

AUDIT COMMITTEE

Minutes of the virtual meeting held via Teams 29 June 2020 at 16:45

Present

Julian Young (JY), Chair	External Governor
Andrew Furse (AF)	External Governor
Neil Wilson (NW)	External Governor

In attendance

Richard Bott (RB)	External Auditor, Mazars (from item 5(iii))
Patrick Clarke (PC)	Internal Auditor, Icca-ETS
Carol Davey (CD)	External Auditor, Mazars
Jayne Davis (JD)	Deputy Principal
Jon Domaille (Jon)	Assistant Principal, Learner Journey
Paul Fletton (PF)	Interim Director of Finance
Kate Hobbs (KH)	Assistant Principal, Education & Training
Laurel Penrose (LP)	Principal & CEO
Anne Roberts (AR)	Head of Governance

1. Welcome and Apologies for Absence

The Chair welcomed everyone to the meeting and particularly Paul Fletton, Jon Domaille and Kate Hobbs to their first meeting.

2. Declarations of Interest

None given.

3. Confidentiality of Items

The internal audit reports, risk register, external auditor [and information compliance, items 5, 6, 7.1 and 8.1] report were agreed as confidential.

4. Minutes of the meeting held on 16 March 2020 and actions arising

The minutes of the meeting held on 16 March 2020 were approved and would be signed by the Chair as a correct record following this meeting.

All actions had been completed. In respect of minute 5 (v) the Audit Action Tracker was continuing to be updated and would be presented to the November meeting of the Committee. **ACTION: LP/PF**

5. Internal Audit

(i) Student Journey: Enquiry to Enrolment Follow up Report

The internal auditor, PC, presented the Student Journey: Enquiry to

Enrolment follow up report. Members considered the progress the College had made in respect of the 17 recommendations originally recommended in the report issued in February 2020 and were pleased to note that the overall assurance opinion was now judged 'Reasonable'. Members commented on the excellent progress that had been made, particularly given the covid-19 lockdown.

The five further recommendations from the follow up review were highlighted. Members queried the implementation dates as four of these were listed for completion in May 2020. Jon reported that these had now all been implemented and only the recommendation in respect of analysis of entry criteria against impact remained due for completion by January 2021.

Members were assured of the progress and actions taken in respect of the recommendations, particularly as these were very extensive. JD and Jon commented on how helpful the report had been as an action plan for Jon as the new Assistant Principal. The Chair thanked Jon for all his work in this area which provided substantial assurance to the Committee.

(ii) English & Maths Strategy Follow up Report

PC presented the follow up report on the audit of the English and Maths Strategy. Members were pleased to note that the overall assurance opinion was now judged 'Reasonable'. Of the four recommendations, two had been implemented and two carried forward. The two carried forward recommendations related to monitoring attendance and progression and the English & Maths strategy. Members commented on the excellent progress that had been made in a limited timeframe.

KH reported that the internal audit had been very helpful to her in taking over as Assistant Principal and had enabled a fresh look at the English & Maths strategy. Members asked whether there was anything that might now be done differently for September given the lockdown. KH stated that the situation had changed the plans for implementation in some areas, for example development work with schools had to be delayed. The lockdown had enabled more discussion with staff in relation to the tutorial support model without the usual pressures of the teaching load. She reported that the delivery model required alteration from September. The existing strategy was based on 100% attendance which would no longer be the case and a blended approach, with strong tutorial provision, training for staff and regular monitoring was now being planned.

KH assured members that she was confident the recommendations could be implemented by the September deadlines set.

The Chair thanked KH for her work in this area which provided substantial assurance to the Committee.

The Chair invited Jon and KH to remain for the rest of the meeting if they wished and both accepted the offer to stay.

(iii) **Internal Audit Plan 2020/21 and Strategy 2021/22**

PC presented the draft internal audit plan 2020/21 and Strategy 2021/22 based on discussions with senior management and drawing on a range of sources to inform the proposed audit coverage. The number of days (33) was slightly less than previous years and there was scope for an additional two days. The risk-based coverage areas included financial planning and budgetary control, safeguarding, learner journey: retention & intervention, IT cyber security and disaster recovery, health & safety, capital strategy & estates management, and financial controls.

LP reported that many areas had been impacted by covid-19 and therefore the strategy had been extended to take this into account, for example, covid-19 brought a different dimension to safeguarding. She reported that the Apprenticeships area had been impacted by the current situation and, whilst it had not been reviewed for some time, it was therefore recommended it be reviewed in 2021/22.

Members queried how assurance could be given to the Committee on apprenticeships which was an important, but volatile area and one which had a significant impact on funding. LP confirmed that an Assistant Principal had been appointed to manage this area, new structures and processes were being introduced, KPIs had been set and regular reports being given to Senior Management who were monitoring very closely. Two ESFA audits had been undertaken. She commented that this was an area of concern, being difficult to predict under current circumstances of covid-19 and would take several years to get back on track.

Members discussed the use of consultancy or other benchmarking to provide assurance, rather than formal internal audit at this stage. It was agreed to ask LP to discuss with PC what could be learned from best practice elsewhere in the sector and strategies for growth, and to bring a proposal back to the Committee in November. **ACTION: LP**

Members asked whether a lessons learned /resilience exercise on the impact of covid-19 would be undertaken by the College, particularly as the Government were looking at the cost impact to colleges. LP confirmed that the College planned to review action taken and would contribute to the Association of Colleges review as this would provide

validity and objectivity. Members were assured with this course of action.

ACTION: LP

Members asked about the timescales for review of the differing auditable areas, how frequent audits should be and why sub-contracting controls was not listed for a review. LP reported that rigorous controls of sub-contracting were regularly undertaken, both in terms of ESFA and external audit reviews and annual approval by the Board of the Sub-Contracting Policy. RB confirmed that an external audit review of sub-contracting would take place but that this would probably be the last year that external audit could undertake it due to new rules in relation to ethical walls.

It was suggested that it would be helpful to have a Board assurance matrix which listed assurances obtained from all sources and set out key risks, assurance mechanisms and regulatory requirements. This was agreed.

ACTION: LP/PF

Members asked whether there were any other areas which had not been looked at for several years, for example equality & diversity. The Chair asked that the additional two days be used to look at this area and student feedback obtained. Against the backdrop of the current global debate on race, this should take place in term one or early in term two if possible. Jon offered to take part in this.

ACTION: LP to speak with PC to add to the Audit Plan

The Committee thanked PC for all his work on the follow up internal audit reports and the internal audit plan and strategy.

6. External Audit

The external auditors presented the External Audit Strategy Memorandum for the year ending 31 July 2020. The Financial Statements could not be signed off without detailed scrutiny and a clear understanding of the covid-19 situation and its impact. Field work would commence in October 2020 and particular consideration would be given to:

- whether covid-19 had any impact on the previously strong management controls in place, as more remote working was taking place
- the Going Concern position and loan covenants in place. FRC had issued guidance that a greater focus should be given to this area given the number of company corporate failures that had taken place
- defined benefit pension scheme assumptions in light of the McCloud case although most actuaries were now including this in their valuations
- apprenticeships funding
- any delays in capital projects and the impact of the Institute of Technology on costs
- land value at Somer Valley campus
- depreciation rates

- bad debt provision

The Chair commented that the land value had always been planned to be done this year and that the Board was very aware of the importance of this, particularly in relation to the loan covenant with the bank. PF confirmed that the valuation had been completed and a report was now awaited. He reported on the discussions with the bank who were supplied with the monthly accounts and cash flow figures.

The Chair asked PF about the preparations for the external audit work between now and end of November. PF confirmed that he did not anticipate any issues but wanted to inform the Committee that the Finance team included a number of key staff who were employed on a temporary basis.

The Chair thanked RB and CD for their comprehensive report.

7. Risk

(i) Strategic Risk Register, including Covid-19 Risk Assessment

JD highlighted the key changes to the Strategic Risk Register which had recently been reviewed by the Board. These included:

- the adult education budget which had moved from amber to green; the college had delivered sufficient teaching not to be subject to clawback of funding
- apprenticeships funding as this was uncertain
- emergency response actions which had not been able to be undertaken but would take place next term. JD confirmed that the business continuity plan was regularly updated
- cyber security had moved to green following a JISC external audit

Members were assured of the plans in relation to covid-19 and commented on the importance of positive communication to staff in terms of the resilience shown. They noted that HR recruitment/capability had stalled, partly due to covid-19 and some staffing changes. JD reported that the Curriculum & Quality Working Group had been reviewing how it could feed into this area. Members asked that further context be provided on the impact of this in the risk register. **ACTION: JD**

In relation to business continuity, members asked whether there were opportunities that should be included in the Register. LP commented that corporate opportunities needed to be an explicit element of business continuity and included in the risk assessment. The executive team was meeting this week to realign the Strategic Plan and review opportunities. Members asked that an opportunities matrix be produced alongside the risk matrix, for example digital learning could assist with infrastructure. The College might need to invest to get benefits and this should be captured at Board level. **ACTION: LP** to take forward

JD reported that the Board had confirmed a partial re-opening of College to some students and staff from 1 July. The relevant unions and staff had been consulted and a RAG rating pre- and post-covid 19 was being done. The HSE guidance had been used to inform the risk assessment. Individual risk assessments of staff were being carried out and regular communications made to staff and students. There would be close monitoring to help inform the assessment of September re-opening and an update given to the Board.

The Chair thanked JD for her update.

(ii) Risk Management Policy

PF presented the revised Risk Management Policy. The policy aligned with the Risk Register and was a high-level document which would be reviewed annually. He highlighted the key amendments. Following discussion, members asked for:

- Section 4, Risk Appetite be defined to clarify that the College was neither risk averse nor risk seeking, but risk balanced where it brought benefits and did not bring reputational damage
- emerging risks and horizon scanning to be reflected in the Policy in Section 5 Identification of Risks.
- Section 5.8 Risk Documentation to be further updated to show how the categories aligned to those in the Risk Register (and where they did not, to state why that was the case).

With these amendments, the Committee agreed to recommend the Policy to the Board for approval.

ACTION: AR to coordinate the amendments with PF and JY

8. Governance & Compliance

(i) Information Compliance Report

The Committee received an information compliance report designed to give assurance that internal processes were in place to ensure compliance with the Data Protection Act 2018 and to report any breaches of compliance or whistle blowing cases. LP confirmed that there had not been any follow up by anyone in relation to the requests received. Members confirmed their assurance with action taken.

(ii) College Financial Regulations

PF presented the revised College Financial Regulations. These were normally reviewed annually but due to changes in FD, they had last been updated in 2018. He had done an interim internal review to ensure that they reflected specific items identified by internal and external audit, that there were no significant errors or omissions and that they continued to reflect good practice and existing arrangements. For example, the threshold levels in relation to write-off of bad debts had been revised upon the recommendation of the auditors (section C2.12). He

recommended that a more in-depth review be done after this meeting to update the document further.

Following discussion, members asked that:

- the key points be added as a summary at the start
- amendment be made to Section A2.5 to clarify the treatment of assets over £1k and review the wording of the first sentence
- hyperlinks to other college related policies be added and wording checked for consistency
- a simple framework of delegations be produced as an aide-memoire for staff and governors.

The Chair thanked PF for his work on the Financial Regulations and asked that a further review be brought to the November meeting if possible (stretch target) or at least by end of January 2021. The Committee recommended these revised Financial Regulations to the Board for approval. **ACTION: PF**

(iii) **Anti-Fraud Policy**

AR presented the updated Fraud Policy, which had been renamed Anti-Fraud, Bribery & Corruption Policy to more accurately reflect practice and legislation. The Policy had not been reviewed for over 9 years and she and the Director of HR & OD had done an interim review to ensure it reflected current legislation and good practice, that there were no significant errors or omissions and that it was consistent with other college policies. This was therefore an interim review. PF commented that this Policy would be reviewed together with the Financial Regulations. He suggested that staff training on anti-bribery be added to further strengthen internal controls.

Following discussion, members asked that:

- a summary be produced at the start of the Policy
- senior managers and those in key finance roles be asked to sign that they had read the Policy, if that was not current practice.
- Training on anti-bribery be included
- the Post-16 Code of Practice anti-fraud checklist be considered when revising the Policy

The Chair thanked AR and BO for reviewing the Policy and asked PF to include this Policy in the review of the College Financial Regulations to meet the same timeframes. **ACTION: PF**

With the caveat that this was an interim updated Policy, the Committee recommended the Policy to the Board for approval.

(iv) Terms of Reference 2020/21 and Appointment of Chair

The Committee reviewed the Terms of Reference for 2020/21 and made no changes as these had been comprehensively reviewed last year.

AR asked for nominations for the Chair for 2020/21. Sir Julian Young was nominated by AF and seconded by NW. Sir Julian was therefore elected.

9. Any Other Business

None

10. Date of next meeting – 25 November 2020 at 17:00