

**EASTLEIGH COLLEGE BOARD
AUDIT COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 20 MAY 2020, 1630 HRS,
'VIRTUAL MEETING' via 'TEAMS'**

Present:

Mrs Mairead Taylor (Chair)
Mrs Bernie Topham
Mr Jem Musselwhite

In attendance:

Ms Melanie Weston	Southern Internal Audit Partnership (Internal Auditors)
Ms Frances Millar	RSM UK Audit LLP (External Auditors)
Dr Jan Edrich	Chief Executive and Principal
Mr Kevin Jones	Vice-Principal (Finance, Funding and Management Information)
Dr Chris Davis OBE	Clerk to the Board (minutes)

PART ONE OF THE MEETING

A.10.20 GOVERNORS' MEETING TIME WITHOUT SMT

No matters discussed.

A.11.20 COMMITTEE MATTERS

i Apologies

Mr Paul Cox, Chief Executive and Principal designate gave his apologies.

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 11 March 2020 were agreed and signed as a true and accurate record.

iv Matters arising

Mr Jones reported that the action on him to include completion dates on the Progress Report on Implementation of Recommendations of Previous Audit Reports had been completed and would appear as a later item in the agenda.

Mr Jones also confirmed that the Financial Regulations would be taken to the next meeting of the Finance and General Purposes Committee (F&GP) for review and recommendation to the Board for approval.

All the other actions from the previous meeting had been completed and there were no further matters arising.

A.12.20 GOVERNORS' MONTHLY REPORT, MARCH 2020

i Financial aspects

Mr Jones said that the financial aspects from the Governor's Monthly Report for March 2020 had been conveyed at the previous Board meeting at the beginning of May, with the deficit at the end of year now forecast at £147k. As previously reported actions have been put in place to retain income and apprenticeship income being recuperated in arrears.

Governors had no further questions regarding the Financial aspects of the Governors' Monthly Report for March 2020.

ii Matters arising

Dr Edrich reiterated that the matters arising from the Governors' Monthly Report had been extensively discussed at the previous Board meeting, however she was able to update the Committee on the on-site developments regarding the potential partial return at the 1 June 2020.

Wide-ranging plans and protocols had been put in place to ensure that some students can return for their practical work assessments to be videoed and some of the transition students carrying on to next year. This she said involves a very small number of staff and students estimated to be in the region of 100 a day.

Dialogue is still taking place nationally with the Unions around the availability of Personal Protection Equipment and individual risk assessments. Dr Edrich confirmed that all the staff at Eastleigh College have been risk assessed, but that the risk assessments for students was still being quantified and the protocols evaluated.

She confirmed that everything was in place to allow this partial return to take place, cleaning, signage, use of one-way routing and social distancing in the various restricted classrooms being used.

Governors noted the financial aspects and there were no matters arising raised regarding the Governors' Monthly Report, March 2020.

A.13.20 AUDIT MATTERS

i Progress Report on Implementation of Recommendations of Previous Audit Reports

Mr Jones reported that a number of the recommendations from previous audit reports had been completed, however there were a number of recommendations that were still outstanding:

- Debtors and cash income. Debt collection process. A two stage process with the implementation of a new finance system as of the 1 August 2020 and there is a requirement for an update in the Financial Regulations which will go to the F&GP Committee in June.
- Debtors and cash income. Pricing reviews for College commercial areas. Mr Jones said that the previous action also referred to this audit area and was part of the plan to remove all cash from next year.
- Employer liability insurance. Confirmed that this insurance had been put in place for this month.
- Bursary funds. Balance managed/returned to ESFA. Mr Jones reported that some of this bursary money had been spent on students as a result of the COVID-19 expenditure, he said he would provide a report outlining the brought forward, income and spend in-year and how much was COVID-19 related.

ACTION: KJ

Mr Jones confirmed that all the recommendations that had been completed would come off the next report the Committee receives in November.

Governors' noted the Progress Report on Implementation of Recommendations of Previous Audit Reports and approved that the completed actions be removed from any future reports.

ii Internal Audit Report – Visit 2 2019/20

Ms Weston gave an executive summary of the Internal Audit Report, visit 2 2019/20, which covered their second visit of 2019/20. She was very happy to report that there were no significant issues arising from the scope of the two business areas (Cash Flow Management and Governance) covered in the report. An audit opinion of adequate assurance was given to both areas.

Two management recommendations remained outstanding from the report:

- Cash Flow Management: A summary graph will be reported to Governors in the monthly report. The forward cashflow will also be used to support financial strategy and treasury management. This due to be completed in July 2020.
- Governance: Governors' self-assessment forms will be distributed and completed by all Governors in June 2020 to inform the governance section of the College's Self-Assessment Report (SAR).

Governors' noted the Internal Audit Report – Visit 2 2019/20.

iii Internal Audit Report – Visit 3 2019/20

Ms Weston gave an executive summary of the Internal Audit Report, visit 3 2019/20, which covered their third visit of 2019/20. She was happy to report that there was only one significant issue to report arising from the scope of the three business areas and 'follow up' covered in the report; Human Resources, which received an adequate assurance and Financial Planning, Budget Setting and Forecasting and Learner Numbers System, which both received a substantial assurance.

Ms Weston said that there was one significant issue still outstanding:

- Human Resources: Evidence of redundancy payment checks are not recorded.

Mr Jones explained that in this individual circumstance (among 81 other redundancy notices), the employee elected to leave 2 months earlier than planned which impacted on their length of service and changed the weeks to be paid. The justification he felt was correct, however the decision process in this individual case for the minor amount was not completed.

Ms Weston continued by explaining the protocol for the 'follow up' audit, which was to ensure that appropriate action had been taken in respect of the key findings and agreed actions arising from our 2018/19 reviews of Learner Numbers Systems - Apprentices. She confirmed that all identified actions have been addressed and implemented successfully as agreed.

There was just one observation from this 'follow up' audit, which referred to IT Cyber Essentials where the Firewall Change Request log has not been adequately communicated to the IT staff; this had now been addressed.

Governors' noted the Internal Audit Report – Visit 3 2019/20.

iv Annual Internal Audit Plan 2020-21 & Strategic Internal Audit Plan 2020-2024

Ms Weston gave a brief summary and said that In accordance with the Public Sector Internal Audit Standards (PSIAS), the audit strategy and the annual audit plan must be approved by the governing body on the recommendation of the Audit Committee. Any variations to this plan after it has been approved will be presented to and agreed with the Audit Committee.

She said she had held a meeting with the Vice Principal, Finance, Funding & Management Information to review and update the audit needs assessment for the College to reflect changes in risk.

Key changes to the three year audit plan were outlined as follows:

Single Central Record (SCR): An audit of the SCR has been included in the plan to ensure the College is compliant with its safeguarding requirements.

Contract Management & Procurement: An audit of Procurement and Payments was included in the 2020/21 plan. After discussions this has been replaced with a review of Contract Management and Procurement to ensure the College is effectively managing the contracts it has in place and the College's requirements are being evaluated before re procurement to ensure business continuity and VFM is achieved.

Capital Project Planning, Management & Evaluation: The College does not currently have any major capital projects; the review has therefore been deferred until projects are in place.

Offsite Activities: Deferred to 2021/22 as this will be more limited currently due the impact of COVID-19.

Business continuity: The scope of the work in 2020/21 will focus on IT due to increased reliance on the IT infrastructure for course delivery going forwards.

Marketing: This scope of this review will focus on the use of marketing information to support curriculum planning as well as the use of marketing processes and information to maximise conversion rates during the recruitment process.

On the basis of an audit needs assessment, she said it was their opinion that the College's audit needs required an internal audit plan of 35 days in 2020-21.

She explained the Internal Audit Charter, which gives the purpose, authority, responsibilities of the internal audit activity, resources and details of reporting.

She made Governors aware that the Audit Committee is responsible for:

- Approving the internal audit charter (minimum annually).
- Approving the risk based internal audit plan.
- Receiving communications from the Chief Internal Auditor on the Internal audit activity's performance relative to its plan and other matters.
- Making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations.
- Receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

She highlighted the section on fraud and irregularity. During internal audit reviews the auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Ms Weston informed Governors that what is now included in the report is a request for colleges to report all suspicions of theft, fraud and irregularity to the Internal Auditors so that they can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes.

Governors noted the Annual Internal Audit Plan 2020-21 & Strategic Internal Audit Plan 2020-2024 and recommended to the Board for approval.

v External Audit Plan –financial year 2019/20

Ms Millar made Governors summarised the planned scope of the plan for the year ending 31 July 2020, timetable, materiality, key audit risks and the planned approach to these, together with details on fees and independence.

The document outlined the calendar of events for the External Audit Plan, the planning in April and May and August, the fieldwork in October and the reporting to the Audit Committee in November/December 2020.

She provided the key areas of audit focus:

- Management override of controls
- Income recognition
- Partnership costs
- Pensions liabilities,
- going concern basis of accounting (focusing on the challenges and impact of COVID-19, breaches of covenants)

She outlined the fees for the year ended 31 July 2020, which included fees for the additional work on going concern and based on there being no overruns.

Ms Millar then made Governors aware of the emerging issues, which formed part of the report and provided some key issues currently affecting the sector and details of recent developments in this regard that may be of relevance to the College:

- COVID-19
- Funding
- T-Levels
- Higher Education/OfS
- Subcontracting
- Technology
- Managing Fraud Risks
- Financial Management and Reporting
- Quality
- FE Commissioner
- Other Sector Developments

Governors received the External Audit Plan –financial year 2019/20.

vi DSAT output/action summary as of R08

Mr Jones explained that the DSAT reports are validation reports for FE and Training providers to test the integrity of the Individual Learner Record (ILR) data, they are referred to in the sector as “Are you sure reports?”.

He made Governors aware of the following headline areas:

- There were two high priority reports
 - Possible duplicate learners
 - Recording co-investment payments

There had been an increase in the numbers of medium/low priority issues, but the higher priority reports had declined.

Governors noted the DSAT output/action summary as of R08.

A.14.20 RISK MANAGEMENT

i Risk Management Board minutes, 24 April 2020 (including annual review of effectiveness of systems of internal control 2019/20)

Dr Edrich said that the Risk Management Board had reviewed the Risk Register and decided to incorporate a new section on the potential risks of COV-19.

The principal issues and changes to the referencing discussed by the Risk Management Board were:

- The lack of future devolved funding from Greater London from March 2021.
- Subcontracting, the consultation on Subcontracting by the ESFA and their aspiration that colleges should limit subcontracting to 10% of gross income.
- The new Strategy Plan, Financial modelling and Business Plan
- Pandemic section on COVID-19 (Section 6)

The Risk Management Board approved the Terms of Reference and updated them.

Dr Edrich clarified the statement regarding the effectiveness of the College's systems of internal control had been approved by the Risk Management Board and that subject to Audit Committee, would be incorporated into the Statement of Corporate Governance and Internal Control within the College's 2019/20 Financial Statements.

Governors' were satisfied with the Risk Management Board's statement regarding the effectiveness of the College's systems of internal control.

Governors' received the Risk Management Board minutes, 24 April 2020 (including annual review of effectiveness of systems of internal control 2019/20).

ii Risk Register

Dr Edrich reported that the Risk Register had been amended and updated to reflect either the new risks or the new scoring of risks.

Governors noted the Risk Register.

iii Risk Reduction Plan

Dr Edrich reminded Governors that the Risk Reduction plan incorporated risks which scored 8 or higher. She said she was in the process of updating the Risk Reduction Plan.

Governors' noted the Risk Reduction Plan.

A.15.20 TO APPROVE

i Anti-Bribery Policy

Mr Jones made Governors aware that two amendments had previously been made to the Anti-Bribery Policy after approval by the Committee:

1. Paragraph 5.1.2, delete the word 'absolutely'.
2. Paragraph 5.4.3, process required for the receiving of donations and contributions.

He wished to include a third amendment:

3. Paragraph 7.5.1, the sentence which reads "Agreements with contractors and suppliers shall, at all times, provide for the necessary contractual mechanisms to enforce compliance with the anti-bribery arrangements" should have "and financial regulations" added.

This minor amendment was agreed by the Committee.

Governors approved the Anti-Bribery Policy.

A.16.20 DATE OF THE NEXT MEETING

Wednesday 4 November 2020 commencing at 1700 hrs

Review of operation of Committee

Internal Audit annual report

Internal Audit report – visit one 2020-21

Progress report on implementing of recommendations of previous audit reports

External Audit progress re 2019-20 closure and associated audit report

External Audit management report

Audit Committee Annual Report to the Board

Approve procedure for appointment of external and internal auditors 2021-2022

Review Risk Management

Feedback on External Audit liaison with Southern Internal Audit Partnership

Governors' Monthly Report – updates re Financial aspects and matters arising

A.17.20 PART TWO OF THE MEETING

Dr Edrich, and Mr Jones left the meeting at this point.

Governors were asked if they had any questions or wished to raise any concerns with the Auditors.

The auditors were given the opportunity to raise concerns with Governors over the audit process. There were no issues raised.

The meeting concluded at 1728.