

# TOWER HAMLETS COLLEGE CORPORATION AUDIT COMMITTEE



Minutes of the Meeting held on Tuesday 21 June 2016

## 1. PRELIMINARY PROCEDURAL MATTERS

### 1.1 Attendance & Apologies for Absence

**Members Present:** Babu Bhatacherjee

Catherine Swarbrick	Committee Chair
Richard Ward	
Paul Winrow	

**In Attendance:**

Gerry Barton	Internal Audit Service (Mazars)
Jayne Chaplin	Clerk to the Corporation
Roger Cottam	Vice Principal Finance & Resources (Except item 1.2)
Steve Lucas	External Audit Service (KMPG)
Gerry McDonald	Principal

**Apologies**

Martin Ryan

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

### 1.1 Private Meetings

#### 1.2.1 Members and Auditors only

*Mr R Cottam and MR G McDonald left the meeting at this point.*

There was a brief meeting between the Committee Members and Auditors during which the Audit Services confirmed there was nothing to report.

#### 1.2.2 Members and Management only

*Mr R Cottam and MR G McDonald re-joined the meeting at this point. The Auditors left the meeting at this point.*

There was a brief meeting between the Committee Members and Auditors during which the Audit Services confirmed there was nothing to report.

### 1.3 Declarations of Interest

*The Auditors re-joined the meeting at this point.*

None declared.

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

No items of other business raised.

### **1.5 Minutes of the Previous Meeting**

It was **RESOLVED** to **APPROVE** the Minutes of the Audit Committee meeting held on 3 May 2016 and for the Minutes to be signed by the Chair.

### **1.6 Matters Arising**

No matters arising.

## **2. ITEMS PRIMARILY FOR REVIEW**

### **2.1 Audit 2015/16**

#### **2.1.1 Internal Audit Service: Update on 2015/16 Audit Plan & Audit Reports**

The reports relating to the reviews completed to date were presented:

##### **2.1.1a Governance & Risk Management**

Advising members that the review formed part of the Internal Audit Plan for 2015/16, the overall "substantial" assurance was welcomed and the conclusions of the review were summarised. Members were advised of the one recommendations made, which it was reported was housekeeping in nature and which it was confirmed had been accepted by management.

The report was noted.

##### **2.1.1b Progress Report**

Noting those items discussed elsewhere on the agenda (Minutes 2.1.1a refers), progress in the implementation of the Audit Plan for 2015/26 was summarised.

It was reported that:

- Management were in discussion of the overall conclusion of the draft report on Learner Numbers, considering the assessment as "Adequate" to not be reflective of the actual position
- Two further reports were awaited, on Sessional, Agency and Hourly Paid staff and on Quality Management Systems, which at the time of the meeting had not been completed.

Concern was expressed about the delay in presenting the reports, which it was noted would now need to be carried forward to the Committee and observing the volume of business for consideration at that time. It was agreed therefore for the reports to be circulated electronically outside and in advance of the meeting in order to allow full consideration of the items scheduled for review in November 2016.

Following discussion, the report was noted.

### **2.1.1 External Audit - Financial Statements & Regularity Audit - Planning, timetable & arrangements**

A report was presented outlining the proposed approach to and timetable for the audit for the year ended 31 July 2016.

The proposed arrangements for the year-end 2015/16 were summarised, considering in particular:

- The materiality thresholds presented.
- The intended audit approach, noting that focus would include implementation of FRS 102, with this year being the first of reporting under the new UK GAAP, FRS 102 as it would have a significant impact on the accounting treatment of certain balances/disclosures, particularly grants and short term employee benefits; and merger and ensuring that the appropriate disclosures were made in the accounts reflecting the new arrangements.
- The proposed fees and the additional fee of £3,500 proposed for the work required to review the work to implement FRS102. After acknowledging that the basic fee remained unchanged, surprise was expressed at the suggested additional fee, conveying the Committee's disappointment that this had not been the subject of prior consideration and agreement by management and requesting for this to be the subject of further discussion.

After review, the report was noted.

## **3. ITEMS FOR INFORMATION PURPOSES ONLY**

### **3.1 Risk Management: Progress Report**

The Risk Management Progress Reports were presented:

#### **3.1a Risk Register**

A report was received summarising the most recent developments.

Reporting that the main risk register remained unchanged since last reviewed by the Committee it was noted that there:

- Were seven significant risks and associated sources of assurance identified.
- Was one emerging risk which would be developed in the coming weeks, regarding the acquisition of the language school. Members were advised that following agreement to proceed, there was an immediate risk regarding the completion of a satisfactory contract. Responding to questioning it was confirmed that this was being handled by the College solicitors and would include securing sufficient warranties and indemnities as well addressing the TUPE transfer of staff to the new company.

Reflecting on the forthcoming merger and the implications for the risk register, acknowledging this to be the subject of separate report (Minute 3.1b refers), the update was noted.

### **3.1b Merger Risk Register**

A report was received covering the risks associated with the merger.

After acknowledging the report, originally presented to the HCC Audit Committee, the need was noted for work to commence on combining the risk management processes for both colleges to form a single, coherent risk management process for the merged college. In response to questioning it was confirmed that this would be addressed by the current VP Finance & Resources and the merger champion, in the period after merger, with the information within the report forming the basis from which to start to combine risks.

The report was noted.

### **3.2 Implementation of Audit Recommendations: Progress Review**

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

It was reported that:

3.2.1 In respect of internal audit recommendations there were 34 open recommendations from Internal Audit and that of these:

- One was high priority, relating to developing a more comprehensive Business Continuity Plan (BCP). It was noted however that the College insurers had never responded to a request for a review and that this recommendation now would be superseded as the merged college BCP was developed.
- Of the remainder 16 were medium and 17 are low priority.
- Four recommendations had been closed out.

3.2.2 For the External Auditors' recommendations, the recommendation from 2015 is not due for completion until July 2016 and that of the three issues brought forward from prior years, other one, low priority relating to the endowment funds, had not been completed; one related to bank reconciliations where the implemented procedure needed further refinement during 2015/16; with the remaining recommendation also raised by internal audit and deferred pending further consideration of systems development during merger.

In the context of the forthcoming merger there was discussion of the proposed treatment of the outstanding recommendations:

3.2.3 Acknowledging that there was little merit in progressing with implementation as the changes arising from merger would supersede the position or at least require consideration of the implications across the merged college.

3.2.4 Noting from the Internal Audit Service that with its follow up work still to do, some of the recommendations would in any event be reviewed and included as part of those considerations

The report was noted.

### **3.3 Audit service Performance & Appointment Proposals**

Following the Committee's previous discussion and the decision to tender for Internal Auditors for the merged college with effect from 1 August 2016 a report was presented outlining recommendations from the panel upon conclusion of the tender process.

Summarising the conclusions and reporting on the recommendation for the appointment of TIAA as internal auditors from 1 August 2016, it was noted that from those interviewed:

- 3.3.1 The current provider, Mazars, had not demonstrated a sufficient desire and hunger to retain the work and with the previous concerns about their ability to deliver, including delays in completion of the current year's programme, the panel concluded that it should be discounted.
- 3.3.2 Two providers had been favourable with discussion focused on which of the two providers would be best placed to support the College, particularly moving through merger, in what remains a challenging sector. Members were advised that overall it was felt that TIAA would be better able to draw on a wide range of experience to provide that support, it was the more cost effective option and feedback on its performance had been positive

Acknowledging it to be customary at this point in the business cycle for the internal auditors to present their proposed plan for the year, it was reported that with appointment still to be formally approved and the significant work in completing the merger it was proposed for presentation of the Internal Audit Strategy & Plan for 2016/17, at the autumn term 2016 meeting.

Concurring with the proposal confirmation was welcomed that TIAA had included an indicative plan with its the tender submission, which would be reviewed and revised, agreeing the need to have a flexible internal plan that could respond to emerging concerns.

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

- 3.3.3 **APPOINT** TIAA as the Internal Auditors for the merged College with effect from 1 August 2016.
- 3.3.4 **APPROVE** presentation of the Internal Audit Strategy & Plan for 2016/17, at the autumn term 2016 meeting

## **4. OTHER BUSINESS & NEXT MEETING**

### **4.1 Any Other Business**

None reported.

### **4.2 Dates of Next Meetings**

**Tuesday 22 November 2016 at 8.30am (subject to confirmation)**

Confirmed as a correct record

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