

Minutes of the meeting of the Audit Committee held at Station Park on Friday 14th February 2020 at 12 noon.

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Cropley, Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts

MEETING WITHOUT MANAGEMENT PRESENT

The Chair invited internal auditors to provide an update on their engagement with the college thus far. Lee Glover confirmed that he had found everyone helpful in terms of the first visit and that there was a review booked for next week regarding apprenticeship onboarding. A challenge from the Committee was that they would want to see the planned audit programme for 19/20 completed in this academic year, which would mean that everything needs to be done and reported to the 29th June 2020 meeting. They urged internal auditors to speed up the timetable so as to avoid the need for a September meeting. It was agreed that internal auditors would present a full plan of agreed dates for 19/20 audit work at the next meeting.

(Andrew Cropley and Jon Fearon joined the meeting at 12.05pm)

1 DECLARATION OF INTERESTS ON ANY ITEM ON THE AGENDA

The Chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. No interests were noted, save for standing declarations.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Clive Pitt and Sardip Sandhu.

ACTION by whom	DATE by when
Internal Auditors	21.04.20

Signed : _____  _____ Chair

Date: 21.04.2020

3 MINUTES OF THE MEETING HELD ON 28TH NOVEMBER 2019

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the meeting held on 28th November 2019.

There were no matters arising.

4 ACTION PROGRESS REPORT

The Committee were happy to note the content of the update provided and the progress being made towards implementation.

AGREED: to note the content of the updates provided.

5 INTERNAL AUDIT REPORTS FOR 2019/20

1) Expenses

Internal auditors presented their detailed report and confirmed the overall view that the design of control was adequate and the effectiveness of control was also adequate. Taking account of the issues identified and the recommendations made, their opinion is that the Board can take adequate assurance that the controls upon which the organisation relies to manage risks material to the achievement of the organisation's objectives are suitably designed and effective.

Key matters brought to the Committee's attention were:

- The college expense policy states that it was due for review in November 2019, however, this review has not yet taken place,
- In relation to staff expenditure they found:
 - a) Five instances where the form had been used by governors to claim reimbursement of mileage. The form states that it should not be used for claiming mileage and is not suitably structured for this purpose. We therefore recommend that the college consider an alternative means of processing governor mileage claims, either through utilising the existing college expense form or introducing a new governor expense form.
 - b) One instance where the stated £50 limit had been exceeded.
- In relation to colleague expenses they found that;
 - a) Two instances where suitable receipts were missing; in one instance, a credit card slip had been provided. This is in contravention of the college policy, does not sufficiently demonstrate what the expenditure relates to and does not facilitate checking of expenditure.

Signed : _____  _____ Chair

Date: 21.04.2020

- b) Two instances where alcohol had been reimbursed. This is in contravention of the college expense policy. In one instance the alcohol was recorded as a 'sandwich' on a form and in another it was claimed as part of an evening meal.
- c) One instance where mileage had been incorrectly recorded on the sheet.
- d) One instance where the claimant had exceeded the 10,000 mile upper pence per mile rate. It was explained that this was likely to be an assessor.
- e) The college does not currently have a process in place to confirm that claimants of mileage are suitably qualified to drive, hold business insurance, and that their vehicles are in a roadworthy condition supported by a valid MOT certificate.

In general discussion, the processes were described as quite laborious and the Finance Director confirmed that this was being changed with the introduction of better online systems. A challenge from the Committee was that there seemed to be a lack of low-level checking, and there were concerns that the findings seem to be statistically relevant given the sample size (i.e. ten staff expenditure forms and twenty five colleague expense forms).

The Committee agreed that there should be a culture in place of checking and challenging and they questioned whether further staff training was required. The Finance Director confirmed that there was still some work to do at the base level, in particular staff understanding of consequences. He explained that it is the manager's responsibility to check the claims submitted. A challenge from the Committee was to ensure that the finance team also has a role to play in terms of independent checking.

Internal auditors explained that the situation was slightly complicated by the fact that BKS and WNC staff have slightly different positions. A restated challenge from the Committee was to educate staff to ensure prevention and avoid noncompliance.

The Committee then went on to consider page 8 and the comments made in relation to 'driving private vehicles for business'. Their challenge was that 'occasional' needs to literally mean just that for insurance purposes. The Finance Director confirmed that Zurich has been approached for their view on irregular and infrequent. They have confirmed that they would cover the occasional movement to accommodate meetings between sites. The Committee all agreed that there was a need to ensure that staff have business insurance cover in place if that is appropriate. A question from the Committee was whether or not the college can introduce a mileage limit trigger. A challenge from the Committee was to use the college's insurance policy

Signed : _____  _____ Chair

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as a backstop only, and to encourage staff to have their own business use cover.

The Committee suggested that an annual check of MOTs and insurances is undertaken, however they accepted that it had to be put in context and potentially that annual self-declaration would suffice. The Finance Director confirmed that the college is now using a system called 'compliance hub' and that emails could be used through this to provide confirmation/self-declaration.

The Finance Director confirmed that he would undertake a review of the expenses policy this academic year. The Committee asked that 'business use' be defined clearly within the expenses policy and claimable at 45 pence, rather than other staff at 40 pence for infrequent use.

FD

July
2020

The Committee all agreed that the governors' form regarding expenses to be claimed needed to be clarified in terms of mileage.

Clerk/FD

Feb.
2020

2) Follow up

Internal auditors again confirmed that the design of control was adequate and the effectiveness of control was also adequate. Key matters brought to the Committee's attention were:

- Recommendation tracker – auditors reviewed the approach to tracking recommendations and made a number of observations, including:
 - a) The current format of the tracker creates duplication.
 - b) There were two internal audit reports that appear to have been missed off the tracker. The recommendation is to reduce the number of sheets, having one for outstanding recommendations, one awaiting verification, and one for archive: this will ease administration. The recommendation is to remove the finding that led to the recommendation, and just focus attention on the action required. The committee indicated that it was important to ensure that all recommendations arising from reports are included within the tracker, and that any gaps should be more easily identifiable by simplifying the format, improving accuracy of reporting.

The Finance Director confirmed that the changes agreed have now been implemented and that the tracker available for the Committee today is in the new format. It was acknowledged that this will simplify and allow the Committee to focus their time. In future, the intention is to sort all of the same colours into a block with the red first. The proposal is that amber and red items have to be signed off as concluded by auditors, whereas green items can be self-certified as completed by the college. Any blue items will be those that are

Signed : _____  _____ Chair

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completed. A challenge from the Committee, in terms of streamlining the content of the tracker, is to make sure that the recommendation makes sense with the context text taken away.

AGREED: to note the content of the reports provided.

6 INTERNAL AUDIT PLANNED ACTIVITY

Internal auditors presented minor amendments to the assignment brief for apprentice on-boarding 2019/20. They explained that they are booked to start and complete the audit work next week. Their intention is to use a good-sized sample, as it is usual within FE to see delay. They will focus on this academic year to see current practice. The Principal indicated that what is hoped for is to see that the systems in place are efficient and effective. The Committee all agreed that, if internal auditors see best practice elsewhere, it would be incredibly helpful to share in terms of any recommendations.

A challenge from the Committee was to ensure that the sample size covers a broad range of curriculum areas. They asked that the points made in the external ILR audit be cross-referenced and that areas are audited following the changes made in response to this.

In terms of the other planned areas of audit, a challenge from the Committee was that they want to see the scopes/assignment briefs before the work is done. It was acknowledged that there will be further work to do before the next planned meeting date in April, therefore auditors will circulate assignment briefs in relation to any work that is to be done before 21st April 2020. It was also agreed that the 20/21 proposed plan would be presented for initial discussion at the June meeting. They asked that internal auditors provide a timetable of proposed work for the July to November 2020 period, with this being presented to the June meeting.

Internal auditors

Feb - April 2020

Internal auditors

June 2020

Internal auditors

June 2020

In terms of other areas of audit planned for the year, these include:

- Student records
- Core financial controls
- Curriculum planning
- Employer engagement
- Risk management

AGREED: to note the content of the update provided.

Signed : _____  _____ Chair

Date: 21.04.2020

7

ESFA FUNDING ASSURANCE REVIEW – FINAL REPORT

The Finance Director introduced this item and particularly drew the Committee’s attention to annex A, which confirms an error rate of 0%. It was acknowledged that this was exceptional and that, generally, whilst the college is not perfect, it is very good and much improved. He explained that there is an error rate tolerance of up to 5% before any funding adjustments. The outcome of the audit identified some relatively minor points and gave the team experience to see where ILR auditors focused their attention; these are areas that will be internally checked with a high degree of frequency.

The Finance Director indicated that they then went on to do additional tests where there was no tolerance level and that, in these areas, any errors do have an immediate funding impact. He confirmed that auditors have a tool that identifies ineligible learners and therefore some errors are anticipated. As an overview, the college’s early ability to plan off the job training caused an issue. At audit, the college was asked to evidence the 20% off the job training from a 100% sample. He admitted that the college’s initial collection of evidence internally and with subcontractors was weak, therefore this has led to some clawback. He provided assurance that the college was aware of this and had made internal changes, however, apprentices who had already finished were not reviewed, and these were included within the audit sample size.

He confirmed that the team is pursuing subcontractors for clawback, however, it is not envisaged that this will be with much success as the college no longer has any ongoing commercial relationship with these companies.

A challenge from the Committee was to ensure that college contracts with any subcontractor cover this point regarding evidence requirements and entitlement to clawback. They also asked that contracts be checked to ensure that they cover all of the subcontracting rules.

Overall, the Committee felt that this was a very positive report and that there was clear evidence that the college was moving in the right direction. The Committee made the observation that the use of One File is critically important in terms of evidence, as there are so many aspects of activity that are recorded within it; therefore, a really robust approach to compliance needs to be in place.

AGREED: to note the content of the report provided.

8

COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The Finance Director presented the tracker and confirmed that it was

Signed : _____  _____ Chair

Date: 21.04.2020

now in the new format, however, the team has not yet had the opportunity to group into colours and populate the commentary. In relation to the fourth column, it was agreed that any alternative actions agreed at Audit Committee meetings would also be inserted.

AGREED: to note the content of the update provided.

9 NON-AUDIT SERVICES PROVIDED BY IA/EA 2019/20

The Finance Director confirmed that there were no non-audit services undertaken to date, however, it is the intention to ask Haines Watts to undertake the annual subcontract audit. This will be a separate engagement.

AGREED: to note the content of the update provided.

10 RISK REGISTER 2019/20

The Finance Director introduced this item and confirmed that the yellow ‘=’ signs represent non-movements, and the intention at this meeting is to focus on the risks that have increased or decreased. The following points were noted:

- There has been a new risk added in relation to construction centre staffing. Identifying and addressing issues is adding a new level of risk. The Principal confirmed that some good progress was being made in terms of recruitment, however, there was still work to do.
- In relation to line 12, the college has had some success regarding OfS as they have now been notified that the college will not provide HE next year. This means that the risks around this area have diminished and the OfS is taking a much lighter touch in terms of its interaction with the college. All acknowledged that it was very difficult for FE providers in a HE environment.
- Line 30 will be removed from the risk register once the NTU agreement has been signed.
- Risks associated with line 8 are likely to increase.

The Committee questioned when the risk appetite was last reviewed. They indicated that they would like to consider this as part of the risk strategy review, which is scheduled for the next meeting.

FD

April
2020

The Committee made the observation that it was really pleasing to see the risk register being enhanced over time. It was confirmed that it is reviewed by the Executive team each week, with some weeks involving more in-depth discussions than others.

AGREED: to note the content of the update provided.

Signed : _____  _____ Chair

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11 **INTERNAL DEEP DIVES – TIMETABLE**

The Finance Director provided a verbal update and confirmed that the Finance & Estates Committee received a report, at its last meeting, on areas where there is poor contribution. One of these is catering, both in terms of the outlets and the curriculum areas. He advised that the college was looking to better integrate the curriculum and the commercial activity so as to make it one business. He provided assurance that reviews in relation to this are being undertaken by the Finance & Estates Committee on a periodic basis.

It was confirmed that curriculum planning is now taking place and that there are two strands of reports to go to both the Finance & Estates Committee and the Standards Committee. The Principal expressed the view that curriculum changes and improvements are all part of the cultural change programme.

AGREED: to note the content of the update provided.

12 **REVISED INTERNAL CONTROLS TO MONITOR LEARNER DATA**

The Finance Director provided a verbal update and confirmed that the ILR audit outcome shows that the college is making really good progress. Planned developments are now focused on timeliness and utility of data. He confirmed that the trend was very much going in the right direction with 0% error rates regarding general audit being a real positive.

He confirmed that, at the next meeting, he would share the enhanced processes regarding evidencing 20% off the job training.

FD

April
2020

In terms of data, the Finance Director indicated that there are four risk areas; these are:

- 1) Off the job training. He explained that the college is self-declaring any failures, therefore there was no risk to funding as it was not being claimed. It was explained that the Standards Committee will pick up 'off the job' tracking as part of their suite of reports.
- 2) Apprenticeship funding. The Finance Director confirmed that the team is very close to refining a report that shows actual and forecast activity, so that staff can track the position for each stream of apprenticeship provision. This will be reported to the Finance & Estates Committee.
- 3) AEB – the Finance Director confirmed that the college is almost in a position to run the same report for AEB and that this is considered to be a risk as the college put a stop on some of its subcontracted activity, so there is still a gap to make up.
- 4) 16-18 numbers – the college has circa 2,700 learners and the system is currently showing 800 as below 540 guided learning

Signed : _____  _____ Chair

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hours. This has been identified as a risk and, if not addressed, will have an impact on funding. He confirmed that the college has to track and act on this and the expectation is that it will be possible to get down to a figure of between 70 and 80 learners by the end of the year. He confirmed that, going forward, it is important for the college to see learners in financial terms and not just numbers, and that this is something to be monitored by the Finance & Estates Committee.

AGREED: to note the content of the update provided.

13 **EXCEPTIONS REPORT**

The Finance Director confirmed that there were no exceptions to report to the Committee.

14 **DPO ANNUAL REPORT FOR 2019**

The Committee reviewed the report prepared by the Director of IT and Learning Resources and their challenge was that, from the text provided, they could not be certain that the college is GDPR and data protection compliant. They asked that the Clerk approach the Director of IT and Learning Resources to obtain assurance on this. They described it as a good update report but felt that it did not give sufficient assurance regarding compliance. If the college is not compliant, they would ask for sight of a timetable for getting the college to compliance.

Clerk

Feb
2020

The Committee questioned whether the college was undertaking the cyber essentials package. Assurance was given that security at the college is as good as in other colleges.

AGREED: to note the content of the update provided.

15 **COMPLIANCE REPORT / POSITION STATEMENT REGARDING THE 15 ACTIONS RECOMMENDED FOLLOWING THE BOURNVILLE REPORT**

The Finance Director presented this item and all agreed that the summary provides assurance. It was confirmed that the college has something in place for each of the compliance parts as part of annual planning. It was agreed to undertake a review of this in February each year.

Principal /
FD / Clerk

Feb.
each
year

AGREED to note the content of the update provided.

16 **ESFA ANNEX D ANTI-FRAUD CHECKLIST FOR POST 16 PROVIDERS**

The Finance Director introduced this item and an improvement observation made by the committee was in terms of what the college

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actually does and the evidence. For example, in relation to line 5, an internal audit of expenses has been commissioned. It was agreed that an extra 'evidence' column would be added and populated. The Finance Director advised that the college does not yet have an anti-fraud strategy and the intention is to develop this and then present to the next meeting.

FD

March
2020

FD

21.04.20

AGREED to note the content of the update provided.

17 **RISK MANAGEMENT STRATEGY 2019/20**

The Finance Director presented this document and confirmed that only minor changes were proposed. Key matters brought to the Committee's attention were:

- Page 6 – the risk appetite – no proposed changes following executive team review.
- Page 7 – the Committee were invited to review and form a view on whether or not the risk scores were too high. He confirmed that this table has been reviewed by the executive rather than simply rolling forward.
- Section 9.1 to read 'he' instead of 'she'.
- 8.3 – the Committee indicated that they would like to see more structure introduced, for example, when things are to be done. It was acknowledged that this is part of the cultural development required with staff.
- 1.3 – the committee felt that the reference to the 'Turnbull report' was somewhat out of date and should now refer to the UK Code of Corporate Governance.
- 3.6 – to reflect what the college actually does, as it does more than is stated

In general discussion, it was acknowledged that, operationally, this meets the needs of the organisation, but the Committee felt that it could be improved. It was agreed that this would be reviewed as part of the risk management internal audit. Internal auditors confirmed that they will:

- Look at risk appetite
- Undertake a survey
- Look at the draft strategy and then make recommendations.

In light of the above, it was agreed that the updated strategy proposed would not be agreed at this meeting but instead would be rolled forward and subject to internal audit review.

AGREED to note the content of the update provided.

18 **AOB**

There were no items of additional business.

Signed : _____  _____ Chair

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19 **DATE AND TIME OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 21st April 2020 at 2pm (it was acknowledged that, because of the Easter break, papers for this meeting will need to be issued on or before 14th April 2020).

20 **FRAUD, IRREGULARITY AND WHISTLEBLOWING**

The Finance Director confirmed that there was nothing to report.

(Lee Glover left the meeting at 2pm.)

21 **PERFORMANCE TARGETS FOR INTERNAL AUDITORS 19/20**

The Finance Director drew the Committee's attention to the performance appraisal framework proposed. The Committee were supportive of the planned approach, with this being undertaken on an annual basis with feedback from Committee members, the Finance Director, and staff who deal with auditors. They asked that the feedback be completed and reported to the June 2020 meeting, on the basis of work undertaken to that date. This would then feed in to the Audit Committee's annual assurance report to the Board. They asked that a question be included in terms of the value added that was promised during tender presentations and interviews.

FD

June
2020

AGREED: to approve the internal audit targets proposed for 19/20.

It was agreed that performance targets for external auditors for 19/20 would be provided to the April or June meeting, with the same scale to be used even if the questions are different.

FD

April
2020

Meeting concluded at 2.10pm.

Signed : _____  _____ Chair

Date: 21.04.2020