

EASTLEIGH COLLEGE BOARD

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 26 MAY 2021, 1700 HRS, USING 'TEAMS'

Present:

Mairead Taylor (Chair)
Bernie Topham
Phil Harris-Bridge
James Heaton-Smith

In attendance:

Paul Cox, Chief Executive and Principal (item 6.iv only)
Ellie Haines, MHA MacIntyre Hudson (External Auditor)
Stuart McKay, MHA MacIntyre Hudson (External Auditor)
Nick MacBeath, TIAA (Internal Auditor)
Melanie Weston, Southern Internal Audit Partnership
Kevin Jones, Vice Principal Finance, Funding & Management Information
Rob Brookes, Computer Services Manager (item 5.i only)
Paul Stannard, Vice Principal – Quality (item 5.ii only)
Tracey Mcadam, Head of Learner Support & Designated Safeguarding Lead (item 5.ii only)
Dr Chris Davis, Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.11.21 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

Mr Harris-Bridge made an observation about the order of the papers referring to the audit report on work placements, which appeared before the management responses. He said it would have been more helpful to have the two corresponding reports together so that cross-referencing could be carried out immediately.

The Chair asked for this point to be noted and an action on the Clerk for the next meeting.

ACTION: CD

A.12.21 COMMITTEE MATTERS

i Apologies

There were no apologies received.

ii Declarations of interest

There were no declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 10 March 2021 were agreed as a true and accurate record.

iv Matters arising

Mr Harris-Bridge wished to congratulate Mr Jones and the rest of the SMT for their work in completing all of the individual risk reports.

All the actions had been completed from the previous meeting or would be covered in a later agenda item.

A.13.21 GOVERNORS' MONTHLY REPORT

Mr Jones welcomed representatives from the College's new internal and external audit teams to the meeting.

i Financial aspects

There has been a slight positive movement in terms of the forecast, forecasting a deficit of £300k, compared to the deficit forecast at the beginning of the year of £775k.

He went on to explain that the original budget total income included a realistic reduction in apprentice income to reflect the impact of lockdown on the economy and the employers that apprentices are employed by, and the assumed loss of apprentice income linked to terminating a subcontractor apprenticeship contract.

The big challenge this month has been around the direct delivery of adult skills, the paper reduces this to £750k, however after further review it is predicted to be stronger than this and might show a slight improvement.

He provided a major update on the cash flow following the ESFA return, which went off at the end of April and has been fed into the management accounts; this shows a slight improved cash flow position in the longer term against the red line of minimum cash of £1.5m based on the bank covenant with Lloyds bank. There is a small cushion of about £500k going out to July 2022.

Mr Harris-Bridge asked a question about the £500k cushion and the need to stay above the red line of the bank covenant, where would other savings be made if there was a requirement to use up some of that cushion.

Mr Jones responded by saying there were two possible actions, go back to Lloyds bank and request a change to the red line, the other option is to move back on capital spend and continue to push for income growth where the College can.

Mr Jones said the other change to the report this month had been the introduction of the FE Commissioner's KPIs.

Mr Harris-Bridge asked how ESFA had responded to the improvements of the forecast deficit from £775k to a forecast deficit of £300k.

Mr Jones said he had had positive conversations with ESFA recently and they were encouraged by the recent returns, a meeting was arranged with ESFA for the 27 May 2021.

ii Matters arising

There were no more further matters arising from the Governors' monthly report.

Governors noted the financial aspects and there were no matters arising raised regarding the Governors' Monthly Report.

A.14.21 AUDIT MATTERS

(Confidential item)

i Progress Report on Implementation of Recommendations of Previous Audit Reports.

(See Confidential addendum).

(End of Confidential item)

ii Internal Audit Final Reports

Ms Weston provided an overview of the report.

She said that they had been undertaken under unusual circumstances and all audits had been carried out remotely because of the COVID-19 restrictions.

Ms Weston asked if there were any particular questions regarding the Internal Audit Final Reports, which would not be covered elsewhere in the agenda.

Mr Harris-Bridge directed his question to Mr Jones about the audit of Procurement Payment and Contract Management under observation 6, the creation of a contract register. He knew from previous experience that creating a comprehensive contract register by the 31 July 2021 was a huge challenge and he was concerned that the College didn't underestimate this challenge.

Mr Jones said that he did not underestimate the challenge, and he hoped the Committee would give him some leeway if the target date was not met. However, he did say that the first stage of the task was to collate existing records into a single contract register, so positive progress will be made.

He is working with the SMT and there is a list of all the contractors and those with all the subcontractors; some of it is about collation. In terms of procurement the challenge is about identifying some of the areas the College has not procured with for a considerable time. There was he said a need for collation and a requirement to fill in the gaps exercise.

Governors received the Internal Audit Final Reports.

iii New Internal Auditor TIAA - Annual Internal Audit Plan 2021-22 & Strategic Internal Audit Plan 2021-2024 update

Mr Jones reminded the Committee that a tendering process had taken place earlier this year.

Two tendering processes had taken place with the appointment of a new internal auditor TIAA and a new external auditor MacIntyre Hudson. There had been strong interest as the result of the tendering process, which he felt was a very positive.

that the previous version of the Internal Audit Plan was shared and there was now the opportunity to review with fresh eyes and a new focus. He said it was now a responsibility of the Committee to approve an internal audit plan for 2021/22 with a first audit visit in the Autumn 2021.

He suggested that perhaps a good way-ahead might be an out-of-Committee meeting with TIAA sometime during the summer, with the Chair and other representatives to finalise a plan moving forward.

Mr Harris-Bridge felt that initially there were four areas that needed including in the plan:

- Safeguarding

- anything to with IT and information
- SMT concerns that they want assurance on
- Previous audit reports that identify the strongest areas of weakness

Mr Heaton-Smith said the plan needed to be focused on areas of key risk and a rolling programme for those areas that haven't been looked at for some time.

The Committee agreed to these recommendations.

Mr MacBeath from TIAA said that he had met with Mr Jones the previous week and they have scoped a draft plan to share with Committee for further discussion. He agreed that a meeting should be arranged to pick up on some of the points raised regarding the Internal Audit Plan.

He concurred with the points raised by the Committee and also felt that cyber security and key financial controls should be on the plan.

Mr Jones proposed that there was enough detail for a year one plan to be communicated to the Committee via email and a year 2 plan could be brought back to a future Committee meeting for approval.

Governors agreed to the proposal that a year-1 plan be communicated to the Committee via email and a draft year-2 plan brought back to a future Committee meeting for approval.

iv

New External Auditor MHA MacIntyre Hudson – External Audit Plan – financial year 2020/21

Mr Jones said that ESFA have advised of changes to the current audit practises this year. There will be new scrutiny of learner data to ensure that the College is getting the learner data correctly into the system.

Mr McKay of MacIntyre Hudson the new external auditor identified a few areas from the External Audit Plan:

- Ethics and independence
- Communication with Governance
- Engagement letter
- Audit timetable
 - Interim Audit (22/23 July 2021)
 - Audit in September
 - Report back to Audit Committee in November
- Formulation of the audit plan
- Materiality of the audit (1% of income)
- Changes in the code of practise (clarifications)
- Areas of clawback
- 'Going concern' – liabilities
- Audit Code of Practise; a need to think about as we progress how communication is addressed between the external auditor and the Board. Potential ideas include requesting that the Chair of the Board attends the November Audit Committee, or the external auditor attends the full Board meeting in December to brief the full Board.

ACTION: MT / KJ

v Governors approved the External Audit Plan – financial year 2020/21, the Engagement letter and the Regularity letter.

Annual Review of Effectiveness 2020/21

Mr Jones said that this was a standard paper, which supports and ultimately leads into the Annual Audit report to the Board.

The Committee agreed that action was taking place; the ability to handle risk was now embedded into the Board's work, there is significant evidence to support this.

a) Internal Controls

The Audit Committee considered that it was satisfied that the College has in place effective system of internal control to form an Annual Opinion of Effectiveness, which will be included in the Audit Committee's Annual Report to be approved in November 2021.

b) Capacity to Handle Risk

The Audit Committee considered that it was satisfied that the College has in place a formal on-going process for identifying, evaluating and managing the College's significant risks.

vi

DSAT Output/action summary as of R09

Governors' noted the DSAT Output/action summary as of R09.

vii

Audit Opinion

This was covered elsewhere in minute A,14.21, v.

A.15.21

TO RECEIVE

i

(Mr Brooks joined the meeting)

IT Cyber Report (April)

Mr Brooks said the monthly report had been developed over the last three months on advice from JISC.

He asked if there were any questions regarding the report or following on from the Governor training event.

Mr Harris-Bridge asked to what extent passwords and links were being focused on in staff training or with Eastleigh College users.

With respect to the email question, the College has recently commissioned a 'phishing test campaign', which will start running after half term. This will provide daily reports and there will be on-going training for all individuals involved in that test. A follow up campaign will also be carried out during the following academic year.

The password aspect is currently being looked into, sonic or remote log-in and Microsoft 365 both come with a certain amount of permissions, but what will be implemented is multi-factor identification.

The actions on the last page of the report needed to be provided as a table, by whom and when.

ACTION: RB

He also questioned the timing of the exchange server and updating of midnight Wednesday 19th May 2021.

Mr Brooks said that the senior technicians would rather do it at that time of night; emails have to shut down and this is done midweek so that if there is a problem, the technicians can come in early the following day. Less people will be impacted by shutting down during the early hours and midweek.

Governors received the IT Cyber Report (April).

(Mr Brooks retired from the meeting)
(Mr Stannard and Ms McAdam joined the meeting)

(Confidential item)

ii Management Response to Work Placements Final Audit Report
(See Confidential addendum)

(Mr Stannard and Ms McAdam retired from the meeting)

(End of Confidential item)

A.16.21 RISK MANAGEMENT

- i Risk Management Board minutes, 21 April 2021** (including annual review of effectiveness of systems of internal control 2021/22)
Mr Jones said that the main areas covered in the meeting were the scoring of the risks, both gross and net, and after much discussion there were no changes made.

There will be an extraordinary meeting of the Risk Management Board in June to look at the individual risk reports.

Governors' noted the Risk Management Board minutes, 24 April 2021, including the annual review of effectiveness of systems of internal control 2021/22.

ii Risk Management Policy

Mr Jones explained that had been minor amendments to the Risk Management Policy focused on the inclusion of new job titles.

Governors approved the Risk Management Policy.

iii Risk Register and Individual Risk reports – review and update

Mr Jones said that all the individual reports had now been completed and would be reviewed by the Risk Management Board at their extraordinary meeting in June.

In terms of the risk matrix Risk 13 and 14 were identified as being in the red zone and Risk 3 was in the amber zone.

Mrs Taylor asked if the Committee was happy with how the risks would be reviewed.

The Committee agreed that this was an appropriate method of review.

Mr Jones said there was one risk, Risk 4 that was the responsibility of the Audit Committee. He asked if the Committee was content with the provisional scoring.

Mr Harris-Bridge asked under 'Mitigations after risk events': "to bring in sector expertise to ensure College capacity to act fast", did the expertise exist and what were the intentions to do just that.

Mr Jones said that should support not be found internally then external support would be sought from providers such as FE Associates and AoC Create.

The Committee was content with the scoring of Risk 4.

Mr Harris-Bridge questioned the scoring of Risk 1, with a gross risk rating of 16, net risk rating of 2.

The scoring was challenged by the Committee and asked for the risk to be taken back to the Risk Management Board for review of net risk rating score.

ACTION: KJ

Governors' received the Risk Register and Individual Risk reports – review and update.

(Mr Cox joined the meeting)

(Confidential item)

iv Governor Training Event Follow Up
(See Confidential addendum)

(End of Confidential item)

A.17.21 TO CONSIDER

i Confidential items

Governors agreed that agenda items 4.i, 5.ii and item 6.iv would be determined as a confidential agenda item and will be annotated as such within the minutes of the meeting.

A.18.21 DATE OF NEXT MEETING

Wednesday 4 November 2021 commencing at 1700 hrs

Review of operation of Committee

Internal Audit annual report

Internal Audit report – visit one 2021-22

Progress report on implementation of recommendations of previous audit reports

External Audit progress re 2020-21 closure and associated audit report

External Audit management report

Fraud risk assessment

Audit Committee annual report to the Board

Review Risk Management

Risk Management Policy – to approve

Review Governance Risks on the Risk Register

Feedback on External Audit liaison with Southern Internal Audit Partnership

Sub-Contracting Policy *(to be signed by Chair of Gvs & CE before putting on website)*

Governors Monthly Report –including financial aspects and matters arising

A.19.21 PART 2 OF THE MEETING (without SMT)

No issues were raised by Governors or the Internal and External Auditors.

There being no further business, the meeting closed at 1920 hrs.