

AUDIT COMMITTEE
Minutes of a meeting held at 15.30 on 26 April 2021 via Microsoft Teams

Present:	Mr J Williams Ms M Carabine Dr A Conn Mr M Pearmain Dr A Williams	Independent Member (Chair) Independent Member Independent Member Co-opted Member Independent Member
Attendance:	5/5 = 100%	KPI 80% Quorum: 3
In attendance:	Mr D Bedford Mr M Bennington Ms A Clegg Mr C Davenport Ms M Gilluley Ms J Green Mr R Harwood Mr A McCulloch Mrs R Meara Mr D Rayneau Ms J Simpson Ms D Watson Mr J Wilkinson	Head of Estates, Facilities & Security (to item 7) Vice Principal Corporate Operations Financial Controller (Items 4-6) Observer (from Item 8) Principal and Chief Executive Clerk to the Corporation Head of Health & Safety (to item 7) TIAA Executive Finance Director Executive Director of Business Systems (Items 4-6) Executive Director of Human Resources Grant Thornton Head of IT and System Development (Items 4 and 11)

Item	Action/ Report Item
CLOSED SESSION	
0	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS
i	The Chair reminded Members that the purpose of the closed meeting was to provide an opportunity for private discussions with the auditors. Neither had any issues to raise. <i>15:35 Mr M Bennington, Ms M Gilluley, Mr R Harwood and Mrs R Meara joined the meeting.</i>
	Report Item 1
PRELIMINARY ITEMS	
01	WELCOME AND INTRODUCTIONS
i	No introductions were needed. The Clerk advised that a Mr C Davenport would be joining the meeting to observe; he was interested in becoming a College Governor.
ii	The Clerk confirmed that due notice of the meeting had been given; the requirement for all persons participating to be able to communicate with one another was satisfied and the meeting was quorate. The Chair declared the meeting open.
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST
i	There were no apologies. All confirmed that they had no direct or indirect interest in any way in the business to be transacted at the meeting which they were required by the Instrument of Government to disclose, other than those matters previously disclosed.

Item		Action/ Report Item
3 i	APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS <u>RESOLVED:</u> (i) To approve the minutes of 30 November 2020 and 25 January 2021 as an accurate record.	
3.1 i	MATTERS ARISING NOT ON THE AGENDA None were raised.	
3.2 i ii iii iv v vi vii	UPDATE ON AGREED ACTIONS <u>Proposal for Association of Colleges (“AoC”) joint audit committee session:</u> The response to date had been lukewarm; MG would raise it at the next regional meeting. Action (rolled over): To propose a joint audit committee session at the next regional meeting. <u>Audit Committee Annual Report - amendments:</u> This had been actioned. <u>Benchmarking of the number of chargeable internal audit days purchased by General FE colleges:</u> This was on the Agenda. <u>Circulate Estates Property Compliance review report:</u> This had been actioned. <u>Induction Training:</u> This was on the Agenda. <u>Committee to receive a Smartlog report:</u> This was on the Agenda.	MG
INTERNAL AUDIT		
<i>15:42 Ms A Clegg and Mr D Rayneau joined the meeting.</i>		
4 i ii iii	PROGRESS REPORT AND INTERNAL AUDIT REVIEW REPORTS Progress against the Internal Audit Plan was reviewed and the work was agreed to be on schedule and progressing well. It was noted that an internal audit review of ‘Project T1’ and a further Follow-up audit were planned for week commencing 10 May 2021. <u>Internal Audit Assurance Review: Student Records – Enrolment Process</u> A report on the adequacy of the processes and controls for admissions and enrolment and the tracking of data was received. The review had yielded a ‘Reasonable’ assurance opinion, with one ‘Important’ ² and one ‘Routine’ ³ control issue. The agreed action arising from the ‘Important’ issue was to amend the student enrolment form to include a statement confirming that mandatory pre-entry information, advice and guidance had been provided in line with funding requirements. Management reported that the actions were already complete, although the effect would not be seen until the students started to enrol in August. It was agreed that the status of the actions should be amended to reflect this. Corporation report: The Committee is pleased to report that the internal audit of the processes and controls for admissions and enrolment yielded a ‘Reasonable’	Report Item 2

¹ ‘Project T’ concerns systems integration and simplification, to provide high quality business intelligence and to improve the business planning process.

² meaning ‘priority 2: control issue on which action should be taken at the earliest opportunity necessary’

³ meaning ‘priority 3: control issue on which action should be taken’

Item		Action/ Report Item
iv	assurance opinion, with one 'Important' control issue which has been addressed. The internal auditor found the process was appropriately directed and operating as expected and said the implementation of the new online enrolment system had been successful.	RM
<i>15:50 Mr J Wilkinson joined the meeting.</i>		
iv	<p data-bbox="245 450 935 483"><u>Internal Audit Assurance Review: Disaster Recovery</u></p> <p data-bbox="245 510 1362 712">The Committee received a report on the effectiveness of the College's disaster recovery arrangements. The review had yielded a 'Reasonable' assurance opinion, with four 'Important' and one 'Routine' control issues. The agreed actions were updating of the IT Disaster Recovery Plan and associated documents, the formalisation of data backup and requirements for critical systems, the implementation of annual disaster recovery testing and increasing cloud based back-up storage.</p>	
v	A member commented that, had annual full disaster recovery testing been implemented, the other three 'Important' control issues would have been picked up during that testing. The Head of IT and System Development, Mr J Wilkinson ("JW", said regular comprehensive testing of all elements was to be implemented and, following discussion about the lead in time for the first test, it was agreed that it should be brought forward into the summer of 2021.	
vi	Action: The Rolling Audit Action Review report for the next meeting will show revised target completion dates for the actions arising from the disaster recovery audit. The revised dates will also be sent to TIAA.	RM
vii	Corporation report: The internal audit of the arrangements to mitigate the impact of a major incident yielded a 'Reasonable' assurance opinion, with four 'Important' control issues to address. Subject to implementation of the recommended actions, the Committee has no concerns to report.	Report Item 3
<i>15:50 Mr J Wilkinson left the meeting.</i>		
vii	<p data-bbox="245 1301 804 1335"><u>Internal Audit Review Income and Debtors</u></p> <p data-bbox="245 1361 1362 1637">The review had looked at the effectiveness of the key financial controls providing assurance that the income and debtors systems operated in accordance with the College's requirements. It had also yielded a 'Reasonable' assurance opinion, with one 'Important' and one 'Routine' control issue identified. The agreed action relating to the Important issue was to reinstate monthly reviews of outstanding debts of a particular value or that were significantly overdue – but it was noted that the gap had opened due to a temporary staff shortage and the reviews had recommenced some time before the audit was undertaken.</p>	
viii	In response to a question, the Financial Controller Ms A Clegg, said as far as she was aware, the temporary control gap had not produced any detrimental impact.	
ix	Corporation report: The Committee is pleased to report that the internal audit review of the income and debtors systems yielded a 'Reasonable' assurance opinion, with one 'Important' issue which arose due to a temporary staff shortage and was rectified pre-audit, without having caused any detriment.	Report Item 4
x	Members congratulated management on "some of best reports seen recently".	

Item		Action/ Report Item
<p>5</p> <p>i</p> <p>ii</p> <p>iii</p> <p>iv</p>	<p>ROLLING AUDIT ACTION REVIEW</p> <p>Members discussed the report and agreed that a good level of action was being taken in response to the recommendations raised by audit. Of the three overdue items, two were rated 'Routine' and one 'Important'. The delays in each case were pandemic related. RM said, while substantial progress had been made on the action relating to the 'Important' issue – which arose from the Incident Management and Reporting audit, it would not be marked complete until all the IOSH training had been completed.</p> <p>In response to a question, RM clarified that the dates in the 'revised completion date' column in her summary reports required Committee approval. Following discussion, it was agreed that the 'Recommendation(s)/action required" section of the reports should in future identify whether any extensions were being proposed and any approvals should be recorded in the minutes as Committee resolutions.</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the revised completion dates proposed in the Rolling Audit Action Review – Update (Apr 2021).</p> <p>Corporation Report: Good progress is being made on the implementation of recent audit recommendations. The Committee extended the target completion dates for some actions that had been impacted by the pandemic but has no concerns to report. An 'Important' recommendation is still outstanding but the area has been significantly de-risked since the audit date.</p>	Report Item 5
EXTERNAL AUDIT		
<p>6</p> <p>i</p> <p>ii</p>	<p>CHANGES TO THE ARRANGEMENTS FOR FUNDING AUDITS</p> <p>It was noted that a significant change reflected in the new version Post-16 Audit Code of Practice (the "Code") would substantially impact the scope and objectives of the work of the external auditor going forwards. RM said historically, external auditors had been able to place reliance on an end-of-year funding confirmation from the Education & Skills Funding Agency ("ESFA") but the Code now cautioned that the statement did not constitute assurance over the funds earned by the college.</p> <p>Ms D Watson of Grant Thornton said the policy change would inevitably make a difference to the audit work, impacting on both the process and the timetable.</p>	
<p><i>16.35 A comfort break was taken. When the meeting resumed at 16.40, all re-joined, except for Ms A Clegg and Mr D Rayneau.</i></p>		
OTHER BUSINESS		
<p>7</p> <p>i</p> <p>ii</p>	<p>SMARTLOG COMPLIANCE AND SYSTEM DEMO</p> <p>Members were pleased to note that the agreed targets for scheduled health & safety checks were being achieved at all sites where Smartlog had been introduced. In response to a question, Head of Health & Safety, Mr R Harwood, said the system reported on both check completion rates and the ratio of 'passes' to checks required. He said the report shared with the Committee was of the latter type; it showed that, across all monitored sites, 85% or more of the required controls were in place and operating as intended, albeit with occasional dips as additional checks were added.</p> <p>Corporation report: Governors may recall that the Committee held a special meeting in January to discuss its concerns about some operational health and safety control issues identified in an internal audit review. It has since received an assurance report from the Head of Health & Safety, evidencing that target levels of compliance are now</p>	Report Item 6

Item	Action/ Report Item	
	being achieved. The Committee will continue to monitor the situation to provide ongoing assurance that the improved position is being sustained.	
17.05	<i>Mr R Harwood and Mr D Bedford left the meeting. Mr C Davenport joined the meeting.</i>	
8	INTERNAL AUDIT DAYS BENCHMARKING	
i	<p>Noting the findings of the benchmarking exercise, the Committee debated whether the internal audit strategy was adequate in terms of the number of audit days the College commissioned. There was agreement that:</p> <ul style="list-style-type: none"> - the Corporation should only be encouraged to invest in more internal audit days if the Committee had concerns about the adequacy of the existing coverage; and - it was not yet clear that this was the case. 	
ii	<p>Action: To carry out a mapping exercise of audit coverage against the risk register so that any gaps can inform a recommendation.</p>	RM
9	STRATEGIC RISK REPORT	
i	<p>RM presented the report, drawing two risks to the Committee’s particular attention:</p> <p><u>Risk #20 ‘Failure to Manage Staff Costs within Agreed Ratios’</u> Residual risk score increase: from 12 to 15 Target: 6</p> <p><u>Risk #25 ‘Failure to meet the Business Plan’</u> Residual risk score increase: from 16 to 20 Target: 6</p>	
ii	<p>RM explained that, while staff costs were under control, the risk score for Risk #20 had increased due to the reduction in overall income, in particular the anticipated clawback of a material part of the Adult Education Budget (“AEB”).</p>	
iii	<p>The risk score for Risk #25 had increased due to two factors:</p> <ol style="list-style-type: none"> (1) the proposed clawback of AEB; and (2) the anticipated impact of (private training provider) Kirkdale Industrial Training Services Ltd.’s campaign (in partnership with Calderdale College) to recover the apprenticeship business it lost to the College following its removal from the ESFA register of training providers. 	
iv	<p>There was discussion about the College response to the KITS soliciting of students. Members were pleased that the matter had been taken up with the ESFA. There was agreement that, while the financial position and performance data may be impacted by any loss of business, the College had done the right thing in providing a lifeboat for the displaced apprentices and had acted in line with its Values.</p>	
v	<p>The Committee discussed some of the other risk scores, querying in particular why the residual score for Risk #1 ‘Failure to have an effective response plan for managing College operations during a pandemic’ was so high (20 against a target of 12). RM said the score reflected the challenge of simultaneously responding to and taking action to recover from the effect of Covid-19 on the business, as well as the substantial strain on capacity and resources. She said she would reflect further on the articulation of the risk.</p>	
vi	<p>Action: To review the articulation of Risk #1 and to delete the words “and maximise use of” from Risk #14.</p>	MG, RM

Item		Action/ Report Item
vii	Corporation report: The Committee received a report on progress towards strategic risk reduction and discussed some of the movements in the risk scores. The overall position was positive in that the average risk score had fallen from 12.4 to 10.7 since the last report to the Committee, with only two risks showing increased risk scores. There was challenge around the scoring of some of the risks, in particular Risk #1 (which concerns the College response to the pandemic), which some Members felt was scored too highly. The Committee was largely satisfied with the management responses but there was agreement that the articulation of the risk should be reviewed.	Report Item 7
10	FRAUD REGISTER	Report Item 8
i	RM said, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities. Referring to the 'near miss' incident reported on at the previous meeting, she said this had been investigated and no fraud had been detected.	
ii	Corporation Report: Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	
<i>17:35 Mr J Wilkinson rejoined the meeting.</i>		
11	DATA PROTECTION COMPLIANCE REPORT	JW, JG
i	The report was reviewed and there was discussion about: <ul style="list-style-type: none"> - the risk of a data breach reporting gap, as the number of reported breaches was low relative to the size and complexity of the business; and - a delay in fully implementing advice from the Information Commissioner ("ICO"). 	
ii	JW said management was aware of the issues and was working to address them, including through refresher training for staff and an email communication campaign. A Member queried whether the Risk Register adequately reflected the risk level in the area and suggested that this be reviewed. The Member observed that a failure to implement ICO advice could be deemed an aggravating factor in the event of a breach, increasing the impact of any enforcement action.	
iii	There was agreement that the Committee should receive regular reports on data protection compliance, which should include a summary of the proactive steps management had taken to strengthen the framework.	
iv	Action: Data Protection compliance reports to come to each Committee meeting. The report to the next meeting to include an update on the implementation of the ICO advisory recommendations.	
v	Corporation report: Management is addressing a suspected data breach reporting gap through a combination of staff communications and refresher training. It is also in the process of implementing some advice received from the Information Commissioner, which the Committee will monitor. The Committee is concerned that the College may be carrying more risk in this area than the relevant Risk Register entry suggests.	Report Item 9
<i>17:50 Mr J Wilkinson left the meeting.</i>		
12	TERMS OF REFERENCE AND POST 16 ACOP CHANGES	Report Item 10
i	Corporation Report: An amended version of the Terms of Reference are presented for Corporation approval. One change reflects a new ESFA requirement for Corporations to have a policy for regular retendering of external auditors; the Committee will make a recommendation on this following its next meeting. Another change reflects a new ESFA expectation that the external auditors present their findings annually to the board, which may be done at a joint meeting with the Audit Committee.	

Item		Action/ Report Item
ii	Action: To attend to the actions identified in the Clerk's report of 26 April 2021.	JG
13	AUDIT COMMITTEE INDUCTION PROCESS	
i	The Clerk had produced a microsite to support new member induction and it was agreed that this seemed to be a positive innovation.	
MATTERS TO NOTE AND ADMINISTRATION		
14	DATE OF NEXT MEETING	
i	Monday 14 June 2021, 3.30pm.	
15	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all documents marked * on the agenda should remain confidential.	
CLOSED SESSION WITHOUT THE AUDITORS		
16	PERFORMANCE REVIEW AND APPOINTMENT OF EXTERNAL AUDITOR	
v	<p><i>This matter is restricted to Governors and Senior Post Holders and therefore the discussion is recorded in a restricted and confidential annex at the end of this document and marked Annex 1.</i></p> <p>Corporation report: The Committee considered whether the external auditor Grant Thornton should be reappointed for the 2020/21 financial statements audit. It recommends that they should.</p>	Report Item 11

Items of Report for Corporation		
Item	Details	Min
1.	No auditor issues were raised.	0ii
2.	The Committee is pleased to report that the internal audit of the processes and controls for admissions and enrolment yielded a 'Reasonable' assurance opinion, with one 'Important' control issue which has been addressed. The internal auditor found the process was appropriately directed and operating as expected and said the implementation of the new online enrolment system had been successful.	4iii
3	The internal audit of the arrangements to mitigate the impact of a major incident yielded a 'Reasonable' assurance opinion, with four 'Important' control issues to address. Subject to implementation of the recommended actions, the Committee has no concerns to report.	4vii
4.	The Committee is pleased to report that the internal audit review of the income and debtors systems yielded a 'Reasonable' assurance opinion, with one 'Important' issue which arose due to a temporary staff shortage and was rectified pre-audit, without having caused any detriment.	4ix
5.	Good progress is being made on the implementation of recent audit recommendations. The Committee extended the target completion dates for some actions that had been impacted by the pandemic but has no concerns to report. An 'Important' recommendation is still outstanding but the area has been significantly de-risked since the audit date.	5iv
6.	Governors may recall that the Committee held a special meeting in January to discuss its concerns about some operational health and safety control issues identified in an internal audit review. It has since received an assurance report from the Head of Health & Safety, evidencing that target levels of compliance are now being achieved. The Committee will continue to monitor the situation to provide ongoing assurance that the improved position is being sustained.	7ii
7.	The Committee received a report on progress towards strategic risk reduction and discussed some of the movements in the risk scores. The overall position was positive in that the average risk score had fallen from 12.4 to 10.7 since the last report to the Committee, with only two risks showing increased risk scores. There was challenge around the scoring of some of the risks, in particular Risk #1 (which concerns the College response to the pandemic), which some Members felt was scored too highly. The Committee was largely satisfied with the management responses but there was agreement that the articulation of the risk should be reviewed.	9vii
8.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	10ii
9.	Management is addressing a suspected data breach reporting gap through a combination of staff communications and refresher training. It is also in the process of implementing some advice received from the Information Commissioner, which the Committee will monitor. The Committee is concerned that the College may be carrying more risk in this area than the relevant Risk Register entry suggests.	11v
10.	An amended version of the Terms of Reference are presented for Corporation approval. One change reflects a new ESFA requirement for Corporations to have a policy for regular retendering of external auditors; the Committee will make a recommendation on this following its next meeting. Another change reflects a new ESFA expectation that the external auditors present their findings annually to the board, which may be done at a joint meeting with the Audit Committee.	12i
11.	The Committee considered whether the external auditor Grant Thornton should be reappointed for the 2020/21 financial statements audit. It recommends that they should.	16v