

Minutes of the Audit Committee
Held on Tuesday 25th May 2021

Present: Kathy Newman (Chair), John Dernie, Alexey Smirnov, Tim Thurston

With: Carole Kitching, Principal
Stephen Horrobin, Deputy Principal Finance and Resources
Paul Jones, Head of Partnerships (minutes 51 – 54 only)
Richard Bott, Mazars
Louise Tweedie, RSM
Tracy Scaife, Head of Governance

51. Apologies for absence –received from Andrew Perrot and Keeran Vetriko.

52. Declarations of Interest – received as follows:

Kathy Newman - college deposit with Nationwide.

53. Minutes of the last meeting held on 23rd February 2021 and matters arising – minutes agreed as a correct record.

Matters arising raised as follows:

(i) Minute 40 – IT Security – the meeting noted that the required action has been completed. Updates from the Director of Resources and Projects on the 3-5 year plan for penetration testing across all systems and IT security were circulated to the committee ahead of the meeting.

(ii) Minute 42 – Risk Registers – noted that no members of the committee had fed back any comments or questions on the Risk Registers to the Deputy Principal Finance and Resources. The action stands and members of the committee are once again asked to submit any feedback on the Risk Registers to the Deputy Principal Finance and Resources.

(iii) Minute 43 – Annual Internal Audit Report and Opinion – year ended 31st July 2020 – noted that it had not been possible to change the wording on page 5 of the report as the suggested amendment was received too late.

(iv) Minute 44(i) – Internal Audit Report – Framework for Compliance with Legal Requirements: Health and Safety – agreed that the word ‘negative’ be removed from the last sentence.

(v) Minute 45 – Audit Action Log – re. Higher Education Framework 01. 19/20, governors to advise if the Vice Principal HE and Curriculum needs to provide Corporation with a briefing in relation to consumer protection laws to ensure they are aware of the Competition and Markets Authority (CMA) advice and the colleges position on protecting consumers.

ACTION: *Committee members to feedback any comments/questions on the Risk Registers to the Deputy Principal Finance and Resources;*
Head of Governance to remove word 'negative' from the last sentence;
Vice Principal HE and Curriculum to seek confirmation from governors re. need for briefing in relation to CMA advice and college position on protecting consumers

54. Education Skills Funding Agency (ESFA) Funding Assurance Review – report from ESFA and summary report from Head of Partnerships received and noted.

The meeting noted that the college was advised in October 2020 that it had been selected for an ESFA Funding Assurance Review. The review related to 2019/20 provision and therefore to Queens Drive only as this provision was prior to the merger of the colleges. There was a significant delay between the end of the review and the issuing of the report caused by waiting for the ESFA to confirm the format required for the report. The result of the review was pleasing and is believed to put the college within the top quartile of colleges for compliance. The error rate across the main sample was 0.44%, equating to circa £14k. The error rate for Partnership sub-contracted provision totalled less than £500 in its entirety, providing further reassurance in light of the significant volume of activity in this area.

The process for the recent review seemed to be much smoother than the previous review on the 2017/18 data and produced a significantly shorter report with six recommendations. There is always room for improvement and the recommendations have been accepted and the management response has been formulated.

A question was asked about the approach across the college and if there were any differences between the two colleges prior to merger. The Head of Partnerships advised that both colleges had used the same software to the same standard but used them in different ways.

The Chair congratulated the Head of Partnerships on the outcome of the review. The Deputy Principal Finance and Resources advised that a number of staff were involved in the review, many who were experiencing a difficult time as they were part of the staffing restructure post-merger. The committee asked for their thanks to be passed on to all those involved with the review.

ACTION: *Deputy Principal Finance and Resources to pass on thanks of committee to all those involved with the ESFA Funding Assurance Review*

55. Audit Strategy Memorandum – report from Mazars received and noted.

Richard Bott, Engagement Partner gave a brief overview of the report. The significant risks and key judgement areas were noted. Reference was made to changes to the Post-16 Audit code of Practice, particularly the requirement that the Audit committee must now consider a requirement for independent assurance reports on sub-contracting arrangements and the ILR can no longer be relied upon, and the requirement that external auditors will now need to present their findings to the full Corporation. Audit companies have raised concerns about these areas with the ESFA and a meeting is being held with them on 11th June to discuss. The former puts additional burden on to the colleges and causes significant additional work for external auditors.

The main risk and judgement areas were noted as being going concern, including impacts of Covid-19 and the management override of controls. The recent merger also remains as a risk, particularly that it has been effected properly.

ACTION: *Richard Bott to advise the committee of the outcomes of the meeting to be held 11.06.2021 re. the requirements of the amended Post-16 Audit Code of Practice. TS to review actions required to obtain required assurance.*

56. Risk management update – report by Deputy Principal Finance and Resources received and noted.

With regard to the notice received from Sodexo, caterers at Queens Drive, to end their contract with effect from 31st July 2021 the meeting noted that negotiations are taking place with Aramark – currently caterers at North Star – to take on the provision of the service at Queens Drive. This proposal has been reported to both the Resources, Integration and Change committee and the Corporation. Other companies have been approached through a tender process but showed no interest. Aramark will only consider a three-year contract. Negotiations to obtain a zero cost offer from Aramark have been successful and this is a positive achievement. Catering provision is a problem currently being experienced by many colleges.

16-19 student recruitment continues to be a challenge, impacted by restrictions relating to Covid-19. The Principal advised that the main issues are students preferring to stay at their school sixth forms – they feel safe with what they know; access to students – it has not been possible to attend schools to give presentations, to hold physical open days and evenings or taster sessions. A physical open day is now planned for June together with some taster evenings. Figures for the number of students staying at school sixth forms will not be known until data is received from Swindon Borough Council in September/October.

57. Risk Registers – received and noted.

The Deputy Principal Finance and Resources advised that there have been no significant changes to the Whole College Register, the Post-merger Register or the Covid-19 Register. One material change to the IoT Register relating to stakeholders and the level of risk has been increased from 8 to 12.

With regard to the target dates contained within the Risk Registers it was commented that they do not appear to be comprehensive and that this might make the registers more challenging to oversee. The Deputy Principal Finance and Resources advised that it is necessary to balance effort against reward and that the indicative dates do assist the owners of the risks. The responsible SLT leads will be reminded of the requirement to include these dates.

ACTION: *SH to work with SLT leads to include indicative dates within risk registers*

On the Post-merger Risk Register reference is made to single financial management systems and it was noted that the college has agreed to run with different financial management systems for at least the next 12 months and the level of risk has been reduced from 12 to 4. It was further noted that the level of risk to the college does not change and it was questioned what processes were used to arrive at the risk level. The Deputy Principal Finance and Resources advised that the risks are all reviewed by the relevant manager, by the Principal and himself.

The meeting noted that the IoT Risk Register and the Covid-19 Risk Register will not be required in a relatively short period of time – circa 2 years – and at that point the Whole College Risk Register will be much shorter.

With regard to safeguarding, the Principal advised that all schools and colleges are constantly reviewing safeguarding processes and procedures.

ACTION: *SLT leads to include target dates within the Risk Registers*

The Principal advised the meeting that the college had received a spot check earlier in the day by the Health and Safety Executive (HSE) to check on compliance with Covid regulations over the past fifteen months. The college was able to evidence full compliance and received a clean bill of health.

The Chair referred to the reporting of risks to the Corporation and advised that for the next academic year she would like the Corporation to receive a report on the higher level risks facing the college at each meeting.

Cyber security is an increasing risk and this has been reflected in the Risk Registers. A greater level of training for students might be required.

The Chair noted that the length of the Risk Registers makes them difficult to work with and requested that for the next academic year they be split into higher and lower risks so that the higher risks can be concentrated on.

ACTIONS: *Chair to discuss reporting of high level risks to each meeting of the Corporation commencing at the beginning of the next academic year with the Chair of Governors; Deputy Principal Finance and Resources to reconfigure Risk Registers to show high level risks separately for the next academic year and dates for residual risks to be at target*

58. Internal Audit Reports – received and noted as follows –

(a) Partnership Framework – Higher Education – noted that the report received a reasonable (amber) level of assurance and contains 1 high management action, 3 medium and 1 low. The high rated action relates to the monitoring control framework for education provision delivered in partnerships. With regard to actions 3 and 4 it was stated that the issues raised would be expected in other areas as all involve procurement. The Deputy Principal Finance and Resources advised that procurement for goods and services is dealt with differently and due diligence exercises are still undertaken. It was suggested that there should be a uniform process across all areas and this should be considered.

ACTION: *Deputy Principal Finance and Resources to consider a uniform process for procurement across all areas of the college.*

(b) Human Resources Controls: Recruitment and Selection – noted that the report received a partial level of assurance and contains 3 low actions, 5 medium and 0 high. A further sample check will be carried out over the summer to ensure that progress has been made with recruitment uniform selection processes.

ACTION: *RSM to undertake further sample check over summer to ensure progress made with uniform recruitment selection processes.*

(c) Internal Audit Progress Report – with regard to the audit of key financial controls, Louise Tweedie advised that there had been some process failings on the part of RSM in relation to delivery of feedback and the siting of references. She apologised for these issues and advised that the report will be updated when the required references are received.

The progress made to date was noted. Reference was made to a Board Assurance Framework and the committee was advised that this would be something that the Corporation should consider.

ACTION: Corporation to consider the introduction of a Board Assurance Framework – HoG to raise with the NRG committee

(d) Internal Audit Strategy 2021-24 (including the 2021/22 Internal Audit Plan) – the meeting noted the outline of the Plan and the reasons for the planned audits.

A discussion was held on the merits and challenges of adding a review of project assurance of the IoT. It was noted that the IoT is managed as a separate entity and has a focussed steering body who consider the project and the associated risks register. The Principal and Deputy Principal Finance and Resources advised that, in their opinion, it is too late to maximise the value of such a review as the project is close to completion.

The Chair suggested that the audit currently named as Governance and Risk Management Framework should be renamed to Governance, Risk and Controls Management

ACTION: RSM to rename Governance and Risk Management Framework audit to Governance, Risk and Controls Management.

59. Outstanding Actions Log – received and noted.

The Committee noted that there are a number of issues where actions have been completed and these points can be removed from the register. However there was concern about the delay on actions related to Fraud controls. The Deputy Principal said these would be a focus when the new Deputy Finance Director is recruited. The Committee noted that the commentary states the revised Anti-Fraud/Anti-Corruption policy is ready to be presented to Corporation for review, which will help address one fraud related open action.

With regard to the Remissions policy referred to under Resource Utilisation it was noted that this has been dealt with through the curriculum plan.

RESOLUTION: that all actions identified as complete be removed from the Outstanding Actions Log.

ACTION: Deputy Principal Finance and Resources to present Anti-Fraud/Anti-Corruption policy to Corporation 06.07.2021;
Deputy Principal Finance and Resources to remove all actions identified as completed from the Outstanding Actions Log.

60. Post-16 Audit Code of Practice – revised Post-16 Audit Code of Practice, annotated document showing changes and report by Head of Governance received and noted.

Further reference was made to the matters within the Code raised by Richard Bott earlier in the meeting. The Head of Governance advised that through a survey on the Clerk Network it was noted that no colleges have their external auditors in attendance at Corporation meetings to present their findings however this is something that the new Code requires and appears to be unavoidable. An exercise will be carried out to identify the required changes and take actions to ensure that the college is compliant with the Code.

ACTION: *Head of Governance to carry out exercise to ensure the college is compliant with the revised Code.*

61. Audit committee self-assessment – summary of completed questionnaires received noted.

The Chair stated that she was disappointed with the number of completed returns (3 responses received) and would continue to encourage all members and attendees to raise improvement suggestions when appropriate.

The summary of responses and proposed actions were reviewed and captured in actions related to committee Terms of reference, recruiting for new members and enhancements to risk and control reporting for 2021/22.

A discussion was held with regard to the management accounts being presented to the Audit committee. At the present time these are presented to and considered by the Resources, Integration and Change (RIC) committee. Insurance is another report which is presented to the RIC committee however this relates to the safeguarding of assets which is a matter for the Audit committee. The Chair advised that the Terms of Reference for the committee are to be reviewed over the summer, to clarify each committee's roles and responsibilities, and will be used to formulate the agenda for future meetings.

62. Any other business – raised as follows:

(i) Goodbye and thank you – Alexey Smirnov advised that this is the last meeting that he will be attending. He thanked everyone for the experience over the past eight years as a full governing body member and Chair of the Audit committee and latterly as a co-opted member of the committee. On behalf of the committee, the Chair thanked Alexey for his work and commitment to the college and wished him well for the future.

In addition, the Committee recognised this was the last meeting that Andrew Perrott was due to attend and The Chair will pass on the thanks on behalf of the College for his time as a co-opted governor with Swindon College and New College.

(ii) Committee membership – the Chair advised that both co-opted members of the committee have now resigned and that Tim Thurston and Keeran Vetriko are only temporary members. There is therefore an urgent need to recruit members to the committee and this will be raised through the Nominations, Remuneration and Governance (NRG) committee.

ACTION: *Head of Governance to place item on agenda for next NRG meeting re. recruitment of members to the Audit committee.*
The Chair to message Andrew Perrott in appreciation of his contribution.

63. Date of next meeting – to be advised.

49. Appointment of External Auditors – confidential minutes refer.