

Meeting of the Audit Committee

Date:	21 June 2021	Room number	Via Microsoft Teams
Present	Mark Bass (Chair), Sarkis Mazmanian (Vice-Chair), Bal Panesar (BP)		
In attendance	Wijay Pitumpe (Chief Finance & Enterprise Officer) (CFEO) Maxine Deslandes (Director of Finance & Estates) (DOFE) Victoria Eastwood (Chief Governance Officer) (CGO) Mark Eagle (MacIntyre Hudson) (ME) Clive Makombera (RSM) (CM) Kimberley Hancock (RSM) (KH) Bharat Rathod (Head of MIS) (BR) – Agenda Item 7 only Richard Roberts (Head of Apprenticeships) (RR) – Agenda Item 7 only Andrew Keegan (Head of IT) – Agenda Item 7 only		
Apologies	N/A		
Circulation	Audit Committee		

1. Welcome and apologies for absence	The Chair welcomed all present to the meeting. There were no apologies for absence.																							
2. Declarations of Interest	Governors were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. None were anticipated.																							
3. Minutes of the Previous Meeting - Monday 15 March 2021	The Minutes of the Meeting held on Monday 15 March 2021 were agreed as a true and accurate record. Approved: That the Minutes of the Meeting held on Monday 15 March 2021 were agreed as a true and accurate record.																							
4. Matters arising	Outstanding actions from the March Audit Committee Meeting: <table border="1" data-bbox="272 1339 1445 1778"> <thead> <tr> <th>Ref.</th> <th>Action</th> <th>Responsibility</th> <th>By (Deadline)</th> <th>Update</th> </tr> </thead> <tbody> <tr> <td>5.</td> <td>CGO to consider whether separate meeting will be required for discussion on JISC cyber-security review.</td> <td>CGO</td> <td>June 2021</td> <td>Review ongoing – meeting will be convened once finalised</td> </tr> <tr> <td>.</td> <td>Area/Directorate to be included in the management actions table.</td> <td>EG</td> <td>June 2021</td> <td>Complete</td> </tr> <tr> <td>8.</td> <td>ICT Executive lead to be amended to the CFEO and summary of champions to be provided at the beginning of the risk register.</td> <td>CFEO</td> <td>ASAP</td> <td>Complete</td> </tr> </tbody> </table>				Ref.	Action	Responsibility	By (Deadline)	Update	5.	CGO to consider whether separate meeting will be required for discussion on JISC cyber-security review.	CGO	June 2021	Review ongoing – meeting will be convened once finalised	.	Area/Directorate to be included in the management actions table.	EG	June 2021	Complete	8.	ICT Executive lead to be amended to the CFEO and summary of champions to be provided at the beginning of the risk register.	CFEO	ASAP	Complete
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	The Chair enquired when the JISC cyber security review would be completed. AK advised that the review would not commence until 1 July 2021 and initial work would be completed by 8 July 2021. It was noted that there had been some confusion over timings as the Committee expected the review to be presented at this meeting. The cyber security review would now be discussed at the first meeting of the academic year.																							

	There were no further matters arising.
5.	Matters requiring College staff to withdraw There were no matters requiring College staff to withdraw.
6.	<p>Post 16 – Audit Code of Practice 2020-21</p> <p>The CGO asked ME for his view regarding the requirement for external auditors to present their findings annually to the Board. ME replied that one suggestion was for the Chair to attend the part of the Audit meeting for this agenda item but to withdraw afterwards. The Chair of the Board is not involved in the Audit process and there was an issue of the independence of the Audit Committee being threatened.</p> <p>It was noted that further updates were expected from the ESFA and the Committee would be made aware of any developments. The CGO added that this topic was being discussed through governance channels in the sector and it was anticipated that the position would be made clearer in due course.</p> <p>Agreed: That the current position be noted. The Committee to be updated as appropriate.</p>
7.	<p>Internal Audit Assignment Reports: Learner Number 2019/20 and Learner Numbers 2020/21</p> <p>CM informed the Committee that whilst an improvement had been made between the learner number audit 2019/20 and the learner number audit 2020/21, there were still a large number of issues for the College to address and these areas of risk were being flagged to the Audit Committee.</p> <p>The Chair referred to point 3.1 of the 2019/20 report adding that this was also a general point throughout the whole report – there was no evidence provided to support the management responses. The management response for 3.1 referenced a commitment statement and the Committee had previously specified that links to documents or evidence of the actual document was required. KH advised that the required clauses had not been included in the commitment statement for 2019/20. The revised version for 2020/21 had improved but work was needed to ensure the historic position was correct.</p> <p>The DOFE stated that the internal audit follow up report provided the supporting evidence but evidence to be included with management responses would be introduced going forward. The Chair acknowledged that the purpose of the follow up report but stated that if the recommendation was dated in the past then the Committee needed to see the evidence. This was agreed. RR added that the commitment statement was in place alongside a control measure to ensure learners would not be enrolled without a commitment statement.</p> <p>The Chair stated that management responses made reference to revised processes which implied that things had been done but there was no way for the Audit Committee to be assured of this. If the evidence was provided at the outset, then this prevented questions and actions rolling over to the following Committee meetings. There had been instances in some of these areas where the follow up audit identified that the work had not been completed.</p> <p>The Chair reported that point 3.5 regarding the skills scan was a recommendation from the previous years audit and should be in place and completed. KH replied that last year the audit had focussed on all enrolments and this year had completed 19/20 which was the same pool of learners therefore historically it appeared that the issues had not been completed. These learners would not be in scope for the ESFA audit. The Chair stated that although the learners would not be in scope the issues remained the same. KH confirmed that the same issues would occur if the College was selected for an ESFA audit.</p> <p>In response to a query from the Chair regarding item 3.7 – revised process mapping, RR confirmed that this action had been completed in the 2020/21 audit and the evidence would be available in the follow up audit.</p>

The Chair asked if the revised job template within point 3.9 would be available before the end of the year. RR responded that this had been revised but there was still a query for the 2020/21 audit. KH confirmed that the calculator had been checked and this reconciled as expected.

The Chair concluded that in the prior audit years there had been systemic failures in the systems. CM stated that there had been significantly more issues in 2019/20 than 2020/21 but there were still issues that needed to be addressed. The Chair advised that whatever process were in place in the past were not working and the error rate should be 0% or possibly an allowance of 5%, but not 45 % as it remained for 2020/21 this was simply unacceptable.

The Chair acknowledged that there were fewer issues in the 2020/21 learner numbers audit, however, eligibility had improved but the error rate was still high at 45%; apprenticeship agreements continued to have a 100% error rate, skills scan reduced to 80% failure rate but the ILR situation had got worse. On behalf of the Audit Committee, the Chair asked the Internal Auditors what action was required alongside taking the report to the main Board to ensure that all these areas were rated green by the next academic year. The Chair noted that this was not personal against those members of staff responsible for these areas and acknowledged some staff had been new in post but the Committee needed to know how this could be put right.

CM advised that a baseline action plan was in place but some of the interventions may need to come from management. He suggested that future Audit Committee meetings needed to be provided with a paper from management on progress in this area. The Chair asked how the College's position compared with other colleges in the sector. CM responded that the College was not alone in terms of challenges regarding learner numbers systems but the level of issues for the College was significant.

The Chair asked the College staff in attendance how they could provide assurance to the Committee. BR responded that he was committed to undertake controls through internal validation reports with RR. There could be human errors picked up as a low action point but where possible checks would be undertaken through validation reports so the College could check against those control reports. The Chair asked if this could be undertaken on a more ongoing basis to prevent a reconciliation problem at the end of the year. RR replied that an action plan was in place to provide reassurance. The Chair stated that the College could not afford to come to a year end position and things not have been addressed. There was still concern regarding the systems in place and the Committee needed to see the relevant evidence.

BP noted that changes in personnel had caused delays but that should not be the case. Some of the issues were important and should be a priority and this needed to be reinforced with the Executive Team. The Chair stated that there was a need to ensure the information flowed correctly to ensure all staff were aware of what needed to be completed in each area.

The Chair thanked BR and RR for their comments.

BR and RR left the meeting.

Action: Update on progress against recommendations to be presented at the first Audit Committee meeting of the academic year.

Health & Safety

CM reported that five policies had been in scope for the audit and there had been four medium and four low actions. An action plan was in place around policies and procedures and making sure policies were amended to ensure they remained relevant and appropriate.

HR Policies

CM advised the Committee that the report was largely positive with four medium actions. The Chair asked for clarification on whether the SPH grievance procedure had been included alongside the grievance procedure for all staff as this had recently been found to be out dated. It was agreed that this would be confirmed. *Post meeting note – the SPH grievance procedure was updated in May 2020 and will be reviewed in May 2022.*

The Chair stated that the last review dates were far too long and some of the procedures had not been reviewed for ten years which was not acceptable. The Chair questioned whether there was a process in place to ensure all policies were reviewed within a date no longer than three. CM replied that this had been included in the action plan. The CFEO advised that he would discuss this with the Quality department.

The Chair queried why management action number four stated TBC for the person responsible. The CFEO responded that this had been picked up with the CTO as HR were currently going through a recruitment process and the role was vacant. It was noted that the person responsible should be stated as the CTO until the vacancy was filled.

IT Healthcheck

CM reported that the audit had identified areas of concern across a number of areas: procedure, controls, making sure IT state was not exposed and issues concerning firewalls and boundary firewalls. One high action and five medium actions had been identified and an action plan was in place.

The Chair clarified that AK was person responsible for the recommendations and advised that it needed to be highlighted in the report where others were in charge of specific recommendations.

The Chair stated that processes needed to be put in place that could be referred to and reviewed to ensure the position was consistent. AK replied that the IT department were doing the right things but had not written these down. This was now taking place and would be approved and reviewed accordingly.

AK addressed the high risk recommendation advising that 90% of staff now had domain admin accounts in place and this would be completed when the remaining staff returned from leave.

SM queried why cyber security had not been included in the audit. CM responded that there were some correlations but this would be a separate report. The CFEO added that the outcome of the JISC cyber security review would be included in the action plan. The College had worked with other colleges and taken advice from JISC to secure the network and a lot of the actions from the action plan were already in progress.

The Chair thanked AK for his feedback.

AK left the meeting.

Key Financial Controls

CM advised that this was a positive report and substantial assurance had been given. There was one low action which was a house keeping issue and had been addressed.

The Chair recorded his thanks to the DOFE and CFEO and the DOFE passed her thanks on to the Finance team.

Risk Management

CM stated that this was another positive report and congratulated management. There were only a few issues with low priority points in terms of improving risk management arrangements.

The Chair thanked the CFEO for his work on this.

	<p>GDPR</p> <p>CM reported that an audit opinion had not been issued for this audit as it was advisory. Some low priority actions had been identified and the Committee were advised of the positive areas in terms of control design and control application.</p> <p>The CGO advised that the recommendations were accepted but going forward cost would be an issue with regard to implementing systems. However, all options would be explored.</p> <p>Agreed: That the current position be noted.</p>
8.	<p>Progress on Previous Internal Audit Recommendations</p> <p>CM informed the Committee that the follow up audit had focussed on eight actions and provided a summary of the position: three actions were still in progress; three actions would shortly be due for implementation and two actions had been completed. An update would be provided at the next meeting.</p> <p>The Chair asked whether the implementation dates for the three actions not completed were overdue. CM replied that the implementation dates had been revised. The Chair referred to the apprenticeships recommendation noting that the original implementation date was three years prior and although there had been a change in management this was not acceptable. The CFEO advised that he would present this at the next SLT meeting alongside the Chair's comments.</p> <p>Agreed: That the current position be noted.</p>
9.	<p>Progress on Previous Financial Statement Audit Recommendations</p> <p>The DOFE reported that a verbal update from the CTO had confirmed that the outstanding recommendation had been completed and evidence had previously been provided. Examples of signed contracts from the sample (in line with GDPR) would be provided at the next meeting.</p> <p>Approved: That the current position be noted.</p> <p>Action: Signed examples of contracts from the sample to be provided as evidence at the next Audit Committee meeting.</p>
10.	<p>Financial Statements Audit Strategy</p> <p>ME reported that the Financial Statements Audit Strategy was a standard document providing the responsibilities of the Auditors and the Committee and the process to be followed. The key focus was to consider the risks and the Committee were referred to the risk regarding recognition of income and advised that the ESFA had removed their assurance over 16-18 grant income which needed to be considered.</p> <p>The ESFA were putting a paper together to advise of their exact intentions and this was expected to be completed in early July 2021. Currently, liaising with Internal Auditors, consideration of controls, requirement for direct testing were options but a meeting would need to take place with the College SLT to discuss how to approach this.</p> <p>CM advised that a lot of clients would be in a similar position and additional work was anticipated to understand the expectations. ME stated that in an ideal world if the learner numbers audit was strong this would mitigate the additional work needed. The ESFA would no longer provide any assurance over the income it would be based on the numbers. KH added that the learner numbers report had included fifteen AEB learners and fifteen study programmes therefore there had been some work already undertaken on those areas.</p> <p>The CFEO stated that he had followed this up with the ESFA but had not received a clear response. The AoC was picking up this issue on behalf of colleges.</p>

	<p>It was agreed that an update would be provided by the External Auditors as soon as further feedback was received from the ESFA. The Chair advised that he was flexible for a short discussion instead of a meeting if required.</p> <p>Agreed: That the current position be noted. Action: Update on the position from the ESFA to be provided as soon as it is received by the External Auditors.</p>
11.	<p>Risk Register and Update</p> <p>The Chair thanked the CFEO for adding the list of champions to the document which was useful.</p> <p>In response to a query from the Chair, the CFEO reported that the College had received the final part of Erasmus funding which would be used. The Turin scheme was in the pilot stage and the deadline for applications had been put back to 2023 due to the pandemic.</p> <p>The Chair referred to the risk for HE and stated that the College was reapplying to the OfS but there was no way of telling what the outcome would be. The CFEO said that there were franchise agreements in place needed to give sufficient provision to make sure all areas were included.</p> <p>BP noted that the pension situation remained the same in terms of actual and residual values. The CFEO replied that he had debated taking it off the register but, as the Treasury had committed to funding until July 2022 and no information had been received past this date, the risk remained.</p> <p>Agreed: That the current position be noted.</p>
12.	<p>JISC - Digital Governance Review</p> <p>The CGO advised the Committee that the digital governance review was part of the College's cyber security review being facilitated through JISC. The Committee were asked to provide any feedback to the CGO via email.</p> <p>Agreed: The Committee to consider any comments or feedback on the digital governance review and forward to the CGO.</p>
13.	<p>AoB</p> <p>The CGO recorded her thanks to the Chair on behalf of the Committee and the Board for his work as Chair of the Audit Committee. The DOFE added her thanks on behalf of the management and staff of the College.</p> <p>The Chair thanked the CFEO on behalf of the Audit Committee for his fantastic work and wished him well for the future.</p> <p>The DOFE and the Audit Committee thanked RSM UK for their internal audit services and wished them well.</p> <p>The CGO added that recruitment to the Audit Committee was a priority for Governance as there were now only two members remaining neither of which were in a position to take on the role of Chair. This would be considered by the Board and external recruitment would take place.</p>
14.	<p>Appointment of Internal and External Auditors</p> <p>The DOFE reported that a tender process had taken place and the panel consisted of the Audit Chair, CFEO, DOFE and SM. Five tenders were received for internal audit services and three of those were shortlisted – Scrutton Bland had been successfully appointed. Two tenders were received for external audit services and the contract was awarded to MacIntyre Hudson.</p>

	<p>The DOFE thanked the Chair and SM for their contributions.</p> <p>Resolved: The Audit Committee formally advise of the appointment Scrutton Bland and Macintyre Hudson as Internal Auditors and Financial Statement Auditors respectively as from 2021/22. To be ratified by the Board of Corporation at the July meeting.</p>
15.	Date and time of next meeting – To be confirmed

The Chair thanked all those in attendance for their contributions. The meeting closed at 17.15pm.

Agenda Item	Action	Responsibility	Timescale	Update
7.	Learner Numbers - Update on progress against recommendations to be presented at the first Audit Committee meeting of the academic year with evidence and documentation as appropriate.	DOFE/CGO	October 2021	To be discussed at the September meeting.
9.	Signed examples of contracts from the sample to be provided as evidence at the next Audit Committee meeting.	DOFE	October 2021	To be provided at the November meeting.
10.	Update on the position from the ESFA to be provided as soon as it is received by the External Auditors.	ME	ASAP	To be provided when available.

Signed.....
Mark Bass (Chair)

Date.....