register for the Merger project being overseen by the Joint Interim Board, in addition to the College's own Risk Register. Members noted the 110 risks on the college's register, 61 low, 35 medium and 14 high which after mitigation are 72 low, 32 medium and 6 high.

Members were advised that the risk register has been considered and reviewed by the Risk Management Group who scrutinise each risk, following its review by individual managers who are updating the register on an on-going basis. Governors noted the minutes of the Risk Management Group and agreed this was an improved system and felt reassured by the progress made in this area. It was agreed that any new risks added between Audit Committee meetings should be highlighted. **EM**

Members were advised that the Risk Management Group has also scrutinised the Merger Risk register and the Audit Committee has been asked by the JIB to review it.

Members raised the following points:

1. The committee was uncomfortable with 10 out of the 11 risks having a residual low risk score - some of the mitigating actions seem to raise more risks in themselves i.e. point 3 mitigation suggests selling an asset but there are inherent risk attached to that mitigation
2. There are some areas they would like to see added i.e. Failure to appoint Clerk/Principal/SPH; IT systems (this is different from MIS); change management and culture; risks if the merger is deferred
3. Lack of synergy between the risk register and merger work streams - are the work streams aware of the risk register and do they feed into it, given they own the risk? Should the JIB be owners of the risks?
4. A quicker way of reviewing it is needed - a speedier system, possibly incorporating the management meetings, JIB and Audit
5. The order of risks should be considered, perhaps grouped together?
6. More detail on the controls for most risks
7. General feeling that the register is a little too optimistic

It was resolved that the above comments be forwarded to David Pigden, Project **Clerk** Manager.

[Action]
Clerk

The High Risks will be reported to the Corporation

9 ANY OTHER URGENT BUSINESS

The Clerk advised that a new Audit Committee member will be sought at the Corporation meeting on the 29th of March.

10 DATE & TIME OF FUTURE MEETINGS

Wednesday 14 June 2017 at 6.30 p.m. (following Finance and Resources)

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

Date.....