

STRICTLY CONFIDENTIAL



AUDIT COMMITTEE

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD 25th NOVEMBER 2009**

MEMBERS PRESENT: Simon Eko, Peter Pendle (Chair), Russell Lyseight

IN ATTENDANCE: Martin Tolhurst, Philip Badman, Denise Brown-Sackey, Innes Campbell, Mark Law (Tenon), Mike Cheetham and Sarah Mason (Baker Tilly) and Zioge Smith (Clerk)

09/22 APOLOGIES
Apologies were received from John Turnbull.

09/23 DECLARATION OF INTERESTS
• There were no declarations of interest.

09/24 MINUTES OF THE MEETING HELD 17th JUNE 2009
The minutes were accepted as a correct record.

09/25 MATTERS ARISING
• There were no matters arising.

09/26 MEMBERSHIP
The Committee noted that:

- At its meeting on 17th September 2009, the Board confirmed Peter Pendle as the Chair of the Committee.
- Other members were confirmed as being:-
 - Russell Lyseight
 - Simon Eko
 - John Turnbull (co-optee)

09/27

INTERNAL AUDIT

09/27.1 Draft Annual Report

The Committee noted that:

- It was the view of the auditors that the College had an adequate and effective framework of governance, risk management and control to manage the achievement of its objectives.

It was **agreed** to:

- Recommend the Internal Audit Annual Report to the Board for approval.

09/27.2 Performance Indicators

The Committee noted that:

- It was the management's view that the auditors did not always make practical and effective recommendations.
- This view was as a result of the disparity between the audited learner records of the Internal Auditors and KPMG who were carrying out the LSC funding audit.
- The College would need to review its internal quality assurance procedure in light of the stringent funding regime.

The Committee **agreed**:

- To accept the management's view of the auditor's performance during 2008/09.

09/28

ACCOUNTS FOR THE YEAR ENDED 31 JULY 2009

09/28.1 NCFE Draft Annual Report and Financial Statements for y/e 31 July 2009

The Committee noted that:

- The College had generated an operating surplus in the year of £416k and the Group had accumulated general reserves of £20,257, before inclusion of pension reserves and cash investments of £2,870k.

The Committee **agreed**:

- To recommend to the Board the approval of the Annual Accounts and Financial Statements for year ended 31 July 2009.

09/28.2 NCFE Final Audit Findings for y/e 31 July 2009

The Committee noted that:

- It was the view of the College management that the outcome of the LSC funding audits would not affect its bottom line.
- Income from the Train to Gain pre 1 April starts had been accrued in full.
- The College's "ancillary" activities would remain under review to ensure that there is no potential tax liability.
- The income and expenditure accruals for Centre for Innovation & Partnerships (CIPs) would be shown gross in the 2009 Financial Statements.
- There were no direct implications for the College arising from Newtec's disclosure of liability for ineligible expenditure of approximately £1.1m.

09/28.3 Newham Foundation – Financial Statements for y/e 31 July 2009

The Committee noted and received the report.

The Committee **agreed**:

- That since the College's internal auditors did not provide any internal audit services for Newham Foundation, they should not be included in the Financial Statements as its internal auditors.

09/28.4 East London E-Learning – Financial Statements for y/e 31 July 2009

The Committee noted and received the report.

09/28.5 NCFE Subsidiary Entities - Final Audit Findings for y/e 31 July 2009

The Committee noted that:

- The Corporation tax liability regarding ELeL gift aid claim in 2006 and the HMRC enquiry into the 2004/05 tax computation had now been resolved.
- The approach to subsidiaries had changed with their annual accounts being signed off before the College's final accounts.
- A formal conflict of interest policy is to be agreed by the Newham Foundation Board and a declaration of interest process implemented.

09/29

APPOINTMENT OF FINANCIAL STATEMENTS AUDITORS 2009/10

The Committee **agreed**:

- To recommend to the Board the reappointment of Baker Tilly as the financial statements and regularity auditors for the 2009/10 for the Group (i.e. the College and subsidiaries) subject to satisfactory agreement on price.

09/30

ANNUAL RISK MANAGEMENT REPORT 2008/09

The Committee noted that:

- The risk management system was reviewed by the Internal Audit Service during the course of the year and risk management was rated as good.

The Committee **agreed**:

- To adopt the Annual Risk Management Report.

09/31

RISK REGISTER UPDATE

The Committee **agreed**:

- That "safeguarding breach occurs" be given a reputational risk of 3.
- To recommend to the Board the approval of the risk register.

09/32

REVISIONS TO FINANCIAL RULES OF BUSINESS

The Committee **agreed**:

- To recommend to the Board the approval of the proposed changes to the College's Financial Rules of Business.

- 09/33 ANNUAL REPORT OF THE AUDIT COMMITTEE 2008/09**
The Committee noted and received the report.
- 09/34 INTERNAL AUDIT ASSIGNMENT REPORT**
09/34.1 Customer Relationship Management System
The item was withdrawn.
- 09/35 FINANCIAL MANAGEMENT CONTROL EVALUATION**
The Committee **agreed**:
- To recommend to the Board that the College submit a short version of the Financial Management and Control Evaluation Return for 2009/10 to the Learning and Skills Council by 31 December 2009.
- 09/36 GEOFF RUSSELL LETTER**
The Committee noted that:
- The College was significantly in breach of the LSC's retrospective changes and that evidence was being compiled to show that the LSC was aware of previous non-compliance by the College.
 - The letter made reference to possible sanctions against colleges in breach of the changes.
 - Further information would be available following the outcome of the LSC funding audit which was being carried out by KPMG. There would be a further report to the Corporation Board in December.
- 09/37 LSC FUNDING AUDIT**
This item was discussed under 09/36.
- 09/38 UPDATED LETTER OF ENGAGEMENT**
The Committee agreed to accept the updated Letter of Engagement for Internal Audit Services.
- 09/39 Any Other Business**
- There was no other business.
- 09/40 DATE OF NEXT MEETING**
The next meeting is scheduled for **3 March 2010** at the Stratford Campus.

Signed as a correct record

Peter Pendle
Chair of the Committee