

AUDIT COMMITTEE MINUTES OF MEETING HELD ON WEDNESDAY 25TH MAY 2022, 1700 HRS, VIA TEAMS

Present:

Bernie Topham (Vice-Chair)
Phil Harris-Bridge
Alison Caplin

In attendance:

Kevin Jones, Vice Principal Finance, Funding & Management Information
Fiona Chalk, Governance Advisor
Lesley Heasman, TIAA
Stuart Mckay, MacIntyre Hudson

A.18.22 GOVERNORS MEETING TIME WITHOUT SMT

No issues to be raised.

COMMITTEE MATTERS

A.19.22 Apologies

Mairead Taylor gave her apologies.

A.20.22 Declaration of interests

Governors were reminded that it was their duty to declare any interests financial or otherwise on any of the agenda items. There were no declarations of interest raised.

A.21.22 Minutes of last meeting

The minutes of the meeting held on 14.3.22 were agreed as a true record of the meeting and signed by the Chair.
AC apologised for getting the wrong date.

A.22.22 Matters arising

There were no other matters arising from the previous minutes.

A08.22 H&S policy update states: 'this is a legacy problem and a big challenge' - how big is the challenge? Management advised that there is a H&S policy with 11-12 appendices, some up to 50 pages. The previous H&S Advisor left in Autumn 2021, the Interim Advisor reviewed them all, and the new H&S Advisor is now going through these with a fine-tooth comb. 6 have been done will go to H&S committee in June and then signed off by SMT, and this work will continue with the remainder of the appendices. COSHH is a big one as lots has changed since it was last updated. All appendices are being updated with staff and building changes, links to be checked, and new legislation updated.

A09.22 Cyber security – A Phishing campaign to place in March but nothing has been reported back on to the committee. Management advised that the results were similar as the previous exercise, with a number of people clicking on the emails/links. Those who clicked on both, have had a formal letter is sent with a warning of being at risk from dismissal. If a member of staff clicks 3 times, a formal investigation is undertaken as this is gross misconduct, which could lead to possible dismissal. Next time this exercise is undertaken, it will be carried out as a live run, with accounts instantly locked by IT, reacting in real time.

The college is using the process run by Cyber Essentials again this year, to ensure maximum awareness, protection, and active responses are in place for when a cyber attack happens.

GOVERNORS' MONTHLY REPORT

A.23.22 Financial aspects and Matters arising

(see confidential minute)

A.24.22 Matters Arising

Governors are pleased to see that the KPIs agreed last summer are now all being populated, showing progress, but expressed caution around student recruitment volumes – higher volume has tendency to lead to lower performance. The college needs to be able to respond quickly and consistently to on student recruitments. Management advised that this department has been re-organised and is well placed to deal with increasing demand.

AUDIT MATTERS

A.25.22 External Audit Strategy

Governors noted that the purpose of this report is for governors to understand the external audit approach, level of materiality, independence of the audit, and the risks highlighted.

Specific areas of focus include:

- a. Provisions were made last year due to sub-contracting – one is still a current issue.
- b. IoT bid – looking for capital commitment
- c. Accounts Direction and Audit Code of Practice. Governance review in-year and training and development of members.

Regarding independence, the only non-audit service work provided is on Teachers Pension and is not a conflict, and is carried out by a separate team.

SM advised that their primary responsibility is to form an opinion as to whether the College's financial statements prepared under UK accounting standards give a true and fair view of the state of affairs of the College at 31 July 2022, and comply with the revised Statement of Recommended Practice (SORP) 2019, Accounting for Further and Higher Education, the College Accounts Direction 2021/22 and the revised Post 16 Audit Code of Practice. They are also required to form an opinion on whether in all material respects the expenditure disbursed and income received during the year ended 31 July 2022 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In accordance with the Post 16 Audit Code of Practice, they will:

- Issue a statutory true and fair audit opinion on the financial statements of the college;
- Issue a reporting account's assurance report on regularity to the college and the ESFA/Secretary of State for Education.

Fees for the audit were noted as: for the year ended 31 July 2022 will be £25,250 including VAT; for the Teachers' Pension audit for 2022 will be £2,600 including VAT.

The External Audit are aware that there is a new Head of Finance at the college, so is new to year end approach by the college, and both the college and the External Auditors are looking to simplify the process to make it as smooth as possible.

The audit timetable and their approach to identified audit risks, were noted.

Governors asked, Going Concern – is this going to be impacted by potential merger conversations? The External Auditors advised that the college will be a Going Concern until any date that the college may merge, and there would be a form of words in the

accounts. The college accounts are written on the basis of the now i.e. standalone college. (GBMet is an example accounts with similar statement in accounts).

Governors noted that the Audit committee annual report would incorporate the External Audit assurances on internal controls on ILR, ESFA funding audit, sub-contractor Audit, and the funding Funding Assurance Audit by PwC. The External Auditors will provide a paper that pulls together these different threads to give the committee the necessary assurance for it to complete the annual report, and so advise the Board.

Pensions – the valuation is undertaken each year and a triennial review of LGPS benchmark was carried out in March and will be reported in July. It is anyone's guess as to where this is going to land and might need an additional disclosure. The External Auditors recommended a data cleanse of payroll be undertaken if this has not taken place yet.

KJ to action

Rag rated risk table was found really useful by governors, given the governors' risk-based approach.

Related party transactions – rag rated red as a high risk. The External Auditor advised that this area is the primary cause of fraud. The college has a lot of controls and External Auditors will test them to identify any gaps.

The Governance Advisor drew attention to the Code of Governance, item 6.1, which states the board must ensure that effective arrangements are in place for the management and quality assurance of data. This assurance should include a statement on data quality from the Audit Committee. The Committee discussed with the auditors how this assurance will be given as part of the existing audits the college undertakes.

A.26.22 Progress report on implementation of recommendations of previous audit reports

The process for audit recommendations is that the College reports the progress against the list of recommendations from previous audits by TIAA and they comment on their agreement (or otherwise) that the recommendations have been sufficiently implemented. This gives much more assurance to the committee, and they can make the decision to remove them off the list.

Governors noted that many actions have been completed or on target to be completed - awaiting evidence to close. TIAA advised how they verify the evidence sent from the college.

Governors queried how an action can be listed as complete/on target if the date is in the past? The work has been done by the college and is waiting verification of evidence from TIAA, who will give the final sign-off. It was agreed that a form of words to be sought between KJ and LH to clarify the definition of completion of an action.

KJ/LH to action

The committee agreed that Key Financial Controls should come of the list of actions. H&S policy has been discussed earlier in the agenda. Cyber security (marked as amber) should show as overdue as passed March deadline date.

Governors agreed that this extra verification by TIAA to give a fuller assurance, is helpful.

A.27.22 Internal Audit report – visit three 2021-22 (TIAA)

1. Key Financial Report – Reasonable assurance is given with 1 important, 2 routine, and 1 operational action required, with 1 priority 3 - obtaining a supplier standing data change report, which the college is putting in place and will send evidence to TIAA, and 2 priority 2 recommendations - A documented procedure be prepared that outlines the

process for adding new starters and removal of leavers, from the payroll system, and New starter Appointment Forms and Leavers Checklists be signed and dated by the completing officers. These have been implemented.

Governors noted that this grading was to be substantial –but as the recommendations are completed, the substantial requirement is now in place. Overall financial performance is monitored through the monthly management accounts, which are reviewed and discussed at Finance & General Purposes Committee meetings. A number of financial KPI targets are also included within the committee monitored KPI measures.

2. Single Central Record – TIAA were asked to reaudit this as there were findings on the previous audit with the previous IAs. Reasonable assurance is given with 3 important and 1 routine action required, with three priority 2 recommendations - Ensure all fields are completed within the Single Central Record or annotated where not applicable; ensure that name changes are recorded promptly; and notifications regarding staff leavers are also reflected within the Single Central Record.

Whilst there are still a number of findings as identified within the previous report, it was noted that improvements have been made which are reflected in the reduction of numbers of incidents of these control weaknesses occurring.

Governors commented that ideally, this should have a substantial level of assurance, but are reassured that the judgement was very close and quick actions have been taken to resolve them. Previously, mandatory fields hadn't been completed where 'not applicable' was the answer, but now the team is aware of how to resolve this.

3. Work Placements – Substantial assurance is given with 1 routine action as a priority 3 recommendation - The Data Retention Schedule be updated to recognise students who complete the Supported Internship and whose records must be retained until they reach 25 years of age. There was exceptional improvement which has had significant positive impact.

Governors expressed thanks to the Work Placements team for all their hard work.

KJ to action

SM queried what was the source of truth for the Key Financial Report? It was confirmed as the payroll.

Governors noted that DBS checks happen on a 3-year cycle, and queried who pays for this, the college or staff? The college pays and there is a recommendation to use the DBS Update Service.

A.28.22 ESFA Funding Assurance update

Governors noted that the formal report is not yet available. Verbally, there is reasonable assurance given, with a small error of £5k. Staff are very pleased with this report, which has verified the college has solid systems in place. The full report will be shared when it is released.

Internal Audit Report 2021-22

Internal Audit plan for 22-23

The Committee noted the Internal Auditors annual internal audit report summarising the outcomes of the reviews they have carried out on the organisation's framework of governance, risk management and control.

The 2021/22 Annual Audit Plan approved by the Audit Committee was for 30 days of internal audit coverage in the year. During that time there were no changes to the Audit Plan. No extra work was carried out which was in addition to that set out in the Annual Audit Plan.

TIAA carried out seven reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Eastleigh College's objectives. 3 received substantial assurance and 4 received reasonable assurance. 27 recommendations were made – 8 important and 19 routine.

Head of internal audit's annual opinion

TIAA is satisfied that, for the areas reviewed during the year, Eastleigh College has reasonable and effective risk management, control, and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Eastleigh College from its various sources of assurance.

A.29.22 Internal Audit Plan 2022-23, including additional staff flexibilities

Governors noted the recommended areas for audit and asked for the rationale for these areas being included. It is based on discussions with KJ, risk register, FE context, and it has gone to SMT, then come to the Audit Committee. Key Financial Controls are audited every year, alongside financial controls and ESFA requirements as required by regulation, and the remaining items are mainly on a 3-year cycle. All were noted as being reputational risks, and the committee agreed with all the inclusions.

Governors highlighted that a H&S Management Audit hasn't been done for 4-5 years so it was agreed to bring forward to 23/24, possibly switching it with the Estates audit.

KJ to action

Governors asked if the Internal Auditors are looking at ILR. The External Auditors usually do this as part of the Year-End. The ESFA has done a sample-based approach and External Auditors look at controls. Governors expressed concern that as the numbers dwindle in sub-contracting, resource will dwindle, so is there enough assurance going forward? Management agreed it is an area that needs looking at. Last year 100% of checks were done, and will ensure such checking this year is proportionate. As 16-19 numbers increase and sub-contracting decreases, the auditing of each needs to change to.

Audits proposed for 2022/23:
Key Financial Controls Visit 3 I
Information management / GDPR Visit 2
Subcontractor controls Visit 2
HR Management and Wellbeing Visit 1
Safeguarding Visit 1
Curriculum Visit 3
These visits will total 30 days work.

Governors agreed there should be an additional audit on the Flexibilities for staff policy the board has just approved, to ensure pensions are right for the future solvency of the organisation and staff's future pension provision.

There are a number of operational issues coming to prominence and have been considered by the Internal Auditors as part of the proposed plan. They include funding, rising costs, sustainability, and cyber-security.

The Committee agreed the proposed internal audit work plan, noting the changes requested for H&S.

KJ/LS to action

A.30.22 Review of Performance of the Audit Committee

The Code of Good Governance for English colleges requires the Corporation to undertake an annual self-assessment. Part of this self-assessment should include a review of the performance of each committee annually. A template has been drawn up by the Governance Advisor and in conjunction with the Chair and Finance Director, has been completed. The Committee was asked to discuss the scorings within the template, and agree on any evidence and actions required to support the committee in becoming even more effective.

The IA/EAs were asked for their opinion on the appropriateness of the survey and their views on the responses within it. (43/66/67)

The Internal Auditors stated they thought the questionnaire is asking the correct questions and is clear, and stated it is a correct self-evaluation.

Governors discussed the proposed scores and made the following comments and amendments:

Point 5 How do we know? Re-score as 2 and seek more feedback.

Point 30 – Add a short agenda item on assessment of each meetings' efficiency and effectiveness.

Point 33 – members stated they are satisfied with information being presented. Reports are good. Re-score as 2.

Governors requested that the IA/EA bring external expertise and knowledge to the committee, beyond what is currently provided i.e., – what are other external risks? what are on other colleges risk registers? what are others doing better? TIAA stated that they have client briefing notices available on the portal. It was agreed that this should be scored as a 3 next time.

Governance Advisor to action and circulate.

Point 43 – This is discussed in meetings with IA/EA – what is required and what is available. External Auditors to provide a table of sources of assurance, to be added into the Audit Committee Report as an appendix. This includes the annual opinion from the Internal Auditors.

P65 – Add agenda item as part of assessment at each meeting, showing impact

P66 – Feedback given from the auditors and will show up in future impact statements.

P67 – It was noted that feedback comes from the executive, from IA/EA in the meeting, and future impact statements based on discussions during meetings.

The Governance Advisor to take forward recommendations arising from the self-assessment exercise.

RISK MANAGEMENT

A.31.22 Review of Risk Management including Annual Review of the effectiveness of systems of internal control 21-22

Audit Committee were asked to consider the statement regarding the effectiveness of the College's systems of internal control, which if approved, will be incorporated into the 'Statement of Corporate Governance and Internal Control' within the College's 2022/23 Financial Statements. This paper has been reviewed by the Risk Management Board to now be considered by the Audit Committee and will ultimately assist in informing the Board's opinion.

It was noted that this report is a precursor to the next meeting where the annual report will be presented.

The Audit Committee will need to advise that it is satisfied that the College has in place an effective system of internal control to form an Annual Opinion of Effectiveness, and that it is satisfied that the College has in place a formal on-going process for identifying, evaluating, and managing the College's significant risks.

The committee agreed that the strategic risk work has been well done.

A.32.22 Risk Management Board Minutes 5.5.22

The Board noted the minutes.

Mairead (Chair of audit) attended the meeting, as did Phil (Vice-Chair Search & Governance). Management advised that having governors at the meeting adds value to the management team.

Risk 13 – Failure to prepare. It was agreed that the college did adequately prepare, so the risk score should be lower. The risk is not the failure to prepare, so it was agreed to remove the words 'failure to prepare'.

Governors noted that the review and update of the risk register has allowed deep dives, and for controls to be much more embedded.

4.1 p77. Typo – should be 'no formal process'. The action has been done.

KJ to action

A.33.22 Risk Register Review & Update

All 14 individual risk reports were noted, as were any changes to the college risk register.

No scores were changed, only the wording to risk 13 and edits to refine, improve, and update.

Governors stated that they really like the templates for the individual risks that were shared.

Risks 2, 4, and 5 have the same score before mitigation as after does this mean the mitigations are not effective. Management advised that this is not usually the case. The reason has more to do with level of control the college has over the risk.

A.34.22 Risk Management Policy

Governors noted that this policy has been through Risk Management Board and comes to the committee for approval.

The Committee approved the Risk Management policy.

KJ to action

A.35.22 Anti-Bribery Policy

Tracked changes noted, which included minor edits around college values and the new FREDIE policy.

The Committee approved the Anti-Bribery Policy.

KJ to action

A.36.22 Confidential Items

A.23.22 Governors monthly report.

A.37.22 Date of next meeting 23 November 2022

Progress report on implementation of recommendations of previous audit reports

Review Terms of Reference

IA report visit 1 22-23

EA report progress re 21-22 closure and associated audit report

EA management report

Fraud risk assessment

Audit Committee Annual Report to the Board

Review Risk Management

Review Governance risks on the risk register

Feedback on EA liaison with IAs

Policies

Governors' Monthly Report – including financial aspects and matters arising

There being no further business, the meeting closed at 1900hrs.