



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

**held in WF122, Fawcett Building, Willesden Centre,
at 4pm on Wednesday 25th November 2015**

MEMBERS

**Present [1]
[3/4 : 75%]**

Vacancies [1]

Name**Category**

Vineeta Manchanda	Independent
Tracey Connage	Independent
Martina Porter	Independent

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

Fiona Chalk	Clerk to the Corporation
Stephen Holley	Vice-Principal Finance
Anthony Moore	Financial Accounting Manager
Jerry Barton	Mazars
Bill Lumsden	BDO
Luke Holt	BDO

[Action]

1 APOLOGIES FOR ABSENCE

Apologies were received from Jeff Lee.

2 DECLARATIONS FOR INTEREST

No declarations were made.

3 APPOINTMENT OF CHAIR

It was unanimously resolved that Vineeta Manchanda be appointed Chair to the Committee. **Clerk**

4 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 24th June and 28th September were unanimously approved. **Clerk**

5 MATTERS ARISING

IT Audit Report

Limited Assurance was given with 3 significant items. This is a weak area for the whole sector but good work is now going on at CNWL to improve this area. Management advised that this was now an item on the Risk Register and a change in personnel has taken place to allow a review of the security of systems and ensure an implementation of the plan. This to be reported to the next Audit

SH/Clerk

[Action]

Committee

Learner Numbers Audit Report

Substantial Assurance given. 1 significant item raised on one particular learner who was unable to undertake a workplace placement due to health issues, had not been withdrawn. This has now been clarified in the procedures.

Quality Management Systems Audit Report

Adequate Assurance given. 1 significant and 9 minor items. The failure had been to sign off a self-assessment report. All other amendments have been dealt with.

Income Diversification Audit Report

Adequate Assurance given for work over the summer and it is understood continue progress has been made since then. 2 significant items, log for grant funding opportunities and their outcomes; fee policy to include full cost course provision. BDO advised the college to be aware to the £50,000.00 limit applying to the college as an exempt charity. Management advised that the college has a limited company, Fusion Trading Limited which new business can be channelled through.

SH/RS

Advisory Audit Report – New Build and Procurement

The online in house purchasing system has been updated to ensure it is linked to key areas such as budget. Previously the Project Manager could over-ride the system, this has now been amended so it cannot happen. Other points raised included:

- Lack of paper trail for procurement
- Numerous cost overruns and delays due to poor planning
- The day to day oversight is with the VP Finance and Planning
- New financial regulations have been put in place to help rectify the above issues
- 3 fundamental recommendations and 3 significant recommendations
- No opinion as only advisory work
- Corporation's SWP to oversee strategic aspects of Capital projects
- There has been no overall plan or contracts in place
- The same contractor has been used repeatedly without going back to the market

Recommendations:

- A college staff member needs to take responsibility to oversee the Capital Project to ensure robust plans linked to the over-arching property/estates strategy are in place **EMT**
- Appropriate tendering and procurement procedures need to be put in place and followed **SH**
- The Financial Regulations be updated to include that in the event of any waiver of requirements to the above, this should be formally reported to and approved by the Corporation. **SH**
- Monthly reports of consultants and contractor on future capital projects should be signed off by an appointed officer and used to inform reporting to the Corporation's Strategic Working Party **SH/Clerk**
- Copies of all invoices should be retained in a specific Capital Projects File **SH**

Management advised that:

- new Financial Regulations are in place setting out who is responsible for the capital project budget and how it gets reported to the Corporation.
- A new procurement portal is being used to manage tenders, giving additional evidence on contractors (a digital record).
- A multi-disciplinary team of advisors is being used for design/planning etc. and these are government approved schemes, namely the Housing Community Agency is being used for procurement. This will allow line by line reporting to the Corporation for their oversight and monitoring.
- A new college staff member is to be appointed as accountable officer.
- A brief is being prepared to go through London Development Panel (a government approved scheme) for the contractors.

[Action]

- Value for money is constantly being reviewed. Small value high volume work is being split from high value work which will now go through the portal as best practice. 80% of transaction activity accounts for 20% of the college's expenditure which is very time consuming. As a result, the college is considering the use of credit cards with values and limits fixed. This would give more control on spending as limit is capped, it provides a digital record of spend, there would be discipline and sanction policies around it to prevent abuse. The collected data could then be used to drive efficiencies and purchasing would be speeded up, saving staff time.
- A report on the use of Credit Cards will be issued to the February Corporation meeting.

SH/Clerk

BDO advised that issues around procurement and contracting could have an impact on their opinion of the college as a going concern, so are happy to see that this area has been tightened up. As part of their regularity audit, they could not see any concrete evidence of deliberate poor practice or fraud in this area and the actions the college has taken has lowered the risk of any such activity.

6 INTERNAL AUDIT REPORT 2014-15

The report was noted. It was noted that James Sherrett has left Mazars and Jerry Barton is the new account manager. Mazars have undertaken 45 days work as per the plan, with 4 days of follow-up and 6 days of management. All work has been completed.

The Internal Auditors opinion is that they consider CNWL's governance and risk management arrangements are generally adequate and effective to manage its achievement of the College's objectives. In respect of internal control arrangements, these were considered as generally adequate and effective, with the exception of IT Disaster Recovery with several weaknesses and exceptions highlighted by their work, three of which were Priority 1. This and all other matters have been discussed with management to whom we have made a number of recommendations. All of these have been or are in the process of being addressed, as detailed in Mazars individual reports.

Mazars have made a total of 50 recommendations, 6 were Priority 1, 17 Priority 2 and 27 Priority 3.

Members noted the benchmarking information on the college presented by Mazars and that currently, CNWL ranks below other Mazars FE clients, with more limited and adequate assurance ratings issued than average.

A summary of the Priority 1 and Priority 2 recommendations was noted.

7 EXTERNAL AUDIT FINDINGS REPORT 2014/15

It was noted that this is the first year of BDO's contract with the college. They advised:

- They are still awaiting the SFA funding reconciliation sheet
- Are yet to have a meeting with a VAT specialist
- There is a variation between the SFA contract amount and the financial accounts, some funding will now go to the 2015/16 year as some programmes were not completed by July. There will be a reconciliation from the management accounts to the final accounts submitted to Corporation meeting in December
- The college has underperformed against its SFA target for 2 years. This needs to be addressed in 2015/16 to ensure it will be delivered in year.
- Sub-contractor best practice and work to be completed by March/April to give time for any corrective action to be taken.

EMT

RS

		[Action]
	<ul style="list-style-type: none"> • Finances need to be integrated into business as fee based income will be key in future so the college needs to ensure it is commercially savvy on costs and expected returns. • Close scrutiny of the Capital project is needed to ensure success of any future accommodation strategy • Re-valuation of the college's assets was noted which has allowed resetting of the balance sheet totals and this is now up-to-date 	SH/RS
	<p>The key audit and accounting matters in the annual report were noted, namely:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override • Going concern • Opening balances • Pensions assumptions • Valuation of land and buildings • Fraud 	
	<p>A significant deficiency was noted around fixed assets and the register in that it did not agree with the financial statements. Management have agreed to reset the fixed asset module with immediate effect. An annual audit of fixed assets will take place in future. All other grade 2 and 3 observations in the management letter were noted by the committee. They advised they have provided a paper entitled 'looking forwards' and this will be made available to the Corporation members.</p>	SH/AM Clerk
	<p>Members noted BDO's representation letter containing their audit opinion that during the course of their work, nothing has come to their attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015, has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.</p>	
8	<p>REGULARITY AND PROPRIETY REQUIREMENTS</p> <p>Members noted the content of the self-assessment which is Annex C to the JACOP and recommend to Corporation it be signed off by the Chair.</p>	Clerk/Chair of Corp
9	<p>ANNUAL REPORT AND FINANCIAL STATEMENTS</p> <p>This item had been discussed at the Special Corporation meeting immediately prior to the Audit committee.</p> <p>Members noted the operating and financial review, the statement of corporate governance and internal control for year ended 31 July 2015, statement of responsibilities of the members of the Corporation, Independent Auditors report and opinion that the financial statements give a true and fair view of the state of the college's affairs as at 31st July 2015 and that they have been properly prepared in accorded with the 2007 SORP. The committee agreed to recommend the financial statements to the Corporation for approval.</p>	Clerk
10	<p>AUDIT COMMITTEE ANNUAL REPORT</p> <p>The Audit Committee annual report was noted and subject to some minor additions, was recommended to the Corporation for approval.</p>	Clerk
11	<p>RISK MANAGEMENT – RISK REGISTER 2015/16</p> <p>Members noted that the Risk Register has been reviewed and improved:</p> <ul style="list-style-type: none"> • There are 14 areas on the register with 104 risks. • The register notes the original risk, the internal review of the risk by management, the mitigation and the assurance mapping around each risk. • This is a live document and will be made available to the Corporation on their portal • Live testing will be done on some of the risks, i.e. IT restore and response 	Clerk SH

[Action]

- times. A desktop review of other scenarios will be undertaken
- The Risk Management Group meets every term.
- Response to some risks are integrated with the borough's major incident programme

It was questioned that if a risk can never be mitigated, should it be on the risk register at all? The danger of taking items off the register is that you can then take your eye off this potential risks. It was noted that the risk register will note how the risk changes i.e. if the risk increases or decreases.

12 AUDIT COMMITTEE SELF-EVALUATION

The committee completed its self-evaluation and the relevant actions for the coming year were noted.

Clerk

13 ANY OTHER URGENT BUSINESS

The Management left the meeting and the Auditors meet with the Committee. Succession planning in finance and pensions advice was discussed.

Thanks was given to both sets of Auditors for their considerable efforts over the year.

14 DATE & TIME OF FUTURE MEETINGS

Wednesday 9th March 2016 at 4.00 p.m.

The meeting closed at 5.50p.m.

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

Date.....