

**AUDIT COMMITTEE MEETING
MINUTES**

Date: Wednesday 26th June 2019
Venue: Tower Hamlets Campus – G20
Time: 4.00 pm

Chair	Sue Williams
Corporation Members	Neil Yeomans, Gareth Wall
Co-opted Member	
Auditors	Internal Auditors - Scrutton Bland External Auditors - KPMG
Officers	Suri Araniyasundaran: Deputy CEO Gerry McDonald: Group Principal & CEO
Director of Governance	Fiona Chalk

Item No	Item of business
1.	Chair's Welcome & Apologies for absence There were apologies from John Houston and Mike Rowley, KPMG. Paul Winrow has resigned as a co-opted governor.
2.	Declaration of Interests None.
3.	Minutes of the Last Meetings Held on 6th December 2018 and 21 March 2019 As the March meeting was not quorate, the committee approved the minutes of the December and the March meetings.
4.	Matters Arising and Action Points from the Meeting Governors asked that IA reports include the strategic priority number from the risk register. It was noted that field work and report writing costs have not been split as requested. This is explained later in the report. 1. IT infrastructure Management comments from the last report were noted. Concerns were raised on antivirus there was a discrepancy in number of machines showing anti-virus checks. A central management server is now in place and the old server seen at the point of audit is no longer in use. All servers now show antivirus software in place. Logging of potential breaches is now shown on a data dashboard. How do you log underlying repeated failed security attempts? This shows on the dashboard as it is live and is picked up instantly by staff and email notifications are sent in out of hours. Annual schedule of restorations is taking place every 3 months not annually. HR and Finance are Cloud located, student records and file servers are onsite and are continually tested. IT strategy and IT roadmap IT infrastructure strategy is planned for the group by December 2019.
ITEMS FOR DISCUSSION, DECISION OR ACTION	
5.	5.1 Internal Audit Reports <u>Risk & Assurance Progress Report</u> 81 fieldwork days, 76 spent and 5 planned. Contract management has had report writing removed and added into each report. Now includes scoping, planning documents, attending meetings and annual report. Of the 21 management days, 18 spent and 3 planned. Business Continuity Planning is ongoing, the second stage is taking place in July.

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	<p>Audits undertaken that will be reported to the first meeting in September, are merger project plan; funding compliance; H&S; GDPR; subcontractors & partnerships; capital projects; key financial controls – creditor payments</p> <p>Was the timing scheduled like this? The appointment of the I&As was made late, so next year there will be 5 audits per term. After management have agreed recommendations, reports are to be circulated to governors as they are completed.</p> <p><u>Apprenticeships</u> Reasonable Assurance with one high, two medium and three low risks. The IAs advised that they have had only one client this year where this risk is green. Off the job training is very onerous and difficult to satisfy. Funding requirements required planned hours to be shown and explain below 20% achieved. This has a funding risk. 30 learners sampled from across the all ages, 26 looked like it was unlikely they would get the required hours by year-end – the target number of hours was not clearly demonstrated. Current position is there is a residual risk and the new Group Director for Apprenticeships is working on this currently to make sure they complete in time. There could be a possible funding clawback.</p> <p>Governors questioned the 2-month gap between receiving the report and the management response. This was in order to give the new Director a chance to give a full response.</p> <p>Funding value – scrutiny was given as to how the college determines the cost of the apprenticeship and how the college negotiated with the employer.</p> <p><u>Governance</u> Looking at the level of Assurance the Audit committee receives to make in its annual report to the Board. Havering colleges have also had an assurance audit to feed into the Audit committee’s annual report.</p> <p>The audit outcome was Strong Assurance with no recommendations</p> <p><u>HE Quality</u> Recommendation is around the HE strategy. It felt to the IAs, like a holding strategic document rather than forward looking, but this will be reviewed after merger. When it was written, it was forward looking. The performance measures internally to measure success need clarification, so management will produce some KPIs to measure this. The HEC is not having sight of student performance, although the ToR state that it will – this needs to be rectified. Action points need to be completed in a timely manner.</p> <p>There are no concerns around the HE quality framework.</p> <p>The audit outcome was Significant Assurance, one medium and three low risks</p> <p><u>Income & Debtors</u> Reasonable, four medium risks and one low There is a new team and further sharing of information needs to happen. This is a short-term risk. There are no exceptions to report. EFC haven’t been focused on as they are not part of the group system currently, but they will be audited next year.</p> <p>How does the profile of debtors compare? At year end all income contracts concluded, so there is a higher year-end figure. It is an objective for the team to resolve this earlier next year. £18m outstanding is due to timing on government funding, non-invoiced as paid on profile. Processes in the audit report have not impacted on the debtors. Using technology better will help reduce this and make it more timely. The new team is settling in and updating systems. Focus is on high value debt being chased.</p> <p>There will be a follow up audit next year which will be reported back to the committee.</p>

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	<p>5.2 Internal Audit Log Finance – 14, 12 implemented, 2 in progress HR – 3, 1 implemented, 1 in progress and 1 not implemented Deputy CEO – 5, 1 implemented, 1 in progress, 2 not implemented and 1 superseded Recommendations: MIS – 4 implemented IT Infrastructure – 6 implemented Students – 1 in progress</p> <p>6 of the 8 not or partly implemented are medium risks and will continue to be monitored.</p> <p>Disaster recovery has been completed and will be reported to the next meeting.</p> <p>GDPR compliance and training - less than 70% of staff have completed their mandatory training. 100% to be completed by 31st August. Governors requested that sanctions need to be put in place for non-completion. A GDPR audit has been undertaken and will be reported to the next meeting.</p> <p>5.3 Risk Management</p> <p><u>Merger</u> The merger with the Havering College's is managed with a specific risk register by the Project Manager. The register is monitored by the various work streams and the Merger Working party. The Register indicates the main tasks are managed and in line to achieve the 1 August 2019 revised merger date. The additional work required to ensure consent with the Banks and the Pensions, and the transfer of assets is noted as being underway.</p> <p><u>Risk Management Update</u> The Risk Register was discussed, and it was noted that it has been updated to reflect some additional controls for the merger and for timelines on developing strategies, these are shaded in grey. There was one residual risk rating SP5.1 which has been changed from an overall rating of 24 to 18.</p> <p><u>Risk Management review</u> Governors noted that the Risk Management approach will be reviewed over the next few months, to incorporate the new strategic plan and how best to embed risk management and the approaches taken as a Group. This will be reported to the next Audit Committee.</p> <p>The risk management approach is being looked at across the group. There has been some software introduced to manage this. A report will come to the next meeting on how this is being managed. Governors asked for the Poplar development to be more detailed in the risk register. The property development has its own risk register, where the detailed risks for this development lies.</p>
6.	<p>IA Plan 2019-20/20-21</p> <p>The 7 opinions that auditors are asked to provide in the annual report were noted. Solvency sits with KPMG, and the others from the IAs.</p> <p>Summary plan of 14 proposed audit areas and their indicative times were noted. A total 105 days are proposed.</p> <p>Management asked for fixed assets to be taken out of the IA proposals as KPMG do a considerable amount of work on this.</p> <p>Governors questioned the appropriateness of some of the areas proposed in the plan and stated that assurance should be focused on key controls, as they are noted on the risk register - predominantly those controls that take risks from red to green on the risk register. It should be those risks that are showing the biggest movement that will be the ones where the controls have the biggest impact and</p>

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	<p>therefore the Board requires the most assurance on. The need to look at areas where there could be fraud was discussed and it was noted that if there is an area where fraud is a risk, then it needs to be on the risk register.</p> <p>The majority of the audits should be based on red risks and should test the design and effectiveness of the controls. Assurance is most required on areas where there may not be a high risk, but the risk would have significant materiality, such as the Poplar re-development. Governors stated that they think the risk register is mature, but controls are hard to identify, and some controls are hard for IA to audit. The risk register controls need to be co-agreed with IAs to see if they can be audited and the IA plan would then have more meaning. An example of a perceived lack of appropriateness of the audit plan, was cash handling. It has been planned for a 7-day audit and although it is risky, there is little materiality. More time should be spent on items with high materiality.</p> <p>It was noted that funding audit assurance comes from IA to the EA to allow them to give their opinion.</p> <p>Management agreed that the controls and actions will be reviewed as part of the risk management review being undertaken in the autumn. The committee agreed to approve the 19-20 IA Plan, but noted that it will be reviewed mid-year once the risk management review has taken place.</p> <p>The Committee resolved to recommend to the Board, the IA plan for 2019-2020.</p>
7.	<p>External Audit Plan</p> <p>The areas for audit were noted as follows:</p> <ul style="list-style-type: none"> • Revenue recognition – look at income streams such as grants • Management override of controls – areas of estimates, journals, unusual transactions which management could influence • Pensions – very large figures and changeable on a regular basis. Actuary specialist reviews the estimates. If the figure is perceived to be wrong, the EAs would ask NCC to challenge the scheme actuary in order to confirm the financial statements. <p>EFC joined on 1st August, so for the first 8-9 months of year their systems continued as is, so they will be audited and matters such as assets transferring in at fair value, will be reviewed. They were revalued at year end and that figure will be taken in the accounts. A Regularity opinion on the proper use of funds, will be given for NCC and EFC.</p> <p>Subsidiary company audits for 2 companies will be undertaken.</p> <p>The EAs advised that Fraud is a significant risk and management override of controls could have a high impact. A reasonable level of scrutiny is suitable as there have been recent incidents in the sector of such fraud.</p> <p>Governors noted that there will be separate financial audits for 3 colleges this year, KPMG for Havering GFE and NCC, and Buzzacotts for HSFC.</p> <p>The Committee recommended the external audit plan for year ending 18/19.</p>
8.	<p>GDPR Compliance Report</p> <p>The advisory report has shown that there is a lot of good work and the college is compliant on core work. There are some gaps however, which are mainly training issues.</p> <p>It was noted that the Director of Governance is to become the DPO. Training will be provided and access to outside service will be used where required.</p>
9.	<p>Appointment of External Auditors</p> <p>Governors were asked to consider the appointment process for EAs. It was noted that as a group, fees will be in excess of £100k and therefore will need to go to tender. The OJEU regulations will apply as over a 5-year period, the contract will be over £500k.</p> <p>The Committee resolved to recommend the KPMG contract be extended for next year.</p>

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10.	<p>Committee Self-Assessment Governors completed the self-assessment. It was noted that Governors have given useful challenge on: IT – management reviewed its responses and focus on whether to adopt recommendations and challenge Condensed legacy work – longlist accrued now dealt with Focus on strategic issues Appointed more effective internal audit</p> <p>It was noted that there is a good mix of skills and experience, but some governor attendance has been poor. 2 new appointments are in progress.</p>
10.	<p>AOB It was noted as Sue Williams' last meeting. A new Chair will be appointed at the Corporation meeting.</p>
11.	<p>Date of Next Meeting 26th September 2019</p>

Signed.....

Dated.....