

THE CORPORATION OF THE COLLEGE OF NORTH EAST LONDON

AUDIT COMMITTEE

Minutes of the meeting held 7.00pm Monday 29 June 2009 in the Committee room at the Tottenham Centre of the College.

Present: Ms A Rudkin (Chair)
Mr. R Pickford (Co-opted Member)
Mr. H Patel

Apologies: Mr. F Ellis

In Attendance: Mr. G Clifford (Bentley Jennison IAS)
Mr. C McCutcheon (Vice Principal Finance and Resources)
Mr. W Pitumpe (Director of Finance)
Mr D Mathieson (Secretary to the Corporation)
Mr. M Eagle (McIntyre Hudson)

Apologies: Mr. C. Harris (Bentley Jennison IAS)
Mr. R Shaunak (McIntyre Hudson)

1085 Urgent Business and Announcements

Merger

The Secretary advised the committee that emailed confirmation had been received from the LSC that the Minister for the Department of Business, Innovation, and Skills (DBIS) had approved the merger with Enfield College with effect from 1 August 2009. Further, a statutory instrument regarding the dissolution of Enfield College and guidance notes had been published on the DBIS website. However the LSC is still awaiting a formal letter from the Minister. Until such a letter is received, no formal announcement will be made to staff and other stakeholders. However, the college can now focus all planning on the basis of a merged college.

Committee Memberships

The Secretary reported on the outcomes of the Search Committee meeting 24 June 2009 advising that 7 Enfield governors will be recommended to the CONEL board for appointment as External governors on the merged board. Recommendations in respect of committee memberships will also be made with committees benefiting from skills of the new members. The Audit Committee welcomed the proposal concerning the appointments of Mr John Johnstone and Ms Helen Wilson to the committee.

Terms of Reference

Terms of reference (ToRs) for committees of the merged college will be considered for approval by the Corporation 13 July 2009. In the case of the Audit Committee minor changes had been made to take account of the membership proposals. The Secretary reminded members that the terms of reference for Audit Committees must comply with the minimum requirements as set out in the Audit Code of Practice. The Chair requested that the ToRs should include a reference to the committee's role regarding college subsidiaries.

The Committee AGREED to:

- i) Note the reports**
- ii) That the Secretary amends the draft terms of reference to take account of the role of the Audit Committee regarding college subsidiaries.**

1086 Declarations of Interest

There were none.

1087 Minutes of the Meeting held 11 May 2009 (AO520)

The Committee Agreed to:

- i) Approve the minutes as a true and accurate record.**

1088 Matters Arising

Minute 1081 (Merger)

Messrs McCutcheon and Pitumpe updated the committee on the transfer of Enfield College support staff in the Enfield Council managed LGPS to the Haringey. A meeting has been arranged between the college and the respective pension actuaries to work through issues. At this time the value of the transfer fund has not been determined however all parties recognise that any adjustments will be made over a period of time. Haringey will be reviewing its LGPS next year and re-determining contribution levels. The college will take potential increases in employer contributions into account in its forecasting.

1089 Audit Progress Grid (AO522)

Mr McCutcheon reported that with the exception of the IT issues discussed at the previous meeting, all other areas were on track. In

response to questions he clarified issues relating to hourly paid lecturer (HPL) contract placements (04/09) and reported on a current employment tribunal involving a number of HPLs. The Chair stressed the importance of ensuring compliance with procedures drawing attention to the potential risks associated with merger. She requested that HPL contracts be included in the audit plan 2009-10.

The Committee AGREED to:

- i) Note the report.**

1090 Internal Audit Reports (AO522)

College Subsidiaries 07.08/09

Mr Clifford explained that the audit had focussed on one subsidiary KIST as it was the newest and largest. He drew attention to 3 'merits attention' issues all of which have been agreed with management. He confirmed that financial procedures had been tested and were sound.

Mr Pickford expressed concern that other subsidiaries had not been looked at during the audit and that his expectation was that all of these would be done. He requested that this omission be rectified with an early audit in the new year at no expense to the college. Mr Clifford agreed to look into this.

Concerns were expressed at the limitations clauses in the report which it was felt reduced the level of assurance, and the confidence of the committee. This issue will be taken up with the Director and Partner by Mr Clifford.

In response to questions Mr McCutcheon clarified the positions of board members of subsidiary companies and the working arrangements and job descriptions of managers, and the financial and other controls that are in place. He agreed to send a copy of a structural diagram of the college companies to Mr Pickford.

The Committee AGREED to:

- i) Note the report.**

1091 Internal Audit Progress and Planning (AO523)

Mr Clifford responded to questions relating to the progress report. It was explained that the reason behind the delay in undertaking the performance

management audit was at the request of management while the specific area to be covered was identified. Members requested that in future the committee should be made aware in advance of any changes to the audit schedule.

In response to queries regarding how specific areas were identified to undergo a performance management audit, Mr. McCutcheon explained the robust process undertaken by the SMT to identify areas of risk before a decision is made. The Secretary reminded the meeting that the SMT acted as the risk management committee and that the risk management register underpinned audit planning.

It was noted that an initial planning meeting between management and auditors was scheduled for the 1 July. The Chair reminded members of the committee's request that the sum of resources normally allocated for internal audit provision by each of the two constituent colleges in the merger, should be identified to provide a more comprehensive audit program for 2009-10 being the first year of merger. She stressed the importance of identifying any issues early and taking prompt action.

A number of specific areas were highlighted for inclusion in the audit plan:

- Management of HPL contracts;
- Policy compliance across the merged college;
- Partnerships and Franchise provision;
- New funding streams;
- Subsidiaries;
- Learner numbers;
- Merging data systems;
- HR and payroll systems

Mr McCutcheon reported on action being taken in respect of payroll, HR and banking systems.

The audit plan will be taken at the next meeting 5 October 2009 and go to the Corporation meeting 19 October for approval.

The Committee AGREED to:

- i) **Note the report.**

1092 Financial Statements Audit Strategy (AO524)

Mr Eagle took the meeting through the strategy explaining that it was typical for the sector. In response to questions he clarified the audit

processes for subsidiaries and how this linked in with the main college accounts.

The Chair queried the financial year for subsidiaries not coinciding with that of the college. Management will seek to address this next year through a 16 month consolidation year. Harmonisation of KIST will be deferred until the end of the 'earn out' clause. It was requested that in future, college subsidiary accounts are shown separately in the college management accounts rather than as fully consolidated as currently practiced.

Mr McCutcheon reminded the meeting of the respective roles of the Policy and Resources, and Audit Committees in dealing with the Annual Accounts and 3-year Financial Forecast.

The Committee AGREED to:

- i) Recommend that the Corporation approves the Financial Statements Audit Strategy 2008-09.**

1093 Letter of Engagement (AO525)

Mr Eagle advised the meeting of the tripartite nature of the letter of engagement involving the college, the LSC, and MacIntyre Hudson. The content of the letter remains the same as in previous years but needs to be approved by the corporation this year due to the changed circumstances occasioned by the merger.

The Committee AGREED to:

- i) Recommend that the Corporation approve the signing the Letter of Engagement by the Chair of the Corporation.**

1094 Performance Indicators for Audit Services. (AO526)

The committee considered a report on performance indicators for provision of audit services and how these might be applied and measured. Mr Pickford's offer to submit a grid to facilitate the process was welcomed. Proposed performance measures will be discussed with the IAS at the planning meeting.

The Committee AGREED to:

- i) Note the report.**

1095 Date of Next Meeting

7.00pm Monday 5 October 2009

Signed:.....
Chair)

Date: 5 October 2009