**Minutes of the Audit Committee**

**Thursday 21 November 2019**

**Tower Board Room, Bedford**

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| Present: | Sheila Selwood (Chair)  Stewart Briggs  Sharon Deleonardis  Richard Dimbleby |
| In Attendance: | Andrew Devonald (AD) Macintyre Hudson  David Lockhart –Hawkins (DLH) Consultant  Stephen Walker (SW) Financial Controller  Scott Winter (SW) (ICCA)  Rachel Nicol, Director of Governance & Clerk to the Corporation(RN) |

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|  |  | **Action** |
| **AC/27/19** | **Apologies for absence** The Director of Finance was unable to attend the meeting but the Committee was supported by the Financial Controller. |  |
| **AC/28/19** | **Matters arising; not covered elsewhere on the agenda**  The Committee noted that Casandra Daubney, Chair of the Committee, had resigned from the Corporation on 17 November 2019. Sheila Selwood, Chair of the Committee in 2018-2019, had therefore agreed to chair the meeting.  It was confirmed that Richard Dimbleby would chair the Committee for the remainder of the academic year.  It was agreed to take the agenda items in a different order due to the availability of those presenting papers.  It was also noted that the Search & Governance Committee had proposed changes to the terms of reference of the Committee in November to enable the co-option of committee members. The Committee supported this and the Director of Governance & Clerk will take this forward.  Progress on the Business Continuity Plan and update in the previous year were referenced. The Committee had however understood and expected to be receiving further reports on business impact assessments and progress on the plan. ***The Director of Estates and Facilities will be asked to provide a report to the Spring term meeting that will include an update on Business Impact Assessments and the implementation of a lockdown procedure.*** |  |
| **AC/29/19** | **Internal Audit Annual Report 2018-2019**  Scott Winter (SW) from ICCA introduced the report. The internal audit opinion for the year ended 31 July 2019 is that the College has an adequate and effective framework for risk management, governance and internal control. No significant control issues were identified.  It was noted that in the conclusions on the year a reasonable opinion is the highest assurance opinion achievable.  The Committee discussed;   * The decision not to proceed with the internal audit on project management of systems changes in 2018-2019 and whether there was any anticipated review of this decision. A group has been formed internally to review potential systems to improve systems and processes and the ***Director of Finance will be asked to monitor the position.*** * A question was raised on the rating on application / compliance. ***The Director of Governance & Clerk will revisit the report and check that all planned actions have been carried out.*** * Assurance definitions and how the differential is made. ***SW will check the definitions.***   The Internal Audit Annual Report supports the Committee’s annual report on the work undertaken in 2018-2019 and the end of year annual report and accounts.  **The Committee recommends the report to the Board for noting.** |  |
| **AC/30/19** | **Progress against the 2018-2019 Internal Audit Plan and recommendations**  The Chair introduced the report and the Committee agreed to focus on the outcomes of the apprenticeship review report and the work carried out to date.  David Lockhart-Hawkins (DLH) summarised the scope and background of the review The review had covered two strands; funding compliance and quality.  The findings were noted to be broad but assurance given that they were consistent with reviews of other apprenticeship providers following the May 2017 funding changes with changes being implemented across the sector.  Key problem areas following the funding changes were highlighted as; price setting, documentation requirements including evidence of the initial assessment and agreements to meet the ESFA requirements.  DLH confirmed he had read the report from the Director of Apprenticeships and that the actions taken to date are reasonable. It was however pointed out that the scope of the review was limited to a system review.  The Committee discussed;   * The relevance of variable funding, maximum government contribution and commercial pricing strategies. The interpretation and use of variable pricing, justification and evidence required from the training providers. The challenge internally has been the articulation of the justification for the current pricing strategy given the lack of clear guidelines around price alteration. A detailed costing schedule and guidelines on evidence requirements have been prepared for each programme. * The impact of evidence requirements on the speed of enrolment and customer service. * Training with the Business Development Team and training coordinators in conjunction with the Finance Team to implement process changes. * Risk relating to funding claw back given the subjective judgement on whether a consistent approach has been adopted. Assurance was given that the risk was considered to be fully mitigated in relation to new enrolments. The position in relation to legacy apprentices is being carefully monitored. The absence of strict guidelines was noted to expose the sector to risk. . * Potential commercial funding underclaim; where funding claims for learning support provided were underdeveloped. Learners were identified where additional funding could have been claimed if a refined funding assessment had been carried out. A working group has been established to review the processes in this area. Work done with learners with additional needs is being carefully monitored. * The complexities of the rules and resourcing implications for administratively intense processes. Additional work and skills requirements at the design stage were highlighted. * The impact on employers and requirement for additional administration by them. All employers are to move to the employer service system. * Potential for considering the overall apprenticeship offer based on various factors including demand, contribution and impact on internal structures. * Further recommendations planned for the beginning of December. * Future monitoring; the internal action plan is being re- written following the work done with 6 key areas of focus. The plan will be monitored by the QSA and Audit Committees relevant to their terms of reference. * Role of Business Development and commercial skills requirements including the need for roles to focus on relationship management. * Impact on morale and motivation of planned changes to adapt to the changing environment. * Competition from Universities, position of Association of Employers and potential political implications including Brexit. * Impact of changes on success rates and minimum standards and adaption of intervention policies.   The progress summary report was discussed. The Committee felt that the format of the document had made it difficult to link the 33 planned actions to the progress summary and extrapolate items.  It was agreed that the future focus will be on the 6 key areas with top level strategic actions being articulated with time lines to be reviewed by the Audit and QSA committees.  ***The Committee and management team suggested that associated risks should be presented separately in the Risk Register***.  ***The Vice Principal responsible for Apprenticeships will; review the Risk Register with the Director of Finance***.  ***The Committee suggested a follow up audit take place and agreed that summer 2020 would be an appropriate time.***  The Committee noted the outstanding recommendations from 2018-2019 audits and was satisfied of the progress made.  **The report was noted.** |  |
| **AC/31/19** | **Internal Audit Reports 2019-2020**  The internal audit plan was re-presented with no changes proposed from that seen in the summer term.  **The HR and Payroll report**  The report was presented and had reviewed key payroll controls. The overall assurance conclusion was adequate design (amber), good application (green) and an overall reasonable assurance opinion.  There were two recommendations; one medium risk on design centering on structure and the segregation of duties; a detailed management response confirmed the acceptance of recommendations and provided assurance on how this is being taken forward within the College including the proposal to move to a new in house system which had been reported to the Resources Committee.  The Financial Controller confirmed that the Director of HR  is responsible for the payroll project.  **The report was noted.** |  |
| **AC/32/19** | **Financial Statement Audit Management Letter**  Macintyre Hudson, the College’s Financial Statements Auditor presented their management letter for 2018-2019.    3 matters were raised in the management letter including;   * Timely purchase requisition approvals (medium) * Student deposits (medium) * Delegated purchase requisition authorisation (low)   The actions being taken were noted and assurance accepted. No major issues were identified in their audit of the Financial Statements.  **The Committee recommended that the Financial Statements Audit Management Letter be noted by the Board.** |  |
| **AC/33/19** | **Regularity Self-Assessment 2018-2019**  The Financial Statements Auditor confirmed that the regularity review was a positive statement in the accounts and there are no material changes compared to previous years.  The Committee suggested that a review of formatting would be helpful to ensure responses are aligned to the relevant question.  It was confirmed that the referenced legal claim being reviewed by the insurers is not understood to be of significant value.  **The Committee recommended the Regularity Self-Assessment Statement for signature by the Chair in due course.** |  |
| **AC/34/19** | **Key Risk Review**  The Risk Register had been updated and the Committee’s attention was drawn to the risk guide which highlights the criteria for risk review including those with high scores or significant movement.  The Committee reviewed in particular;   * The update in respect of GDPR and planned mitigation including plans to audit document retention management and use of Smartlog system to monitor compliance   The Committee sought assurance on how the Risk Register is updated and used internally and what level of the management team are involved in updating it. The Director of Finance will be asked to update the Committee in due course.  ***The Committee welcomed the updated register but asked that;***   * ***the management team review the scores and ensure arrows showing movement are visible.*** * ***Apprenticeships be included as a separate item*** * ***Directors are inducted on the use of the Risk Register.***   The Financial Statements Auditor and the Financial Controller left the meeting. |  |
| **AC/35/19** | **Statement of Corporate Governance and Internal Control**  The statement had been reviewed by the Search & Governance Committee on 7 November 2019 and there were no issues of concern with the statement.  The auditors’ opinion was that the College and Board have complied with principles and there have been no major changes since 2018 save for the reference to the AoC Colleges Senior Staff Remuneration Code.  Minor amendments proposed included;   * Addition of the resignation date of Casandra Daubney * Addition of committee membership references for Richard Dimbleby * Consideration on consistency of terminology to reference Clerk to the Corporation rather than Clerk to the College.   The Director of Governance & Clerk will also check the reference to the Corporation’s functions. |  |
| **AC/36/19** | **Annual report of the Audit Committee**  The report was presented and set out the work undertaken by the Committee during 2018-2019 and its self-assessment.  **The report did not raise any concerns and was approved to be presented to the Corporation subject to a typing correction and the inclusion of the paragraph on solvency and safeguarding assets from the Internal Audit Annual Report.**  The Committee also confirmed their support for the amendment to their terms of reference to include the ability to co-opt members to the Committee. |  |
| **AC/37/19** | **Data Protection**  The report of the Data Protection Officer (“DPO”) was presented by the Director of Governance & Clerk who works closely with the DPO to support internal compliance.  The Penetration testing report was presented and the Director of Information & Learning Technologies had provided additional information on the scope of the report which was read to the Committee. Cyber security has been included as a risk on the risk register. ***The Committee was keen that the Director of Information and Learning Technologies provide a further update in due course on the ongoing management of cyber risks and that the Executive monitor the position.***  The current position in respect of breaches and management of data subject right requests was highlighted.  Changes to the reporting of performance against GDPR principles were highlighted. The level of activities requiring improvement or felt to be inadequate were discussed but the subjective nature of the reporting was noted and the need to review proportionality in some areas will be reflected on to ensure an accurate position. Actions being taken to mitigate issues were considered.  **The Committee noted the volume of work carried out and the update.** |  |
| **AC/38/19** | **Bournville letter**  The letter was noted. It was agreed that the Director of Governance & Clerk and the Chair of the Committee for 2019-2020 will review the requirements in the letter against the work plan.  ***The Director of Governance will ask the Director of Finance and the Resources Committee to consider the use of benchmarking tools.*** |  |
| **AC/39/19** | **Minutes**  The minutes of the meeting held on 20 June 2019 were approved as an accurate record of the meeting. |  |
| **AC/40/19** | **Next meeting**  The next meeting will take place on Wednesday 4 March 2020**.** |  |