

Meeting of the Audit & Risk Committee

Date:	28 August 2024	Room number	Via Teams
Present	Bim Osunsami (Chair), Bal Panesar (Vice-Chair), Nick Kavanagh (NK), Jahaid Zaman (JZ)		
In attendance	Victoria Eastwood (Chief Governance Officer) (CGO) Natalie Davison (Principal/CEO) (invited to attend by the Committee) Hiten Savla (Deputy Principal – Finance & Resources) (DPFR) Paul Goddard (Scrutton Bland) (PG) Carina Ralf (MacIntyre Hudson) (CR)		
Apologies	Andy Forbes (Chair of the Corporation - invited to attend by the Committee)		
Circulation	Audit Committee/Corporation		

1.	<p>Welcome and apologies for absence The Chair welcomed all present to the meeting and introductions were made. Apologies for absence were received from Andy Forbes (Chair of the Corporation).</p> <p>The Chair requested that Agenda item 5 – Matters requiring College staff to withdraw, be brought forward to this point in the agenda. This was agreed. It was further agreed that, going forward, College staff would join the meeting fifteen minutes later than the start time to allow this discussion to take place.</p> <p><i>All College staff withdrew from the meeting.</i></p>										
5.	<p>Matters requiring College staff to withdraw Discussion between Governors and Auditors took place.</p> <p><i>All College staff returned to the meeting.</i></p>										
2.	<p>Declarations of Interest Governors were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate.</p>										
3.	<p>Minutes of the Previous Meeting – 20 May 2024 The Minutes of the Meeting held on 20 May 2024 were agreed as a true and accurate record.</p> <p>Approved: That the Minutes of the Meeting held on 20 May 2024 be agreed as a true and accurate record.</p>										
4.	<p>Matters arising Outstanding actions from the May Audit Committee Meeting:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Agenda Item</th> <th style="text-align: center;">Action</th> <th style="text-align: center;">Responsibility</th> <th style="text-align: center;">Timescale</th> <th style="text-align: center;">Update</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">7.</td> <td>Update on some of the deliverables from the recommendations be presented at the next meeting eg refreshed list of</td> <td style="text-align: center;">DPFR</td> <td style="text-align: center;">24 June 2024</td> <td style="text-align: center;">Updated at the meeting</td> </tr> </tbody> </table>	Agenda Item	Action	Responsibility	Timescale	Update	7.	Update on some of the deliverables from the recommendations be presented at the next meeting eg refreshed list of	DPFR	24 June 2024	Updated at the meeting
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	cost centres and examples from the cleansing exercises.			
7.	Gap analysis of systems or an update that could provide further assurance on the data be presented at the June meeting.	DPFR	24 June 2024	Updated at the meeting
8.	Revised format for the new risk register to be circulated to the Committee for comment.	DPFR	ASAP	Complete – circulated to the Board
<p>In relation to matters arising items 7 and 8, the Deputy Principal Finance & Resources (DPFR) provided the following update:</p> <ul style="list-style-type: none"> - Department codes had been reduced from c80 to 59 of which 35 related specifically to teaching and learning - Reduced general ledger codes by c50% - Data reporting going forward would include movements in the forecast and indicate why this movement had taken place - Increasing the data visualisation – The Chief Governance Officer (CGO) confirmed that data visualisation would also be part of the governor portal and training would be provided for Governors. The Chair stated that this would enable Governors to be more proactive with data and ask better questions. <p>The Chair questioned whether the College was renewing the budgetary process. The DPFR responded that the changes did not impact on budget holders but ensured fewer code lines.</p>				
5.	<i>Matters requiring College staff to withdraw - brought forward in the agenda.</i>			
6.	<p>Internal Audit Reports</p> <p>The Internal Auditor, Paul Goddard (PG) presented the following internal audit reports to the Committee highlighting key points:</p> <p><u>Capital Projects</u></p> <ul style="list-style-type: none"> - Good news report - No recommendations <p><u>Anti- Fraud Framework</u></p> <ul style="list-style-type: none"> - Reasonable assurance - Key around training on risks - Tracking re trends - Gifts and hospitality register to track activity - Pleased with management responses <p>The Vice-Chair advised that awareness and education at staff level needed to be rejuvenated in terms of the anti-fraud framework. NK stated that the anti-fraud policy (discussed later in the agenda) was lengthy and asked whether there were any key areas where Governors should focus. PG replied that training and short guides could be useful but monitoring fraud should remain a priority and be included as an agenda item at each Audit Committee. This was agreed. The DPFR added that the Ant-Fraud policy had taken on board recommendations from the internal audit report and has been updated accordingly.</p>			

Action: Fraud to be included as a standing agenda item for each Committee meeting.

Student Destinations

- Challenging area
- Data heavy
- Awareness that value in the data, external consultant to help obtain the information
- Key is to ensure most reliable contact details for students to obtain destination data
- Management responses – restructure taken place and learner experience team will pick these up

The Principal/CEO advised that work was taking place to strengthen the data for student destinations. The restructure of Student Services would be launched for 2024/25 and this was a key element – trying to embed the collection of data within the team. It was noted that the recommendation to maintain destination data over five years would be incredibly difficult to achieve and resource heavy. PG replied that the emphasis within the audit on trying to find where students were after 5 years was more of an aspirational part of the recommendation – it was agreed that the wording did not reflect this.

Financial Planning and Budgetary Control

- Green assurance
- Number of staffing changes focussed from April 24 since new DPFR and Head of Finance in place
- Early budget setting process
- Comfortable with rationale and reporting
- In year actuals and forecasting – period 9 at time of the audit
- Some recommendations – enhancing structure, timetables in place, financial regulations update, clarity of approvals within the process, budget holder training

DPFR stated that there had been a delay in getting things done as a lot of things he had expected to be in place when he started had not been evident and a lot of hard work had taken place to get where the College needed to be. The curriculum planning had been very thorough and a new budgeting process emphasising a clear basis re staffing needs had taken place.

The Vice-Chair questioned whether the College was clear in setting the calendar for the next process and also for reforecasting - a rolling 12 month process against monthly management accounts should be in place. The DPFR responded that management reports would be provided as updated tabular reforecast and position re changes of the bottom line would be included alongside a rolling 12 month cashflow.

NK referred to the July 2024 implementation dates for the financial procedures recommendations and asked if these had been actioned on time. The DPFR advised that timelines were set to update the finance regulations and this has been completed. The document would be presented to the College's Policy committee to approve and then P&R Committee for final approval.

Payroll

- Limited assurance
- Payroll audited in June 2023 and also limited assurance therefore asked to undertake a fresh audit
- High risk – clarity needed to explain how the salary for part time staff, as starters and leaves, was calculated for both the start and end periods. Confirmation of the process had been provided after the audit but it remained unclear whether this was consistently working in practice
- Medium risk – introducing a monthly check to satisfy the system was correctly calculating pay
- Medium risk – contracts – two provided that were unsigned by the employee – structure to be put in place to introduce a tracker
- Medium risk – old fashioned way of handling changing of bank account details – this had now been amended and risk closed by changing process
- Low risk – dated way of time sheets being completed on a paper-based approach - need to automate the timesheet system

The DPFR stated that he was not personally involved when the audit was taking place but had reviewed the basis of the payroll calculations and was confident on how these were worked out – calculations based on number of days in the month rather than over the year.

NK queried whether there was a GDPR risk associated with the current paper-based approach for timesheets. PG replied that increased automation ensured less staff saw the documents concerned and also reduced the risk for document disposal eg shredding.

The Vice-Chair asked for clarification on whether the payroll team calculated payroll then this was checked before payments were authorised by the Head of Finance. The DPFR clarified that the system automatically calculated individual payments. When the report was produced the Payroll Officer undertook the checks then further checks were made by the Head of Finance. One of the issues identified that some of the items that should be clearly stated within the payroll files re long term sick information was not being captured on a regular basis.

In response to a query from the Vice-Chair, the DPFR advised that c30% of staff were currently part-time.

The Chair asked if the College had a leavers process documented and whether each person responsible for approval at all stages was clear on what they were approving. If staff were unsure of their responsibilities there needed to be a wider communication including a checklist to ensure better understanding. The DPFR confirmed that the Payroll Officer had a checklist and the Head of Finance was experienced around reviewing the payroll and verifying against the budget. The DPFR undertook the final high level check looking at spend in the previous month to current month identifying the pluses and minuses and whether this linked into management reports. It was noted that the leavers process would be included in HR audit that had been deferred for 2023/24 but the HR audit for the current year would track the process between HR and payroll.

The Chair asked when the leavers process incorporated IT, security etc and is this was coordinated. The DPFR confirmed that this process was in place.

In response to a query from the Chair, the DPFR stated that payroll was the most important thing that had to be controlled as it was the biggest cost – each member of staff was tracked to the budget line. It was confirmed that the Finance team were on track to meet the deadlines for the recommendations.

Funding Assurance

- Broken down into two parts – significant assurance for classroom based and reasonable assurance for apprenticeships
- 5 low risk recommendations for classroom based
- 4 medium risks for apprenticeships
- Medium risk – skills scan – 2/35 could not be shared – 6 of the remaining 23 could not understand the rationale re costs based on the evidence available
- Medium risk – off the job training hours – low number of hours being demonstrated and in some cases no hours showing against an apprentice live on programme
- Medium risk- co-investment payments – long delay from the apprentices start date to when the invoices were being issued – in one case invoice not sent – these were conditions of funding
- Medium risk – completion of apprenticeship paperwork to ensure anomalies were dealt with early

NK noted that there had been a lot of recruitment and resources for the Apprenticeship department and asked whether the posts were newly created. The DPFR replied that this was an area which had issues and a new Head of Apprenticeships had been appointed who was aware around the specific rules and regulations. The area had not been managed well in previous years but measures were in place to

improve the overall position. In terms of the audit, there had been a lag of previous students which had been picked up in the sample and a level of control needed to be monitored.

NK informed the Committee that he had an apprentice from the College at his place of work and he had received little feedback or engagement as an employer. The apprentice was supported and achieving but employer engagement was not in place. It was agreed that this would be followed up and obligations under declaration of interests were noted for future meeting where relevant.

The Principal/CEO stated that the audit report reflected that this had been a turbulent period for apprenticeships. There was now confidence that a good manager was in place and as part of the recent SLT restructure, the Director for Quality had also been appointed as the Faculty Director for Apprenticeships. Work had taken place to consolidate apprenticeships and pause recruitment to improve standards and strengthen employer engagement.

JZ asked for clarification and an overview of the end to end process for invoices. The DPFR explained that a member of staff from the CIS team tracked each new apprentice via the tracking portal to identify the need for the 10% charge to the employer. An update was then provided to the Finance Team to confirm the request was issued and ensure triangulation. Going forward it was being considered that if the 10% payment was not received then discussion would take place with the employer to put the apprenticeship on hold. The College could not afford to let the apprenticeship continue as if the 10% payment was not received, all other funding would also be lost.

The Chair stated that the apprenticeships recommendation needed deadlines. This area needed to be revisited at the next meeting and the Head of Apprenticeships invited to attend. It was also agreed that the Head of Finance would be invited to the next meeting to update on the payroll position and ensure accountability and support.

Action: Apprenticeships and Payroll to be revisited at the next meeting of the Committee. The Head of Apprenticeships and Head of Payroll to be invited to attend for the relevant discussions.

Follow - Up

- Reasonable assurance
- 29 recommendations – 8 implemented, 14 in progress and 7 could not conclude or management recognise not implemented at this stage
- Revised due dates are in place for some recommendations with the majority scheduled for October and November 2024
- 9 incomplete recommendations are medium risk

The Principal/CEO advised that the follow-up recommendations would be brought to future SLT meetings to speed up the process. The Vice-Chair added that tracking at SLT level was required alongside monitoring the time from the date of the initial recommendation and whether dates have been deferred.

The DPFR reported that an audit tracker had been implemented which prompted the relevant responsible person to allow constant review of feedback against actions to monitor progress. This would be used as a basis for discussion at SLT meetings. The Vice-Chair stated that previously the nominated responsible person was named as well as the role title and change of staffing could not be used as an excuse. There needed to be recognition that internal audit actions and observations were to help ensure continuous improvement.

The Chair stated that this was an area that needed education and suggested that the Governors of the Audit Committee, where convenient, attend a pre-audit visit with staff to have a conversation around the audit process as independent voices outside of the College – this was agreed.

	<p>The Chair stated that reasons for internal audit visits being postponed had been previously explored but the impact on the auditors in terms of cost and time needed to be considered. The Chair advised of the need to ensure zero tolerance for postponement of internal audit visits diarised months ahead and questioned whether the College needed to look at the wider college calendar, whether this was a staffing issue where staff would never feel ready of if this was a competence issue and/or a resistance force. The DPFR replied that the College had tried to improve the process this year but there had been some difficulties particularly re the HR audit due to changes in staffing. Once the audit plan for 2024/25 has been approved by the Committee, the dates would be issued to the relevant departments and any issues regarding dates would be identified early enough to be accommodated if needed. Tighter controls would be in place this year.</p> <p>Action: Audit Committee to attend pre-audit meeting with relevant staff to discuss audit process. Agreed: that the current position be noted.</p>
7.	<p>Internal Audit – Risk and Assurance Progress Report</p> <p>PG reported that the majority of the report had been covered in previous discussions but highlighted:</p> <ul style="list-style-type: none"> - Postponed audits – date movements happened and some dates pushed down the line - GDPR compliance – scheduled for 2024/25 amended re External Board review <p>The Principal/CEO stated that the College had been through a turbulent period including a turnover of leadership and management positions but was moving towards more stability.</p> <p>Agreed: that the current position be noted.</p>
8.	<p>Internal Audit – Risk and Assurance Strategy and Annual Plan 2024/25</p> <p>PG reported that the draft annual plan for 2024/25 had been shaped through discussions with the Principal/CEO and DPFR. It was noted that focus may need to change to different areas mid way through the year dependent on variations in risk factors. The Chair added that it was important to ensure risk areas were addressed first.</p> <p>Approved: The Risk and Assurance Strategy and Annual Plan 2024/25 were approved subject to future amendments based on internal and/or external factors agreed by the Committee.</p>
9.	<p>Financial Statements Auditors – Audit Planning Memorandum as at 31 July 2024</p> <p>The Chair welcomed the College’s Financial Statements Audit Director, Carina Ralf (CR), to the meeting. CR advised that the College’s responsible individual from the Audit services had been rotated and she was therefore replacing Rakesh Shaunak.</p> <p>CR update the Committee on the following:</p> <ul style="list-style-type: none"> - Audit approach highlighted independence and ethics, non-audit services, safeguards for independence - Audit risks – significant and key audit risks - Going concern - Forecasting deficit/Broadway issues – will be examined closely - Interim audit taken place over the summer - Unable to test controls over the ILR but this will be considered as part of the year end - Bank signatories – old signatories on the bank account - Year end field work w/c 30 September for two weeks - Presentation of audit findings in November - Fees, anticipated materiality updated against final figures <p>The Chair asked for clarification on whether the process was working re the ability to be able to access information for the interim audit. CR replied that she had been unable to conclude purchase and payroll testing as the BACS payment reports were not received. The DPFR confirmed that this process was owned by the Head of Finance who was used to the process but this had been a new procedure for the finance team.</p>

	<p>The Vice-Chair asked CR to expand on the point regarding going concern. CR replied that the May 2024 management accounts had been examined and there was a large deficit forecast which had now been reduced. The Auditors would consider the forecast and budget for 12 months and examine the assumptions made, consider the latest set of management accounts and compare the forecast to the budget. Benchmarks against other colleges would also be considered.</p> <p>NK stated that comparison with the sector did not allow the College to be able to take their eye of the ball in terms of a deficit position. CR advised that the prior year management letter had recommended a review of diversifying income schemes. The Principal/CEO added that the College could not accept the position but this was a vastly improved position versus the previous year and there was every intention to bring the position back to break even.</p> <p>Approved: the Committee approved the Audit Planning Memorandum as at 31 July 2024.</p>
10.	<p>Post-16 Audit Code of Practice 2023-24</p> <p>The CGO advised that the full document had been uploaded to the temporary portal and highlighted the changes from the previous year. It was noted that any amendments to the terms of reference, if required, would be presented at the first meeting of the academic year.</p> <p>Agreed: that the update be received.</p>
11.	<p>ONS Review</p> <p>The CGO advised that this was a standing agenda item to ensure continuous compliance and there were currently no issues to note.</p> <p>Agreed: that the current position be noted.</p>
12.	<p>Anti-Fraud Policy</p> <p>The DPFR presented the policy highlighting the changes in staffing positions and the inclusion of recommendations from the internal audit.</p> <p>Approved: the Anti-Fraud Policy was approved by the Committee.</p>
13.	<p>Whistleblowing Policy</p> <p>The CGO advised the Committee of the amendments to the policy which had been included to provide further clarification on the process. The Committee were informed that the policy had been used to report a whistleblowing allegation, the details of which were provided.</p> <p>The CGO reported that the Chair had been aware of the allegation and a full investigation had taken place but, at present, there was insufficient evidence for the matter to be taken further. The investigation would remain on record. Discussion took place on the whistleblowing process and the responsibility of the Audit Committee. The Committee were assured of the Committee's role through the involvement of the CGO within the process.</p> <p>Approved: the Whistleblowing Policy was approved for future use – to be reviewed in three years subject to changes in legislation.</p> <p><i>The Chair thanked the Auditors for their contributions and PG and CR withdrew from the meeting.</i></p>
14.	<p>Matters requiring Auditors to withdraw</p>

	<p>Discussion took place on feedback from the auditors that the audit process needed to be tightened up. It was agreed that the process had been rigorous and staff needed to be assured of the reasons the audit processes are in place.</p> <p>The Chair suggested that the Committee attend some of the operational Finance meetings as observers to be more proactive and add more value in the role as committee members. This was agreed (Action).</p>
15.	AoB There was no further business.
15.	Date and time of next meeting – TBC (2 December 2024) subject to approval of the meetings schedule – meeting to take place face to face.

The Chair thanked all those in attendance for their engagement and participation. The meeting closed at 12.06pm.

Agenda Item	Action	Responsibility	Timescale	Update
6.	Fraud to be a standing agenda item for each Committee	CGO	ASAP	Complete – added to business cycle 2024/25
6.	Apprenticeships and Payroll to be revisited at the next meeting of the Committee. The Head of Apprenticeships and Head of Payroll to be invited to attend for the relevant discussions.	CGO/DPFR	December 2024	Added to business cycle 2024/25
6.	Audit Committee to attend pre-audit meeting with relevant staff to discuss audit process.	DPFR/CGO	TBA	
14.	The Committee attend some of the operational Finance meetings as observers to be more proactive and add more value in the role as committee members.	DPFR/CGO	TBA	

Signed.....
Bim Osunsami (Chair)

Date.....