

AUDIT COMMITTEE

Minutes of the Meeting held on Wednesday, 6 December 2017 at 6 pm

Via Teleconferencing at Paddington Green Campus

PART ONE

Attendance confirmed via log in and verbally

Present

John Petrie (Chair of Committee) - Teleconferenced

Simon Neville - Teleconferenced

(Quorum of 2 Members confirmed).

Also in Attendance

Amanda Thorneycroft, Chief Operating Officer

Eamon McCaroll, Group Executive Director of Finance

C Mundy (TBC)

K Patel (Buzzacotts) Item 12 onwards.

Christina Price, Clerk to the Corporation (Minutes)

*The minutes reflect the order in which the agenda items were taken.

1. **Attendance and Apologies for Absence** **Action**
Jan Knight, Brenda Goring-Moore, Mazars Internal Audit Service.
2. **Declarations of Interest**
There were no declarations of interest other than those in the Register of Interests.
3. **Health and Safety Announcements**
Not applicable due to teleconferencing platform used. Standard arrangements in place for those on site at college venues.
4. **(a) Minutes of the last meeting held by the Audit Committee at City of Westminster College.**
These minutes were APPROVED subject to the correction of the typos identified).

(b) Minutes of the last meeting held by the Audit Committee at the College of North West London.
The minutes were APPROVED by Jan Knight (Chair of that meeting).
5. **IAS Audit Reports**
 - Reports presented by the Executive Director of Finance in the absence of the Internal Auditors. Governors were advised that the 2 reports were part of the CNWL Internal Audit Plan for the previous year but the reports had been submitted after the last meeting of the Audit Committee hence their presentation at this meeting. Noted.

a)CNWL

i)Consumer Protection in Higher Education Provision.

 - No fundamental recommendations were made. 4 were significant and 3 housekeeping. Governors noted that the area had been rated as providing adequate assurance. Governors questioned the timescales on some of the action identified. The Executive Director of Finance confirmed that some were still to be checked but that some slippage had occurred.
 - Governors were informed that during the course of the term all outstanding recommendations from both Colleges would be combined into one follow up report and an update on completion of actions would be provided at the next meeting.

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- Governors were informed that at CWC recommendations were also followed up annually, hence the inclusion of action logs so Governors can track progress termly. Noted that the action log for CWC evidence the number of actions completed.
- Governors challenged the SMT on whether all outstanding actions had been addressed. It was noted that Mazars had been charged with compiling a recommendations and action log for the merged College. Governors were informed that this work had not yet been completed.
- Governors expressed their concerns that some of the actions identified were dated January 2014. It was noted that a number had also been superseded due to the merger.
- The Chair requested that an action plan be drawn up covering the merged College that reviewed all outstanding recommendations for both Colleges and that this be monitored termly and reported to Governors. Action noted.

Governors **RECEIVED** the report.

ii) Internal Audit Follow Up Report

- Governors were advised that there were no internal audit reports for the Autumn Term. The COO advised that all audits had been scheduled for Spring and Summer due to the impact of merger.
- Discussion followed on penetration testing of systems. It was noted that this was only undertaken at CWC currently. It was agreed that this should also be in place for CNWL and it was agreed that this would be taken forward as an action point.

Governors **RECEIVED** the follow up report.

b) CWC: Internal Audit Recommendations Action Log

- Governors discussed IT across both Colleges. The Group Executive Director of Finance noted that working across sites was only possible using remote access technology at present but a longer term merging of systems could be considered in due course.
- OCI-DISS - This was noted as low risk. Discussion followed on catering arrangements in place at both colleges. It was noted that CNWL do not currently take cash. Governors requested that more work be undertaken in relation to laptop encryption.
- Governors were informed that GDPR consultants had been retained to ensure the merged College was ready in advance of the legislation date.
- Security Training – It was noted that this was still outstanding. Governors requested that all actions on the log have an implementation date and responsible officer identified. Agreed.
- ITRENT – Governors were informed that significant work had been undertaken to add extra modules to provide additional functionality. Governors were informed that SLT would be making a decision about when to migrate CNWL to iTrent the following week.
- Noted that an external consultant had been appointed and worked with the college for the last year and has ensured a smooth implementation. Further work will link ProSolution and CNWL will be integrated during the course of the year.
- Governors were informed that Financial Processes and procedures actions had been completed.
- Governors noted that IT systems were still considered to be a work in progress.
- Discussion followed on the progress being made by the IT Strategy Group and the development of E Learning across the sector and its priority and impact on general teaching and learning.
- Governors discussed the organisations appetite for Risk. It was noted that risk actions plans had been completed.

- MIS systems and internal communications will be considered as part of the finance processes post merger.
- Governors were informed that the majority of the work on the Finance areas would be undertaken during terms 2 and 3.
- A merged Standing Financial Procedures documents would be prepared for the Corporation to approve.
- Governors were informed that risk assessment training had been undertaken for all key stakeholders.
- A new Health and Safety Policy would be presented to the December Corporation meeting for approval.
- Governors were assured by the COO that all priority areas had been dealt with.
- Governors were assured that the SLT were working to bring together one log covering all issues for the Group.

Governors **RECEIVED** the update reports.

6. **Review of Banking Covenants**

- The COO informed Governors that she had checked for compliance with CWC bank covenants. As CCNWL was dissolving these were no longer applicable. The results of the Financial Statements as at 31 July 2017 demonstrate compliance with the appropriate banking covenants.

Update RECEIVED by Governors.

7. **Internal Audit Service Annual Reports 2016/17**

It was noted that the IAS would normally discuss the reports in detail and report on the opinion. Governors were directed to the audit opinion given on page 37 of the reports.

a)CNWL

- Discussion followed on how to deal with CNWL Internal Audit Report. The COO confirmed to Governors that there were no issues to draw to their attention from the reports presented.
- Governors expressed concern as the financial outturn for CNWL was not as expected. The COO assured Governors that the SLT were aware of the issues and challenges associated with the financial outturn of the CNWL and actions were in place to seek to address these matters in year.
- Governors noted that with the dissolution of CNWL that Mazars would be stepping down as the appointed Internal Auditors.
- Following discussion it was agreed that BDO be appointed as the Internal Audit Service. Agreed.

b)CWC

- CM presented the report. No significant issues were reported.
- Governors were reminded that the audit plan had been approved in July 2016. A lighter programme of audits had been proposed due to ongoing work to consolidate the operation post merger. Noted.
- Governors noted that when comparing the two reports that Mazars have a high number of findings for CNWL compared to CWC.
- It was agreed that the two reports would be combined when producing the audit recommendation implementation tracker report. Attention was drawn to para. 29 and the audit opinion expressed.

Governors **RESOLVED** to **APPROVE** the IAS reports for recommendation to the Corporation.

8. **Audit Committees Annual Report to the Corporation 2016/17**

a)CNWL

- Governors noted that there was no statement on data quality. The Committee expressed concern for the quality of data produced by the College of North West London.

b)CWC.

- The Committee requested that the minutes show that they were satisfied with the quality of data for CWC.
- The Chair of the Audit Committee was approved delegated by the Committee to sign the Audit Committee Annual Report for the United colleges Group.

The Committee **RESOLVED** to **RECEIVE** and **APPROVE** the Audit Committee Annual Report for UCG.

12. Internal Audit Plan 2017/18

- Governors were informed that the plan was developed in conjunction with the SLT in the context of the merger and other priorities. Governors noted that the risk management frameworks still need to be integrated. Governors were informed that the SLT had nominated some areas for inclusion in the plan where they felt there were potential risks. Governors endorsed this approach especially in light of the external environment (GDPR requirements).
- The COO informed the Committee that none of the items dropped from the list were areas of significant concern. The SLT believed that the revised list picks up all priority areas and the programme size is appropriate for the size of the newly merged Colleges. Governors were also reminded that there were only 2 terms left in which to deliver the programme and that it needed to be achievable. The Chair reflected on the need for the Committee to form a view over whether the controls in place were appropriate and effective. Governors acknowledged that full integration would be a long term process.
- The COO informed the Committee that following the development of a strategy there would be the opportunity to look at a more strategic level plan. It was acknowledged that an operational approach would be more appropriate in these exceptional circumstances (immediately post merger).

The Committee **RESOLVED** to recommend the attached Internal Audit Plan to the Corporation for **APPROVAL**.

9. External Auditors Report: Financial Statements Audit and Regularity Audit Findings Report 2016/17

*Noted that Buzzacotts joined the meeting for this item.

a)CNWL

- Governors were presented with the annual report. The Committee was advised that the accounts were not produced in the format used for a going concern as the College was dissolved as at 31st July 2017.
- Governors were informed that there was a clean audit opinion on the regularity audit. Governors attention was drawn to the following:
 - P5 Merger costs, property development costs and operational deficit f £940k.
 - P6 Financial Performance and going concern statement.
 - P7 Key audit findings. It was noted that the EFSA requires two funds to be brought into the accounts.
 - One adjusted item in the accounts
 - No significant weaknesses in controls were identified during the audit.
- Discussion followed on the EFSA reconciliation statements for both sets of accounts. It was noted that CWC over delivered. Governor queried why there

was no reflection in the CNWL accounts of circa £400k claw back for 2016/17 accounts.

- Governors were informed that merger related claw back and over delivery would be recognised in the 2017/18 accounts.
- Governors were advised it would come into the Income and Expenditure account or 2017/18. Buzzacotts agreed provided that a note in the accounts explained the position.
- Governors queried why the reasons for the under delivery had not been reflected by Buzzacotts, noted that the audit related to the accounts not performance figures.
- Discussion followed on income recognition re the Kilburn building, liabilities and funding bodies.
- Discussion also followed on the deferred capital grant. Noted that property strategy costs have been expensed during the year.
- It was reported that alignment of accounting policies would take place for the 2017/2018 accounts. Governors noted that the financial ratios on page 13 and financial health appeared satisfactory. Governors also noted the sector update provided on page 15.

The External Auditors Annual Report for **CNWL** was **RECEIVED** by the Committee and recommended to the Corporation for **APPROVAL**.

b)CWC

- Governors received the clear audit opinions on the financial statements and the regularity audit. Governor also noted the underlying surplus reported for the year and the decrease in pension's liability.
- Governors discussed the recommendations on P6 and the Audit risks and outcomes identified on P9.
- Governors also discussed their concerns over the current ratio being below 1 but noted that this was due to the loan and was as previously indicated.
- Governors noted the payroll v income ratio and debated the implications of this.
- Governors were informed that CWC pays more to teaching staff than CNWL and this issue would need to be considered for the future.

The External Auditors Annual Report for **CWC** was **RECEIVED** by the Committee and recommended to the Corporation for **APPROVAL**.

10. Financial Statements 2016/17

- The Financial Statements were presented by the Group Executive Director of Finance. Governors were advised that the draft accounts were for CWC, CNWL and CWC Enterprises. The Committee were informed that the accounts had already been considered by FGP.
- a)CWC Enterprises – Noted the end of year loss of £70k compared to the previous £24k profit the previous year and the unqualified opinion.
- b)CNWL Noted operating deficit of £940k.
- The COO flagged up a change to the accounts following the FGP Committee and summarised the discussions held at FGP in relation to the LTPS scheme which had now been closed. Salaries now include all payments. Noted. Governors noted the amount due to the Chair from the previous year and the accrual in the accounts.

The Committee **APPROVED** the Financial Statements for CWC and CNWL for recommendation to the Corporation.

*Noted that Buzzacotts left the meeting at this point.

11. Whistle blowing Annual Report 2016/2017

- Subject to Part Two Minutes.

13. Risk Management Report and Risk Registers

- The Committee were advised that the two Colleges had not yet merged policies or risk registers and were still operating the two systems in parallel. Governors were informed that CWC reviewed risks every two weeks as part of the SMT meetings. Attention was drawn to P2 of the report which highlighted changes; Governors were informed that wandering had been introduced in the last week of November. Nothing serious had been found and no negative impact reported.
- Discussion took place on:
 - The HR Cultural integration programme
 - The Financial Risk Register and the issues that had come to light at CNWL post merger.
 - The impact of GDPR
 - Noted that the property risk around cladding had been mitigated by a cladding inspection which revealed it was not considered a risk.
- The Committee discussed how the Senior Management team were being supported post merger.
- It was noted that there were plans in place to recruit new Principals for CWC and CNWL which it was anticipated would alleviate the workload.
- Governors were informed that consultants were being used where necessary. Members expressed concern that there was not enough student focus in the risks and actions. Noted.
- Discussion followed on the security of college assets i.e. tagging of IT equipment. Governors challenged the SMT to identify what actions would follow on post merger.
- The COO informed the Committee that there is an intention to combine the registers under one set of policies and procedures. It was agreed that the SMT would take the best of both Colleges to form a United Colleges Group Risk Management Policy and register.
- Governors requested that the new format be identified ASAP and reported against in year.
- It was agreed that reporting would be on an exception basis depending on what had changed in relation to each risk.
- Governors emphasised the need for risks around Teaching, Learning and assessment to be given to priority. Noted.

Risk Management Report **RECEIVED** and **APPROVED** for recommendation to the Corporation.

14. Risk Management Policy and Procedures

- The Committee were informed that existing policies had been updated separately and would be brought together before the next Committee meeting for further consideration. Noted.
- Governors emphasised the need for an action plan to ensure that there was no slippage in such a key area. Noted.
- Following discussion it was agreed that the existing CWC policy would be recommended to the Corporation for approval and adoption as the policy for the United Colleges Group (subject to updating various name changes).
- The Risk Management policy for CWC was APPROVED for recommendation to the Corporation as the Risk Management policy for UCG.

Risk Management Policy **APPROVED** for recommendation to the Corporation.

15. Access to Information Policy and Procedures for using the Publication Scheme.

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This item was presented by the COO and **APPROVED** for recommendation to the Corporation for approval.

16. Public Interest Disclosure Policy and Procedure

This item was presented by the COO and **APPROVED** for recommendation to the Corporation for approval.

17. Review of the Audit Committee terms of Reference

- Noted that no changes were proposed.

18. Review of the Audit Committees Schedule of Business

- The schedule of Audit Committee Business was **APPROVED**.

19. Date of Next Meeting

- Wednesday 14th March 2018 at CWC Paddington Green.

20. Any Other Urgent Business

None.

21. Issues of Confidentiality

It was **agreed** that, all Items are to remain confidential until formal approval of items recommended to the Corporation took place.

The meeting closed at 8.30 pm.

Signed: _____ Date: _____
Chair

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