

Minutes of the Virtual Audit Committee Meeting Held at 5pm on 14 June 2022

Present: Prue Amner, Ashley Cullen and Pauline Tiller (chair)

Apologies: None

In Attendance: Richard Bott Mazars
 Paola Schweitzer Director of Governance
 Paul Goddard Scrutton Bland
 Alice Walker Scrutton Bland
 Maria Vetrone COO

Minutes

1 - Standing Items

38 Attendance and Participation

There were no apologies. The Chair welcomed everyone to her first meeting as Chair.

39 Declarations of Interest

There were no declarations of interest.

40 Minutes

The Minutes of the Meeting held on 15 February 2022 were **Agreed** as a correct record. Paola provided assurance that, as was usual practice, the minutes had been approved by the previous Committee Chair.

41 Matters Arising

Minute 006: Internal Audit Report Apprenticeships: Apprenticeships was still an issue as significant numbers were out of funding (OOF). The team continued to work to support their completion by the end of the academic year. Pauline had attended meetings with assessors and was impressed that the team was reviewing OOF apprentices on an individual basis.

Minute 020: Audit Committee Training & Development: The Governance Development Programme was available again. Paola would re-circulate information.

Governors **Noted** the completed and ongoing matters arising.

Pauline had attended an informative AoC meeting for Finance and Audit Committee chairs. She would circulate the slides from one of the presentations by the Deputy Director, Julian Gravatt, outlining the finance issues affecting colleges.

42 Strategic Risk Register

Maria presented paper 161/22/A providing an update on the College's strategic risk register and the mitigating management action plans. Risks were aligned to the new strategic objectives and were monitored regularly by SMT.

There were 25 strategic risks, nine of which were significant net risks, eight high, six acceptable and two low. There had been two changes since the last meeting:

- Risk 9: low (from acceptable): *The impact of Covid-19 may lead to serious disruption of College business for a prolonged period of time, significant financial loss/unplanned costs, and damage to reputation*
- Risk 24: high (from significant): *Failure to properly manage Apprenticeships provision and pass RoATP process, including Assessor caseloads and practice, may lead to poor quality, poor Ofsted outcomes, reputational damage, lost opportunity to grow provision, and loss of funding for the College.*

Each risk had an owner, timeline and a cumulative summary of mitigating actions taken since the implementation of the new register. Maria shared the spreadsheet providing the background on assurance mapping and the three lines of defence: business, risk management and audit. She noted that overall there was a high level of assurance for each risk. In future excel spreadsheets would be uploaded onto the SharePoint, alongside the pdf document. Governors appreciated the graphic representation of the register, including pie charts, noting that it was accessible and clear. Paul stated it was good to see the lines of defence and noted that Scrutton Bland would shortly audit risk management. Maria invited comments on the risk register, in particular different view on scoring. Pauline noted that inflationary pressures were likely to emerge and this would need to be more clearly reflected in the register. Maria stated that these pressures were already acute and the College would have another deficit budget in 2022/23. Prue thanked Maria for updating the register with data security.

Maria reminded governors that the full risk register was considered by Audit Committee and Corporation as a standing agenda item, but the Committee could refer specific risks to individual Committees if they felt further scrutiny was required.

Governors **Agreed** to recommend the updated strategic risk register to Corporation.

43 Internal Audit Report: Key financial Controls

Alice presented the key financial controls internal audit report (paper 162/22/A). The objectives of the audit were to:

- Ensure debtor income due was properly identified, allocated and accounted for and to confirm debts owed were recovered in a timely manner.
- Provide assurance on the timeliness, integrity and accuracy of financial records and transactions.
- Provide assurance that College employees were paid accurately, in accordance with contractual terms and for work undertaken.

The audit concluded that there were generally effective processes in place for the areas of income and debtors, general ledger and payroll and *Reasonable Assurance* was given. One medium and six low risk recommendations as well as one additional value point were identified. All had been accepted by management.

In response to a question asking how concerned a governor should be regarding the medium recommendation, Alice responded the recommendation related to starter and leaver payments and the risk of erroneous payments being made. She noted that potential incorrect payments of up to £200 had been identified. Maria stated that a great deal of work had been carried out to improve HR record keeping and to ensure that payroll and finance systems communicated more effectively. More controls were being introduced so senior leaders had sight of pay costs and could budget appropriately. These systems would be in place by 01 August 2022.

Governors **Noted** the key financial controls internal audit report.

44 Internal Audit Report: Follow Up

Alice presented the follow up internal audit report (paper 163/22/A).

This audit reviewed progress made implementing seven recommendations where either the implementation date had passed, the recommendations had not previously been reviewed or were considered incomplete at the time of the prior review.

The internal auditor concluded that the College had made *Good* progress in implementing the recommendations:

- One additional learning support recommendation: implemented/superseded
- Three estates recommendations: two implemented/superseded and one part implemented (management reporting from the new Estates desk top system)
- Two finance recommendations: both implemented/superseded.

Governors **Noted** progress made with the follow up recommendations in the follow up internal audit report.

45 Internal Audit Report: Funding Assurance (paper 172/22/A)

Paul presented the internal audit report to confirm compliance with the 2021/22 ESFA Young People's and AEB Funding Guidance.

The internal auditor concluded that the College was demonstrating a good level of compliance with the Young People's Funding Guidance and the AEB Funding Rules and how fee remission and funding claims were processed. *Significant* assurance was therefore given. One medium and two low risk recommendations were made and one area for improvement regarding residency declarations for learners and ensuring that learners were eligible for funding based on their residency status. Two additional areas were identified where improvements were required relating to the actual end dates recorded on the ILR for withdrawn and transferred learners and ensuring the Learning Agreements accurately reflected the details of study programmes.

Paul believed these were human errors rather than anything systemic and noted that a huge amount of work had taken place to clean up data, meaning the College was performing better than some colleges with well-established processes. He congratulated the team on the work achieved since merger. Pauline noted the sample size of 25 and asked how many could potentially have a funding overclaim. Paul responded that all 25 were theoretically at risk but the issues had now been resolved.

Governors **Noted** the funding assurance internal audit report.

46 Internal Audit Progress Report (paper 173/22/A)

Paul provided an update on progress on 2021/22 internal audit reports.

Two audits have been completed (funding assurance and key financial controls), with a further three underway or due to start shortly (HR, IT infrastructure/cybersecurity, governance and risk management). An additional meeting would take place in the autumn term to consider these reports and the annual report. Governors **Noted** the Internal Audit Progress Report.

47 Outstanding Audit Recommendations

Maria presented paper 164/22/A setting out progress in implementing internal audit recommendations raised by Southern Internal Audit Partnership (SIAP) in 2020/21.

Additional Learning Support, apprenticeships, estates and facilities, finance and subcontracting were internally audited in 2020/21. Of the 25 recommendations made, only one was outstanding. The outstanding recommendation concerned a new online system to allow more efficient, effective and transparent allocation of jobs amongst the Estates and Facilities staff. Procurement had been delayed due to the merger and insufficient staff resources but had now been completed.

Governors **Noted** the outstanding audit recommendations.

48 Financial Statements Audit Planning Memorandum

Richard presented paper 166/22/A outlining the external audit approach to the financial statements audit for the year ending 31 July 2022.

The purpose of the memorandum was to summarise the external auditor's approach, highlight significant audit risks and areas of key judgements and provide details of the external audit team. A fundamental requirement was that the auditor was independent of its clients and the document summarised the external auditor's considerations and conclusions on its independence. The report summarised the outcome of a planning meeting with Maria in February and included timelines and resources. The memorandum included the minor changes in the Joint Audit Code of Practice (JACoP). Key judgements would include management override of controls, income recognition and other significant risks such as defined benefit pension

scheme assumptions. There was discussion in the sector about this last matter and Maria confirmed that she would challenge Hampshire's Local Government Pension Scheme assumptions. Richard stated that what kept him awake was the impact of inflation, as current levels meant we were in uncharted territory. Pauline queried the £2k additional fee for the merged College and Richard stated that it was a different and quite complex College, with several subsidiaries which required auditing. Ashley concurred that the College had undergone significant change in the last two years, with huge progress being made. Maria stated that she had been in correspondence with the solicitors in Nigeria concerning the outstanding debt and noted that DfE required the College to pursue these monies.

Governors **Agreed** the Financial Statements Audit Planning Memorandum and audit fee.

49 Health & Safety Policy & Update

Maria presented paper 167/22/A setting out the College's health & safety policy and the latest report.

The College was required to have an up to date health & safety policy describing the health and safety management system and framework. The policy was divided into:

- **Statement of intent** providing the policy and general direction for the management and governance of health and safety within the College
- **Organisation** setting out how the policy was organised within the College and defining responsibilities and accountabilities for all staff
- **Arrangements** defining processes/systems to achieve the policy objectives.

The policy committed to prevent injuries and ill health and support continual improvement in occupational health and safety management and performance; provide a framework for the setting and reviewing of objectives, measuring and reviewing the results and continually improving process; ensuring teams had the necessary information and training to realise the College's commitment; and empowering staff to act at all times in the interest of health and safety. The policy was underpinned by a number of documented procedures.

Ashley asked why the policy had been significantly rewritten, to which Maria responded that the previous policy was long and not easily accessible and a recent resignation had provided an opportunity to carry out a review of health and safety arrangements. A full review of the policy and report would take place when the new member of staff had joined the College.

Prue asked for an update on CCTV, stating that some students had reported feeling unsafe in areas where there was no CCTV/where CCTV wasn't working, and asked how this significant issue was being addressed. Maria stated that a great deal of work remained to be done and at present the College did not have a security policy. Pauline noted that Audit Committee's responsibility was absent from the policy and it was agreed the policy would be amended accordingly. There was brief discussion about whether Finance & Resources Committee or Audit Committee was best suited to

scrutinise health and safety activity within the College. Paola agreed to research further.

Governors then turned their attention to the health and safety report. Pauline noted the number of offsite activities was quite low and asked if it included apprenticeships. Maria agreed to clarify. Prue also noted that risk assessments for individual students needed to be carried out, not just work placement risk assessments. Maria believed this was done but had not been explicitly identified in the report.

Ashley noted that he had been on the Board for two years and had previously been reassured that health and safety was being well managed by the College. Now he understood Maria was not assured and asked what concerned her. Maria stated that there were a number of issues at Cosham, North Harbour and Arundel which needed attention, with the latter being a particular concern. Maria believed that governors could only provide effective scrutiny and challenge on the basis of clear and detailed reports. H&S reports were being reviewed and revamped to provide improved clarity and detail. Ashley noted the importance of transparency and open discussions. Paola suggested additional scrutiny, support and assurance could be provided by a Health & Safety lead governor and she would discuss the matter with Katy.

Governors **Agreed** to recommend the health and safety policy, with the amendment concerning Corporation's role, to Corporation and **Noted** the report.

50 Data Protection Policy

Maria presented paper 168/22/A setting out the College's data protection policy.

The College was required to have a data protection policy. The policy set out how the College would ensure it was compliant with the relevant legislation and, as the *data controller*, the Board was accountable for data protection and ensuring that measures were in place relating to personal data being fairly, lawfully and securely processed. This responsibility would be discharged through Corporation and Audit Committee and had been incorporated into their Business Plans accordingly.

Maria stated that the policy was a holding policy that would be reviewed and updated once the new Vice Principal Information Services started in August 2022. Prue asked that the policy reference governors' responsibilities and training. In response to a question, Maria stated that the Freedom of Information requests were currently managed on an ad hoc basis through legacy colleges processes but this would be reviewed. Paul stated he would expect the Committee to receive an update at every Committee meeting on data breaches, subject access requests etc and it was **Agreed** this would be incorporated into the Committee's business plan.

Governors **Agreed** to recommend the data protection policy, with the amendment concerning governors' responsibilities and training, to Corporation.

51 College Accounts Direction 2021/22

Maria presented paper 169/22/A setting out requirements in the College Accounts Direction 2021/22 for the financial statements for the year ending 31 July 2022.

Several changes were introduced to the College Accounts Direction including clarification that statements of dormant subsidiaries need not be submitted and the introduction of two new requirements in the statement of corporate governance and internal control covering a report on activities undertaken over the year to develop governors and clerks/governance professionals; and a report on whether the corporation had conducted an internal or external review of governance. Colleges were required to submit several documents for the year ending 31 July 2022 to the ESFA by 31 December 2022 including the audited annual financial statements, the finance record, the external auditor's management letter, the annual report of the Audit Committee and the audited accounts of subsidiary companies.

Richard noted that the ESFA regularity audit now covered subsidiaries and joint ventures. Pauline believed it would be a tricky year to finalise the accounts and audit, given the merger and changes to the finance team. Maria agreed, noting that whilst the finance team was a great team with the right skillset, they were on a steep learning curve.

Governors **Noted** the ESFA College Accounts Direction.

52 Joint Audit Code of Practice (paper 170/22/A)

Maria provided information on the changes set out in the Joint Audit Code of Practice (JACoP) for the year ending 31 July 2022.

The JACoP set out a common standard for the provision of assurance in relation to funding of post-16 providers, identifying overarching assurance arrangements for providers and the specific responsibilities within the assurance framework for FE corporations and their external auditors/reporting accountants. There were several key changes including reference to ESFA's guidance on the scope of work of audit committees and internal auditors in college corporations, clarification on what constituted reportable significant fraud and clarification that the regularity engagement covered subsidiaries and joint ventures. Paragraphs relating specifically to Audit Committees and their work remained unchanged. One of the annexes identified some of the characteristics of providers where the ESFA have identified regularity concerns. These related to College governance and management and included ineffective governance structure including lack of policies in key areas, weaknesses in the corporation's approach to holding management to account, inadequate record keeping, ineffective implementation of policies/procedures, inadequate reflection of charity law, inappropriate/incomplete disclosure related party relationships and transactions, ineffective management structure including lack of control processes, noncompliance with control processes and lack of relevant experience in key areas, ineffective use of resources, slow response to issues identified by Ofsted, inadequate record keeping, ineffective management structure

including lack of control processes, noncompliance with control processes and lack of relevant experience in key areas and weaknesses in systems and controls.

Pauline stated it would be helpful to consider the fraud checklist appended to the JACoP at the next meeting. In response to a question, Paola stated that she drafted the Audit Committee's annual report liaising closely with the Chair of Audit Committee, and it was then brought to the Committee for consideration.

Governors **Noted** the Post 16 Joint Audit Code of Practice 2021/22.

53 Review of Terms of Reference & Business Plan

Paola introduced paper 171/22/A evaluating performance against the Committee's Terms of Reference in 2021/22 and setting out 2022/23 Committee's business plan.

As agreed at the last meeting, the terms of reference had been reviewed against the ESFA's good practice guide on the scope of work of audit committee and internal auditors in college corporations and the JACoP. The terms of reference were in line with both these documents however a few minor clarification amendments were proposed. Paul suggested amending paragraphs 1.1 and 1.11 to reference subcontracting as set out in the JACoP. He then asked how Committees reflected on their performance outside the terms of reference and it was agreed this would be picked up through the forthcoming internal audit. Governors **Agreed** the terms of reference, with the clarification amendments and references to subcontracting, and performance against them in 2021/22 and **Agreed** the 2022/23 Business Plan.

54 Fraud Update (verbal update)

Maria stated that she was not aware of any irregularity, fraud or corruption.

Minutes 55 – 58 were confidential/commercial in confidence.

The meeting ended at 7.35pm.