Minutes of the

Audit Committee

Monday 22 June 2020

Video Conference- Microsoft Teams

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| **Present:** | | Richard Dimbleby (RD) (Chair)  Stewart Briggs (SB)  Andy Ellis (AE)  Sharon De-Leonardis (SDL)  Mark Lawson (ML) | |
| **In attendance**: | | Jonathan Creed (JC) (ICCA)  Pat Jones (PJ) Executive Director of Finance  Eno Kadiri (EK) Data Protection Officer  Ian Pryce (IP) Principal & CEO | |
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| **AC/15/20** | Apologies for absence | | |
| There were no apologies for absence. | | | |
| **AC/16/20** | **Declarations of Interest** | | |
| There were no declarations of interest relevant to the matters on the agenda. | | | |
| **AC/17/20** | **Matters arising not covered elsewhere on the agenda** | | |
| Members and participants introduced themselves. | | | |
| **AC/18/20** | | **Internal Audit recommendations** | |
| The Executive Director of Finance introduced the report and outlined the process of logging the recommendations made by the Internal Auditors and then reporting to the Committee on medium and high risk items.  One part of a two part recommendation remains outstanding and relates to the Procurement Strategy. Although it was considered advisory and might add value in due course, it is not considered a priority and will require a further appointment into the Finance Team.  The Committee was keen that the potential for a more advanced strategy dealing with pricing, savings etc. is not lost sight of. The College will look at technological advancements in defining the new strategy and processes and ***July 2021 was considered reasonable as the revised deadline.***  **The report was noted.** | | | |
| **AC/19/20** | | **Internal Audit plan 2020-2021** | |
| An online meeting had taken place between the Committee Chair, the Internal Auditor, the Executive Director of Finance and the Director of Governance to discuss the draft plan.  The updated plan was then introduced by the Internal Auditor. Three reviews planned for 2019-2020 are outstanding and work is taking place to manage these reviews remotely. These include a mock funding audit focusing on 16-18 and adults and a review of processes around Office for Students registration. Apprenticeships are not being reviewed as part of the mock funding review as processes are undergoing change and will be subject to a separate review at a later date.  The internal audit plan for 2020-2021 was set out in the document presented and attention drawn to section 3, the annual organisational assessment and section 4 the plan itself.  The Committee discussed business continuity planning (BCP) and the history of reports and asked whether there should be a separate pandemic plan outside the standard BCP. The Internal Auditor considered that it would depend on the College’s views on the likelihood of reoccurrence. The College’s management of the current operations through a Response Group of key personnel provided assurance that the Group has operated effectively and that plans are in place to reflect on the response to the pandemic.  The subcontracting certificate external assurance review was noted to be required as part of conditions of funding  A review of the revised processes in Apprenticeships to ensure the new model is efficient is planned. The Committee supported the need for a review given the key role of apprenticeships and the funding risks.  Ongoing discussions had taken place around the operation of HR and payroll; since merger 2 systems had operated with all activity being brought in house during the current year. The planned audit will therefore provide an opportunity to look at the single payroll model. It is also planned to review key financial controls for the first time since merger.  The proposal is to look both at compliance as well as funding optimization for  Additional learning support (“ALS”) and high needs students. ALS is significant and the ESFA had, pre Covid-19, commenced a pilot programme to look at practices around ALS. Colleges are known to be good at providing support but not at optimising funding claims.  It was acknowledged that given the current uncertainties the risk profile for the Group will be subject to change and the plan will remain flexible and open to dialogue to maximize value from the plan.  The Committee questioned whether there is any anticipated change in the structure of banking covenants and what the likely impact might be. Previous audits around financial planning had not indicated a particular risk for the College in this area. Assurance was given that the banking covenants are not posing a risk and that there is no planned activity that is likely to trigger a review.  The Committee felt the plan was well written with a good level of context. It was also noted to reflect the discussion and priorities outlined in other committees.  The Internal Audit Plan 2020-2021was approved | | | |
| **AC/20/20** | | **Key Risk Review** | |
| The Executive Director of Finance presented the report. It was confirmed that the report is a live document and that the academic risks have been recently reviewed in QSA Committee.  Ten inherent risks remain but with 2 increasing and 2 reducing.  It was noted that there is a separate operational plan on Covid-19 sitting outside the register but referenced in it.  ***The Committee raised the issue of the presentation of the risk register in its current form and would like it to be reviewed to be more compatible with electronic papers.*** Online presentation was noted to be problematic. The challenges were acknowledged but barriers to change were explained to include the familiarity of management with the current form and resource involved in establishing a new system.  ***The Committee asked that the risk at A1 is reviewed as the score remains the same following mitigation, indicating the mitigation is considered ineffective.***  The view was expressed that a separate Covid -19 risk register might enable more effective monitoring of the impact on finances, fraud, sustainability and safeguarding. It was explained that since lockdown the Search & Governance Committee have monitored progress on the operational plan and the College’s response through monthly executive updates which the Chair has then circulated to the Board.  The Committee was keen to see the Risk Register reflect the current environment but acknowledged that the size of the register should be proactively managed so that key risks are monitored. An opportunities register is also being developed by the Executive.  Further assurance was given that KPIs, and the responsiveness of the financial models to allow costs to be flexed to changes in income, enable the College to adapt to changes required to ensure sustainability.  The Committee further discussed early feedback on the student experience of remote learning and the likely impact on retention rates as well as space utilization and capital investment required to support new models.  The Principal expressed confidence on recruitment numbers but acknowledged barriers on student experience with a requirement for a 2 metre distance. Positive feedback on engagement with student services on line was however noted.  The Committee asked if any insurance claims had been made or were possible to offset losses suffered. The Executive Director of Finance has met with the insurers and efforts have been made to mitigate losses. One of the biggest areas impacted has been trips. The Insurers have however committed to reimburse the College provided the travel companies have been challenged. The College has not been able to recover commercial income. The insurance contract was retendered 3 years ago and quotes are being sought. The Executive Director of Finance is looking at a longer term option due to the current uncertainties.  **The Risk Register was noted** | | | |
| **AC/21/20** | | **Data Protection update** | |
| The DPO joined the meeting and presented the report.  The Committee sought information on the work required to move areas requiring improvement to a greenrating.  It was explained that recommendations were as a result of the audit carried out in 2018 with significant progress having been made since then. The progress in the current quarter has been impacted by lockdown with a change in focus to data protection in remote working and drafting guidance. Breaches have increased, mainly relating to email address sharing despite guidance. Data security has been well managed centrally but a further need for video conferencing policies and further refresher training noted.  The use of terminology “requires improvement” was considered by the Committee to be harsh in the context explained. It was reflected that the term is not considered to be detrimental in ICO terms but identifies issues that could result in breaches down the line.  Key risks being focused on are: data security in remote working practices and the expectation of an increase in subject access requests and freedom of information requests as a result of the teacher assessment of GCSE and A Level results in the current year. The management team responsible for the College processes in this area are aware and assurance given that the process is robust. The potential impact on resources was noted and will be managed. The Vice Principal responsible for quality had updated the QSA Committee on the operation of the process and impact on students.  The Committee considered that recommendations should naturally drop off when the DPO considers a matter is being routinely dealt with. The importance of safe management of data for compliance with government regulations, safeguarding and education regulations generally was highlighted.  The Committee was pleased that the overall policy and staff culture is rated as good supporting the College’s reputation.  Work is being done on the layout of the report and future reports will be more dynamic on recommendations; time scales and accountability  The Committee sought to understand the position compared to other colleges but understood this is difficult as different institutions use different measurements.  The DPO outlined the robust system of receiving reports and matters being picked up centrally at the College. The Committee did however support the need for an additional layer of accountability with line managers to ensure they are routinely made aware of breaches and be responsible for reviewing processes and ensuring refresher training for staff.  **The report was noted.**  The DPO left the meeting | | | |
| **AC/22/20** | | **Internal irregularity report** | |
| The Director of Governance, as the Whistleblowing officer outlined the report.  It was confirmed that there have been no formal whistleblowing reports under the Raising Concerns Procedure in the current academic year.  The register presented outlined incidents of potential irregularity where the use of the Raising Concerns Policy was considered but not invoked. The Internal Auditor confirmed that it is not a report seen at other colleges with exam malpractice in particular only reported when there is a whistleblowing allegation direct to the exam board.  It was agreed that the record is a good management tool and the previous agreement for triangulation will continue to include relevant matters identified by HR and the Exams team.  ***In future years the management team will review the register and discuss with the Chair of the Committee to determine the scope of the report required under the Committee’s terms of reference.***  **The report was noted** | | | |
| **AC/23/20** | | **Recommendation on the appointment of the Financial Statement Auditors** | |
| The report was outlined by the Executive Director of Finance setting out the basis for the recommendation in terms of expertise, level of service and costs. It was noted that the manager was leaving but that the onsite team will remain largely the same.  **The Committee confirmed:**   * **They support the recommendation of MacIntyre Hudson as the Financial Statement Auditors for 2020-2-21 and** * **They record thanks to Andrew Devonald (the outgoing manager) for his service to the Group.** | | | |
| **AC/24/20** | | **Appointment of Internal Auditors** | |
| **JC left the meeting**  The Executive Director of Finance presented the report and the recommendation to support the ongoing appointment of ICCA in 2020-2021 based on their expertise in the sector both in terms of finances and funding and in terms of their ability to add value in their other audits. Good progress has been made in adapting the audit process to operate remotely to complete the planned programme.  Although the Committee noted this will be the 4th year for ICCA they supported the recommendation based on the good service received and the need to avoid remote tender exercises.  **The Committee recommended the appointment of ICCA as the Internal Auditors for 2020-2021** | | | |
| **AC/25/20** | | **Minutes** | |
| Subject to the Director of Governance checking the attendance of the Vice Principal and adding as appropriate the minutes were agreed as an accurate record of the meeting held on 4 March 2020.  Outstanding actions were discussed:  It was noted that the mock funding audit is in the 2020- 2021 plan.  The reference to value for money was discussed. It was understood that the College is required to produce an HE VfM statement and the action will remain on the log with a view sought from the Director of HE in due course.  The Director of Governance has spoken to the Executive Director of HR and training for line managers on whistleblowing is being taken forward.  The Executive Director of Finance will speak to the Director of Estates & Facilities to ensure the relevant environmental impact analysis is carried out when reviewing policies. | | | |