

TOWER HAMLETS COLLEGE CORPORATION AUDIT COMMITTEE



Minutes of the Meeting held on Tuesday 17 June 2014

1. PRELIMINARY PROCEDURAL MATTERS

1.1 Attendance, Apologies for Absence & Committee Chair

Members Present: Billy Ewart

Catherine Swarbrick Committee Chair

Paul Winrow

In Attendance:

Jayne Chaplin Clerk to the Corporation

Roger Cottam Vice Principal Finance & Resources (From Item 2.1.1)

Gerry McDonald Principal & Chief Executive (Except item 1.2)

Steve Lucas External Audit Service (KPMG)

Mike Rowley External Audit Service (KPMG)

Graham Clarke Internal Audit Service (Mazars)

Apologies: Martin Ryan

In the absence of the Committee Chair, it was **RESOLVED** for Catherine Swarbrick to be the Chair of the meeting.

1.2 Members and Auditors only

Mr G McDonald & Mr R Cottam left the meeting at this point.

There was a brief meeting between the Committee Members and Auditors noting that there was nothing of note to report.

Mr G McDonald & Mr R Cottam re-joined the meeting at this point.

1.3 Declarations of Interest

Non declared.

1.4 Notification of Any Other Business (not on the agenda)

No items of other business were raised.

1.5 Minutes of the Previous Meeting

It was **RESOLVED** to **APPROVE** the Minutes of the Audit Committee meeting held on 26 November 2013 and for the Minutes to be signed by the Chair.

1.6 Matters Arising

No matters arising.

2. IN-YEAR PERFORMANCE 2013/14

2.1.1 Internal Audit Progress Report

A report was received updating members on progress in the implementation of the internal audit plan for 2013/14.

Members were advised that:

- In accordance with the timetable for delivery of the Plan for 2013/14, three reports had been finalised since the Committee's meeting in March 2014, all of which presented for the Committee's consideration (Minute 2.1.2 refers).
- Fieldwork for the Learner Numbers Systems audit had been completed and a draft report was to be issued shortly.
- At the request of Management, the planned review of Marketing and Communications had been deferred until 2014/15 in order for a review of ESF Compliance to be undertaken as a more immediate priority.

2.1.2 Internal Audit Assignment Reports

Reporting the audit objectives in each case, to evaluate the adequacy and effectiveness of the College's risk management framework and the extent to which controls had been applied, in order to provide an opinion on the extent to which risks in the area were managed, the four finalised reports were presented:

2.1.2a Business Development

Members were advised that the review had been included in the Plan as an area of important to College's strategy in seeking to reduce its dependence on EFA/SFA funding.

Reporting the overall "adequate" assurance the conclusions of the review were summarised noting that all recommendations had been accepted by management. Reviewing the observations and recommendations in more details there was discussion of the four identified as significant, in particular the need to complete full costings for each new area activity, to ensure that the financial implications were identified at an early stage.

The report was noted.

2.1.2b Corporate Governance & Risk Management

Reporting the overall "substantial" assurance the conclusions of the review were summarised noting that the one recommendation, identified to be "housekeeping" in nature, had been accepted by management.

The report was noted.

2.1.2c Follow-up

As part of the Internal Audit Plan for the year a review was undertaken to follow up progress made by the College in implementing internal audit recommendations made during 2012/13, including any recommendations carried forward from previous years.

Members were advised that of 44 recommendations reviewed, 15 had been implemented, 6 had been superseded and the remaining 23 were in progress. These include 6 "High" Priority recommendations relating to IT Disaster Recovery, which had been the subject of an interim report at the last meeting of the Committee and which was the subject of further update elsewhere on the agenda (Minute 3.2 refers)

The report was noted.

2.1.3 External Audit - Financial Statements & Regularity Audit - Planning, timetable & arrangements

The KPMG Audit Strategy and Planning Memorandum for the year-ending 31 July 2014 were received.

Members were advised of the proposed approach to and timetable for the audit for the year ended 31 July 2014. There was consideration of the timetable to ensure submission of College audited financial statements for the year-end 31 July 2014 by the 31 December 2014 deadline; and the summary of the recent sector-wide policy, regulatory and accounting developments was noted.

The proposed fee for the work of £25,465 for the College and £1,500 for TRS of the tendered fixed fee was reviewed, acknowledging that this formed year three of the tendered fixed fee. In response to questioning it was confirmed that the option existed for the College to renew beyond the three years.

The report was noted.

2.2 Audit Strategy & Plan 2014/15

2.2.1 Internal Audit Needs Assessment, Strategy & Plan 2014/15

The Internal Audit Strategy and Plan for 2014/15 was presented.

Summarising the Plan for the year, reflecting the outline plan set out by the internal audit service, Mazars, in their planning document last year, there was discussion of the areas prioritised for review, noting in particular the inclusion of a review of:

- Business Continuity Planning, complementing the reviews already carried out in IT Disaster Recovery
- Marketing and Communications reflecting its importance in the context of the strategy of business diversification and carried over from the plan in 2013/14, as the timing was not considered appropriate.
- The 39 days of activity, compared to the 36 due to be delivered for 2013/14.

After discussion it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** the Internal Audit Strategy and Plan for 2014/15

3. ITEMS FOR INFORMATION PURPOSES ONLY

3.1 Risk Management: Update Report

The Risk Management update was received.

Reflecting the risks of the College as at 31 May 2014, the updated risk register was presented outlining eight significant risks, of which some had been revised. It was noted that in the short term, and as previously reported, there were emerging risks relating to changes in funding for 2014-15 and costs. In response to questioning it was confirmed that these were being addressed through the planning and budget setting process for 2014/15.

It was reported that in addition:

- In response to the recommendation from Internal Audit, information had been added relating to the sources of assurance about each risk. The model used was reviewed, commending in particular the relatively straightforward nature of the approach used.
- The College's Risk Management processes had been recently reviewed by Internal Audit with one recommendation made for the register to be updated to reflect any changes resulting from the new College strategy. Discussing the risk register in the context of the College's strategy for 2014-18 members were advised that a comprehensive review and update would be necessary once planning for 2014-15 was complete, as it was possible for new areas of activity to present new risks.

The update was noted.

3.2 Implementation of Audit Recommendations

A report was received updating members on progress in the implementation of audit recommendations from the audit services.

Acknowledging those points covered by the Internal Audit Follow-up Report, there was review of:

- The outstanding recommendations originally assessed as high risk, all relating to the IT Disaster Recovery Planning, which members were advised had been addressed by the installation of the link between Poplar and the George Green Building and documentation of the back-up and restoration processes.
- The External Auditors' recommendations, noting that there remained eight that had not been formally cleared by KPMG and therefore were carried forward. Three are also raised by Internal Audit (Finance/EBS interface, fixed asset register and purchase orders) and one is repeated (setting up new suppliers). These points should be cleared during the 2014 audit.

There was:

- Discussion of the updated position observing the number of recommendations where implementation remained outstanding. Acknowledged to require more immediate attention it was confirmed that this would be addressed as a priority.
- Particular consideration of the update of the work in response to the disaster planning recommendations, noting both the issues encountered following a recent system and that having arisen during half term, its overall impact across the organisation had been mitigated. Noting that whilst inconvenient, its occurrence had been regarded as an opportunity that had been used to inform the College's response in respect of future preparations, documentation of the back-up and restoration processes

After consideration, the report was noted.

4 OTHER BUSINESS & NEXT MEETING

4.1 Any Other Business

None.

4.2 Date of Next Meeting

Tuesday 25 November 2014 at 8.30am

Confirmed as a correct record

Signed:..... Date:.....