

## Meeting of the Audit Committee

<b>Date:</b>	21 June 2022	<b>Room number</b>	Via Teams
<b>Present</b>	Bim Osunsami (Chair), Bal Panesar (Vice-Chair), Molly Makota (MM)		
<b>In attendance</b>	Graham Hough (Chief Finance Officer) (CFO) Victoria Eastwood (Chief Governance Officer) (CGO) Leisyen Cox (Scrutton Bland) (LC) Paul Goddard (Scrutton Bland) (PG) Mark Eagle (MacIntyre Hudson) (ME) Yvonne Kelly (Principal/CEO) – Agenda Items		
<b>Apologies</b>	Nick Kavanagh		
<b>Circulation</b>	Audit Committee/Corporation		

<b>1.</b>	<p><b>Welcome and apologies for absence</b> The Chair welcomed all present to the meeting and introductions were made from, Molly Makota and Leisyen Cox. Apologies for absence were received from Nick Kavanagh.</p>													
<b>2.</b>	<p><b>Declarations of Interest</b> Governors were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. None were anticipated.</p>													
<b>3.</b>	<p><b>Minutes of the Previous Meeting – Monday 13 December 2021</b> The Minutes of the Meeting held on Monday 13 December 2021 were agreed as a true and accurate record.</p> <p><b>Approved: That the Minutes of the Meeting held on Monday 13 December 2021 were agreed as a true and accurate record.</b></p>													
<b>4.</b>	<p><b>Matters arising</b> Outstanding actions from the December Audit Committee Meeting:</p> <table border="1"> <thead> <tr> <th>Agenda Item</th> <th>Action</th> <th>Responsibility</th> <th>Timescale</th> <th>Update</th> </tr> </thead> <tbody> <tr> <td>7.</td> <td><b>Update on Student Debt to be provided at the next meeting.</b></td> <td>CFO</td> <td>March 2022</td> <td>Included on the June Agenda</td> </tr> </tbody> </table> <p>The CFO provided an update on the student debt provision advising that student debt sat in a separate data base to company debt. In July 2021 the student debt was £1.9m at the end of the year and as at April 2022 it was £2.1m – bad debt overall was currently 9%. It was noted that debt did tend to increase during the year and decrease towards year end and work was taking place on a specific bad debt provision for the debts that were unlikely to be paid by year end. The CFO advised that the College was still recruiting to the position of Sales Ledger Manager but recruitment was active and other members of the Finance Team had taken on the role between them in the interim period.</p> <p>The Vice-Chair asked whether there was a specific policy in place for bad debt and to agree the percentage. The CFO replied that the College did not have a specific policy but would assess the situation for the end of this year then have a separate discussion if it was agreed to increase the %.</p>				Agenda Item	Action	Responsibility	Timescale	Update	7.	<b>Update on Student Debt to be provided at the next meeting.</b>	CFO	March 2022	Included on the June Agenda
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	<p>The Vice-Chair added that going forward benchmarking from similar sized colleges as to the norm and a policy to state this would be beneficial.</p> <p>The Chair invited the Auditors to comment. PG reported that it was not normal practice within Colleges to have a policy specifically for bad debt but debt recovery policies were usually in place. Benchmarks (BM) were very relevant and ESFA BM data was available for the 2020/21 academic year.</p> <p>The Chair asked how the recruitment was being filled and gaps were being addressed. The CFO advised that there were two vacant roles - Purchase Ledger Supervisor and Purchase Ledger Manager. The Head of Finance was in place and the interim member of staff recruited from an agency prior to the Head of Finance role being filled had remained at the College to provide a floating resource in the department. The Vice-Chair stated that it was key to get the vacancy filled by someone outward facing.</p>
5.	<p><b>Matters requiring College staff to withdraw</b> There were no matters requiring College staff to withdraw.</p>
6.	<p><b>Committee Self-Assessment</b> The Chief Governance Officer (CGO) reported that Committee self-assessment had been postponed for the previous academic year due to changes in scheduling Committee meetings during the pandemic and also as there had been several changes in Committee membership. However, to ensure a thorough self-assessment process Governors were asked to complete the self-assessment form which would also be made available electronically.</p> <p>It was noted that the Co-opted Member would not be able to fully complete the form but any feedback would be appreciated.</p> <p><b>Action: That the Committee complete the self-assessment form as required.</b></p>
7.	<p><b>Post 16 – Audit Code of Practice</b> The CGO advised that the changes within the Audit Code of Practice had been noted and the Terms of Reference checked for accuracy. The full document would be uploaded to the new Governance portal once the migration process had been completed.</p> <p>PG stated the increased importance of governor training, adding that the ETF modules provided a helpful structure. The CGO replied that Governors were signed up to the ETF modules and encouraged to access these. Several Governors, including the Audit Committee Chair, had also attended the AoC finance/funding webinars.</p> <p><b>Agreed: That the updated be noted.</b></p>
	<p><i>The Principal/CEO joined the meeting.</i></p>
8.	<p><b>Internal Audit Reports:</b> PG reported that three reports were presented to the Committee at this meeting as a number of audits were taking place in July which would be reported at the additional September meeting. The internal audits were on schedule and all scoping documents had been agreed. The draft audit plan for 2022/23 would also be discussed at the September meeting and PG offered to meet with the Chair to look at the plan outside the meeting if this would be beneficial.</p> <p><u>High Needs Learning</u> PG explained the levels of assurance provided within the internal reports and provided the following key points from the High Needs Learning report:</p> <ul style="list-style-type: none"> <li>• Significant assurance</li> <li>• Complex area – medium-large provision</li> <li>• Three low risk recommendations: <ul style="list-style-type: none"> <li>- Low value errors in testing – closing anomalies</li> </ul> </li> </ul>

- Full review required against all costs, including hourly rates being claimed relating to high needs learning support and clear calculations should be developed to demonstrate how each cost has been derived;
- Appropriate staff member should be provided with training on the use of the espirALS system and procedural guidance developed
- Offered to put the College in touch with another client to use the same software

The Vice-Chair questioned whether support costs were current and whether these were on a fully allocated cost basis. The CFO replied that rates were agreed with the East London cluster for ALS and all organisations were working on the same basis.

The Chair asked whether the process was automated and why there was room for error. The CFO advised that regular meetings with the Finance/ALS team had been implemented to ensure reconciliation of all the funding agreed and follow the process through – procedure had now been tightened up.

In response to a query from the Chair, the CGO confirmed that proof of implementation would be made through the follow up audit and the relevant member of staff would attend the Committee meeting to discuss their recommendations. The Principal/CEO added that completion of all recommendations would be confirmed before next academic year.

The Chair stated that it was good to see a satisfactory outcome and only optimisation points.

#### Funding Assurance

LC reported that the apprenticeship element of the funding assurance audit had been included in the apprenticeship audit scheduled for July 2022. The following points were highlighted:

- Significant assurance – good level of compliance against majority of areas
- Low recommendations x 5:
  - Learner transfers - anomalies around the end dates and instances where some learners transferred to the same learning aim and some outcome codes recorded as completions in error - none of the errors resulted in any funding issues
  - Reconciliation activity between the ILR and the registers – recommended to run at the start of the ILR returns to reduce amendments at the end of the year.
  - DSAT reports – run on a termly basis but recommended practise to run monthly. Develop a reference document for the DSAT report to advise checks each month.
  - Learning agreements – missing sections within the sample – particularly prior learning for adults – no anomalies in terms of funding as there was additional evidence on file to supplement this.
  - Fee remission – some learners being granted full funding due to being in receipt of benefits but no evidence from some of the learners on file – evidence must be retained.

#### Governance & Risk Management

LC presented the Governance & Risk Management report:

- Strong assurance for governance
- Significant assurance for risk management
- Governance audit focussed on compliance against principle 10 of the Code of Governance – good clear and robust records to demonstrate compliance and good evidence from CGO
- Risk management – risk owners had a good understanding of status of risks but improved understanding of updating the risk register was required – two low recommendations:
  - Providing additional awareness to risk owners
  - To look at risk scores assigned within risk register – detailed controls in place to mitigate risk but the scores had not changed therefore appeared the risk not mitigated –
- Added value points:
  - Consideration to introduce target risk score and risk appetite level
  - Visually enhance presentation of risk register and changing to excel document to enable the use of formulas

	<p>- Provided template risk register to enhance existing documentation</p> <p>The Vice-Chair stated that the risk register in an excel form would be appropriate and it was key to ensure deadlines for all recommendations were met. The Chair queried whether there was central ownership of all the findings. The Principal/CEO replied that this sat with the Executive Team as part of their review cycle – consideration would also be given to adding the recommendations to the College IP system.</p> <p>PG advised that the added value points were for consideration and for management to reflect and would not form part of the follow up.</p> <p>The Chair thanked the Auditors for their reports and asked if they had identified any best practice. PG replied that there was strong assurance for governance with good compliance. LC advised that it was difficult to tease out best practice at this stage but future audits would provide this.</p> <p><b>Agreed: That the recommendations and management responses be noted.</b></p>
<p><b>9.</b></p>	<p><b>Financial Statements Auditors – Audit Plan for 2021/22</b></p> <p>ME presented the Financial Statements Auditors Audit Plan for 2021/22 providing the proposed audit approach in relation to the audit of the College’s Financial Statements for year end 31 July 2022. He advised that a meeting had taken place with the CFO to confirm the areas for inclusion and consolidation of subsidiaries would be considered. This would be a risk based approach, independent of the College and no significant ethical threats were perceived.</p> <p>In response to a query from the Chair, ME confirmed that this would be a similar approach to previous years. The Chair queried whether the risk profile was similar to previous years and if this would impact the audit. ME replied that if there was a significant risk in an area then this would be focussed on. The focus may need to be changed in October if the risk position changed.</p> <p>The Principal/CEO asked for clarification on timings as the timings for the previous audit had been extended. ME responded that the extension had been during the Covid year but this year the audit would be scheduled for three weeks in October 2022.</p> <p><b>Approved: The Financial Statements Audit Plan 2021/22 was approved.</b></p>
<p><b>10.</b></p>	<p><b>Risk Register and Risk Management Strategy Update</b></p> <p>The CFO reported that changes to the Risk Management Strategy were predominantly title changes and change of format.</p> <p>The CFO presented the risk register highlighting the following:</p> <ul style="list-style-type: none"> <li>• Risk scores from previous risk registers</li> <li>• Proposed amendments to risk appetite</li> <li>• Issued and reviewed on a termly basis</li> <li>• More visual approach to monitor risk</li> <li>• Utility costs added</li> <li>• Beneficial to split between strategic and operational</li> <li>• Feedback on ways to improve requested</li> </ul> <p>The Vice-Chair stated that the risk register had been developed well in recent years and the issue was not a split between operational and strategic but more of a timing issue – depth in which the risk owners took cognisance of the timing was key.</p> <p>PG advised that Scrutton Bland had helped colleges to shape risk appetite and this could be discussed with the College.</p>

	<p>MM stated that mental wellbeing for learners post Covid was key and questioned whether this was still a risk. The CFO replied that there was not an explicit risk around mental health and wellbeing but this was included in the 'people' risk which was wide scoping.</p> <p>In response to a query regarding T-levels from MM, the CFO advised that T-levels were difficult as initial funding had been received but the bigger picture was the marketing piece.</p> <p>The Chair stated that the risk register was a comprehensive looking document which was clearly coded but could be laid out via area or in order of the score to be able to view the most important risk first. The CFO noted that the order of risks had not been amended and agreed that an excel document would be beneficial.</p> <p><b>Approved: That the Risk Management Strategy be approved and the current Risk Register noted and agreed.</b></p> <p><i>The Principal/CEO left the meeting.</i></p>
11.	<p><b>Subcontracting Controls Assurance Report 2020/21</b></p> <p>The CGO reported that, as required by the Education Skills Funding Agency (ESFA) Financial Memorandum, the Financial Statements Auditors undertook an assessment of the College's system of internal control in relation to its subcontracted provision. The assessment was conducted in September 2021 and the report provided their findings. The report should previously have been submitted at the December meeting and was scheduled on the agenda for the deferred March meeting. Subcontracting assurance was reported to the Corporation and Policy &amp; Resources Committee.</p> <p>The Committee were advised that the report found the College met the expectations outlined by the ESFA in document "Providing External Assurance on Subcontracting Controls".</p> <p><b>Agreed: That the position and updated be noted.</b></p>
12.	<p><b>Whistleblowing Policy Update</b></p> <p>The CGO stated that the Whistleblowing Policy fell under the remit of the Audit Committee in line with the Audit Code of Practice. The Policy had been updated to reflect changes in titles of staff and to ensure an impartial reporting system. The Policy was available on the College website for both staff and learners and would be reviewed in a further three years unless there were any relevant changes to legislation.</p> <p><b>Approved: The Whistleblowing Policy was approved for future use.</b></p>
13.	<p><b>Anti-Fraud Policy Review</b></p> <p>The CFO reported that two appendices had been added to the policy to provide staff with more guidance on detecting fraud and what to do when fraud was suspected.</p> <p>PG advised that there was a section within the Audit Code of Practice providing anti-fraud questions for the Committee to reflect on and that some colleges included a fraud update as a standing agenda item. The CGO advised that work had taken place to provide reassurance of the College's position against the checklist and this had been presented at a previous Audit Committee. A standing agenda item would be introduced going forward to specifically look at fraud. MM added that the fraud audit checklist would also be included as part of the financial statements audit.</p> <p><b>Approved: The Anti-Fraud Policy was approved for future use.</b></p> <p><b>Action: A standing agenda item on fraud to feature on all Audit Committee agendas going forward.</b></p>

14.	<p><b>Cyber-Security Review Update</b></p> <p>The CFO advised that a cyber-security review had been undertaken last year involving a penetration test where an IT company tried to attack the College's network. The testing had been successful but a lot of guidance had also been issued and the full report contained over 300 pages including lists of IP addresses. The report had not been included in the papers but was available for any member of the Committee who wanted to receive the full version.</p> <p>The CFO provided an update on the actions in place to ensure the College remained secure, highlighting:</p> <ul style="list-style-type: none"> <li>• MFA in place</li> <li>• Firewall rules tightened</li> <li>• Removal of legacy systems</li> <li>• Cyber-essentials accreditation underway and cyber-essentials plus being considered.</li> </ul> <p>MM advised that a lot of hard work was required to achieve cyber essentials and asked whether there was capacity in the team to address this and how this impacted on the college insurance. The CFO replied that the College had a strong IT team internally to be able to make the progress required. Cyber insurance had been purchased this year and provided c£1m of cover. The only insurance requirement had been that the MFA was in place within 6 days which was achieved.</p> <p>In response to a query from the Chair, the CFO confirmed that a robust business continuity system was in place.</p> <p><b>Agreed: That the update be noted.</b></p>
15.	<p><b>Matters requiring Auditors to withdraw</b></p> <p>There were no matters requiring Auditors to withdraw.</p>
16.	<p><b>Date and time of next meeting – TBA – September 2022</b></p>

The Chair thanked all those in attendance for their contributions and thanks were recorded to the Internal Auditors, Financial Statements Auditors, CFO and CGO. The meeting closed at 5.32pm.

Agenda Item	Action	Responsibility	Timescale	Update
6.	Committee self-assessment form to be completed	All	July 2022	Ongoing
13.	A standing agenda item on fraud to feature on all Audit Committee agendas going forward.	CGO	September 2022	Complete – added to the business cycle

Signed.....  
Bim Osunsami (Chair)

Date.....