

Hereward College



Minutes of: AUDIT COMMITTEE

Date: 26<sup>th</sup> September 2022

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)  
Mr S Crick  
Mr M Crook (from 6.10pm)  
Mr K Sonecha (left at 7.00pm)

In attendance: Mrs P Powditch (Interim Vice Principal Finance and Resources)  
  
Mr J Creed (ICCA-ETS) (up to and including item 22/09)  
  
Mrs Y Doherty (Clerk to the Corporation)

#### **22/01 APOLOGIES**

Apologies for absence were received from Ms H Hillyard and Mr P Oxtoby.

#### **22/02 MEETING WITH THE AUDITORS**

Members of the Committee met with the Auditors without College management.

Mr Creed commented on the following:

- Work would be completed regarding IAS attendance at Committee meetings being impacted due schedule clashes
- All IAS work had been completed in line with the plan and the annual report indicated good performance
- There were potential challenges regarding the change of college staff and the need for this to embed. It was suggested that difficulties could arise where there was rotation of staff.
- The sector was in a very difficult position, particularly financially, and the review of college classification by the ONS.
- The Committee confirmed that the Vice Principal Finance and Resources was an interim appointment  
Mr Creed commented that there were difficulties being experienced in the sector relating to recruiting FDs.
- The Committee asked if there were any particular issues that it should be aware of  
It was suggested that Committee just ensure awareness and monitoring.

**The College Management joined the meeting**

#### **22/03 DECLARATIONS OF INTEREST**

On the basis of the business to be considered there were no declarations of interest

**The Chair welcomed Mrs Powditch to the meeting and introductions were made.**

The Chair noted that the Committee would now meet four times per year to spread the workload and that the business would be considered on an exception basis.

**FOR DECISION**

**22/04 MINUTES OF THE LAST MEETING**

The minutes of the previous meeting on 13<sup>th</sup> June 2022 (circulated, document Sept 22/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 13<sup>th</sup> June 2022 be approved.

**22/05 ACTIONS FROM THE PREVIOUS MEETING** (circulated, document Sept 22/2)

*21/43.1 RSM External Audit Plan for year ended 31<sup>st</sup> July 2022*

The Vice Principal Finance and Resources was requested to refer to the original tender documents to confirm the documented position regarding fee increases.

**Response:**

A search has been conducted on the shared drives, however the tender documents could not be found. A search through hard copy files will continue and an update will be provided at the audit committee.

*21/45 Draft Internal Audit Plan and Strategy*

The Vice Principal Finance and Resources to seek input from all VPs in developing the internal audit plan.

**Response:**

The plan was again shared with the SLT and comments invited. No changes have been made. The interim Vice Principal had a meeting with IAS w/c 3<sup>rd</sup> October.

The Vice Principal Finance and Resources was requested to check the agreed day rates for the IAS to confirm that there were no changes.

**Response:**

The rate is correct.

*21/48: 48.1.1 ESFA Mock Funding Audit 01.21/22*

It was noted that the compliance was assessed as Adequate, it was queried if this was the same as the last ESFA Mock Funding Audit

The Vice Principal Finance and Resources was requested to confirm if this was the case.

**Response:**

Yes. The 2019/20 and 2021/22 assessments are below:

Year	Design	Application/ Compliance	Assurance Opinion
2019/20	Good	Adequate	Reasonable
2021/22	Good	Adequate	Substantial

*48.1.2 Feedback on Internal Audits*

Potential improvements relating to the organisation, e.g. planning meetings.

**Response:**

Agreed.

#### 48.2 Internal Audit Plan Progress Report 2021/22

It was questioned if the tracking detail in the report was accurate (page 5).

The Vice Principal Finance and Resources was requested to confirm if this was the case.

#### **Response:**

Report dates have all been checked and are correct, apart from the date of the management response for the Curriculum Planning management response which was believed to be 31<sup>st</sup> March (not 8<sup>th</sup> April). It had not been able to verify all the debrief dates but it was believed that these were all within the timeframe of the audits.

Report Ref	Audit Title	Debrief date	Draft report issued	Management responses received	Final report issued
Report 01	ESFA Mock Funding Audit	26/5/22	26/5/22	30/5/22	30/5/22
Report 02	IT Data Security	2/3/22	2/3/22	4/3/22	4/3/22
Report 03	Curriculum Planning	24/3/22	25/3/22	8/4/22 believe this was 31/03/2022	11/4/22
Report 04	Safeguarding Inc. Prevent	25/2/22	2/3/22	3/3/22	4/3/22
Report 05	Follow-up of Previous Internal Recommendations	28/2/22	1/3/22	4/3/22	4/3/22

#### 20/54 Any Other Business: Assessment of Auditors Performance

The intention to seek continuous feedback of IAS at each meeting was highlighted and that assessment of the EAS would be completed in the autumn term.

#### **Response:**

Agreed.

#### 22/06 DEEP DIVES

The Committee considered the report on Deep Dives (circulated, document Sept 22/3) and discussed the future schedule for presentation.

Discussion points included:

Areas for potential review

- Risk Management – the work of the Risk Management Group
  - Revenue/funding/income streams
  - Curriculum planning and recovery of costs
  - External review of governance
  - Accommodation Strategy
  - Complex Presentations
- Risk Management: what element was the Committee seeking assurance on, and how is this obtained

Role of the VP was to embed the Risk Management approach at operational level, would it be useful to consider how this was embedded through the Risk Management Group and how this informed the strategic risk register?

It was suggested that this might require an independent assessment across college.

It was suggested that Risk Management appeared thorough but it was queried as to how independent it was

It was commented that independence was important but it was queried if it was a fundamental area

requiring review by the Committee

The opinion was expressed that Risk Management was reasonably well managed and that it was regularly on the meeting agendas for the SLT and senior managers.

- Revenue/funding/income streams

It was commented that given the specialism of the college funding was inherently different, with a small proportion attributable to the ESFA and the need for the external auditors to be assured re materiality.

Due diligence around the funding was queried.

It was confirmed that the systems were robust including a detailed costing method and negotiations with regard to learner withdrawals.

It was suggested that it would be necessary to determine exactly what assurance was being sought.

- Curriculum planning and recovery of costs

It was suggested that there was a bigger risk associated with curriculum planning, assurance that costs were fully recovered and contractual flexibility.

This was agreed and that a presentation on Curriculum Planning and costs be presented at the meeting in November 2022.

- External review of governance

It was advocated that as this was to be facilitated externally it was more likely to be generic but that the college was atypical. It was suggested that the issue of determining and agreeing the scope of the review would be important, especially in ensuring that it as relevant to Hereward.

- Accommodation Strategy – already identified

It was agreed that this deep dive would be presented at the meeting in March 2023

- Complex presentations

It was advocated that this was more suitably covered under the remit of the Quality and Standards Committee.

- Topic for the summer meeting of the Committee in June 2023, to be consider at a later meeting and confirmed in due course.

It was **RESOLVED THAT**, the schedule of deep dives be agreed as

- Income Curriculum Planning and cost recovery: November 2022 **[ACTION]**
- Accommodation Strategy: March 2023
- Summer meeting (June 2023) TBC

PP

**22/07 MATTERS ARISING**

The Chair raised bank interest receivable against budget

It was confirmed that this would investigated **[ACTION]**

PP

- *42.2 Previous Meetings Action Update: Risk Management*  
*SR3-3: Attendance at regional groups*

The detail previously provided was noted. It was queried if this remained the case.

It was reported that attendance at the schools liaison group was in place and that the position with regard to attendance at other groups would be reviewed with the Principal. **[ACTION]**

PP

The Chair requested an update on the external audit process, was it on target and was there anything that had been unforeseen?

It was reported that work was progressing well with the audit process due to begin w/c 3<sup>rd</sup> October. The Management Accounts had been provided the previous week. The process was on target, with the college significantly ahead of the position as at this time in 2021.

The production of the Management Accounts and the provision in the Finance Regulations was raised. Confidence in achieving the 10-working day target was queried.

It was reported that this would be challenging but that it was important that it was achieved. A timetable was being developed that would support delivery against the target, with finance working towards the 10-working day target over the next few months.

## 22/08 RISK MANAGEMENT

### 8.1 Annual Risk Management Report 2021/22

The Committee considered the Annual Risk Management Report 2021/22 (circulated, document Sept 22/4).

Highlights included:

- senior leaders have driven a risk-based approach across all College operations;
- regular updates to the Board and Committee;
- analysis of categorisation of risks for 2021/22 with comparison since 2018/19 was provided

Discussion points included:

- *SR2-5: failure to deal with the impact of the COVID 19 pandemic leading to a reduction in quality of provision (page 8)*

The assessed risk had reduced from significant to housekeeping. It was commented that as the rates of infection were increasing and notwithstanding the tried and tested processes in place had consideration been given to leaving the assessed risk as was until the spring

The position with other organisations was questioned.

It was reported that the risk remained on risk registers but it was assessed as a decreasing risk.

- *SR4-1: failure to ensure the ongoing financial viability of the college..... (page 10)*

This was assessed as a significant risk

The potential for a regional LA to limit the funding for all students to three days per week in the future.

It was commented that this would be influenced by existing relationships and the ability to develop them further.

- *SR4-7: failure to provide fit for purpose IT systems and services..... (page 11)*

This was assessed as a housekeeping risk

The potential for new integrated finance and HR system. Detail was requested

It was reported that the initial review indicated that Sage was adequate, but that Databridge did not meet the needs required of an HR system.

There was discussion of the potential for a deep dive in to the ledger system, and that the effectiveness of the HR/finance systems could be a watching brief.

The efficiency of Sage was queried.

It was reported that there were 'add-on' options available with Sage to improve functionality which were under investigation. However, fundamentally it met requirements.

It was suggested that in order for the Committee to avoid considering too much operational detail it would be beneficial for the Interim VP Finance and Resources to provide an assessment on the strengths and weaknesses of existing systems **[ACTION]**

PP

It was **RESOLVED THAT** the Risk Management Annual Report 2021/22 be approved.

## 8.2 Strategic Risk Register 2022/23

The Interim Vice Principal Finance and Resources reported on the Strategic Risk Register 2022/23 (circulated, document Sept 22/5).

It was confirmed Strategic Risk Register had been reviewed and updated for 2022/23, and that there had been no change to risk climate.

Updates to the previous version included:

- Further action updates, with the majority of existing actions now complete.
- Actions completed since the last update include SR1-4 (employment outcomes) and SR1-4 (work experience outcomes)
- Change to the assessment of the COVID risk
- The impact score of SR2-5: Failure to deal with the impact of the COVID19 pandemic leading to reduction in quality of provision has been reduced from 4 to 3. This has not changed the category of residual risk, which remains as 'Housekeeping'

Discussion points/feedback included:

*SR4-1: failure to ensure the ongoing financial viability of the college.....(page 8)*

It was suggested that this was potentially 'over-scored' for this time of the year, and it was advocated that there was the potential to reassess the level of residual risk. It was acknowledged that risk assessments were subject to variation throughout the year.

This was recognised with reference to the various factors that influenced the assessment.

It was suggested that at this point in the year the residual risk had the potential to be reduced to  $3 \times 6 = 18$ , assessing it as 'contingency'.

This was agreed.

Action List: *SR4-9: failure to provide adequate MIS systems and reports that meet internal and external information requirements and minimise the risk of data breaches*

It was **RESOLVED THAT**, subject to the amendment to the residual risk of SR4-1 on the basis of the discussions, the Strategic Risk Register 2022/23 be recommended for approval by the Corporation.

## FOR INFORMATION

### 22/09 INTERNAL AUDIT

#### Annual Internal Audit Report 2021/22

Mr Creed reported on the Annual Internal Audit Report 2021/22 (circulated, document Sept 22/6).

The report concluded that the auditors were satisfied based on the work undertaken and the implementation of previous audit recommendations that they were able to provide **reasonable** assurance that the College's systems of internal control, governance and risk management were operating adequately and effectively.

In their opinion, the College had adequate and effective governance, risk management, and systems of internal control in place to manage the achievement of its objectives and in securing economy, efficiency and effectiveness of College resources.

It was confirmed that a "reasonable" opinion was the best that could be achieved.

Overall number of recommendations was 12

It was queried how achieving reasonable assurance compared to others.

It was reported that this was the case in approximately 80% of cases, with the remaining 20% subject to modification/limitation.

It was further confirmed that any issues had related to application. The college systems were well designed but there were opportunities to improve in the areas of consistency/compliance.

It was **RESOLVED THAT** the Internal Audit Service Annual Report 2021/22 be noted and received.

## 22/10 **PROGRESS AGAINST THE AUDIT RECOMMENDATIONS**

The Interim Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document Sept 22/7).

The report contained those recommendations arising and still outstanding from the audits completed since 2020/21.

Discussion/feedback points included:

ESFA Mock Funding report – recommendation regarding the template

It was reported that additional checks had been agreed and the template developed still required the input of learner data.

It was queried if this could be automated.

It was reported that this would be investigated. **[ACTION]**

PP

The other actions relating to MIS would be carried out when learners registered.

It was **RESOLVED THAT** the Progress Against Audit Recommendations report be noted and received.

## 22/11 **MONTHLY MANAGEMENT ACCOUNTS: Month 12**

The Interim Vice Principal Finance and Resources presented the Monthly Management Accounts: Month 12 (circulated, document Sept 22/8).

The financial position at the year-end was favourable to the both the forecast and the revised budget.

- Financial Health is Good.
- Cash balance was confirmed.
- Banking covenants were met.
- The year-end surplus position prior to adjustments for FRS102 was confirmed and compared to the forecast and revised Budget.
- Major variances related to additional income including the new summer provision and the release of previous year-end provisions and accruals

Discussion/feedback points included

The policy on the release of previous year-end provisions and accruals was queried.

It was reported that the process had been established with the external auditors for release to take place after 3 years.

A prudent approach had been adopted.

Use of any additional money was questioned.

It was suggested that there were a number of options with detail provided.

It was **RESOLVED THAT** the Monthly Management Accounts: Month 12 be noted and received

**22/12 VALUE FOR MONEY**

The Interim Vice Principal Finance and Resources presented a report (circulated, document Sept 22/9) which provided details of key activities that had been undertaken over the previous year with the aim of securing value for money.

The key objectives of the policy were confirmed.

Key actions taken during the year included:

- Annual review of all major contracts.
- Continuation of accommodation strategy works.
- Planned preventative maintenance and capital programme projects aimed at reducing recurring revenue costs or emergency repair costs including replacement of inefficient equipment.
- Review of all vacancies.

It was **RESOLVED THAT** the Annual Report on Value for Money 2021/23 activities be noted and received.

**22/13 GIFTS AND HOSPITALITY**

The Disclosure of Gifts and Hospitality document was received (circulated, document Sept 22/10).

It was noted that the information on the requirement to declare the receipt of gifts or hospitality was contained within the Corporation Standing Orders, Financial Regulations and Staff Handbook.

It was reported that two members of staff had made declarations of the receipt of gifts. Detail was provided.

It was **RESOLVED THAT** the Disclosure of Gifts and Hospitality update be noted and received.

**22/14 PUBLICATIONS**

The Committee considered a report on recent publications within the sector, some of which were a carry-over from the meeting on 13<sup>th</sup> June 2022 (circulated, document Sept 22/11).

The report provided detail on:

- The Post 16 Audit Code of Practice
- The SEND review
- DfE guidance on external governance reviews
- ONS review of classification of colleges for statistical purposes
- Funding and Accountability consultation
- 

It was **RESOLVED THAT** the report on recent Publications be noted and received.

**FOR DECISION****22/15 COMMITTEE SELF-ASSESSMENT and TERMS OF REFERENCE****15.1 Compliance against the Committee Terms of Reference 2021/22**

The Committee considered compliance against the Terms of Reference for 2021/22 (circulated, document Sept 22/12).

Feedback was noted.

It was **RESOLVED THAT** assessment of performance against the Terms of Reference for 2021/22 confirmed that they been met.



**15.2 Terms of Reference 2022/23**

The Committee reviewed the Terms of Reference for 2021/22 to determine applicability for 2022/23 (circulated, document Sept 22 /13).

It was noted that the number of meetings had increased to four, with the related amendment required.

It was **RESOLVED THAT** subject to the identified amendment that proposed Terms of Reference for 2022/23 be presented for Corporation approval.

**22/16 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2021/22**

The Committee considered the draft Audit Committee Annual Report 2021/22 (circulated, document Sept 22/14).

The Post- 16 Audit Code of Practice and the Terms of Reference of the Audit Committee require that an annual report on the work of the Committee be produced for the Corporation.

The report detailed

- Membership and attendance data, with average attendance of 75% for the 2021/22 year.
- Consideration of five internal audit/advisory reports, findings and recommendations
  - 12 recommendations (high, medium or low) compared to 10 in 2021/22.
- Updates on progress against audit recommendations.
- Risk Management - consideration and discussion of risk management.
- Internal Audit Service assurance opinion.
- Financial Statements and Regularity Auditors opinion.
- The Audit Committee's opinion on the adequacy and effectiveness of the College's arrangements, it's framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.

Discussion points/feedback included

- The address for the external auditor required amendment. **[ACTION]**

YD

It was noted that the final version of the report would be presented at the next meeting of the Committee in November 2022.

It was **RESOLVED THAT** the draft Annual Report of the Audit Committee 2021/22 be noted and received.

**22/17 PERFORMANCE REVIEW OF AUDITORS****Internal Auditors 2021/22**

Committee members noted the issue of the assessment documentation (circulated, document Sept 22/15), and acknowledged that to a large degree the assessment could only be completed by the Vice Principal Finance and Resources. It was confirmed that responses had been provided by Ms Dent.

The Committee noted the feedback received. It was acknowledged that an internal college process was to be developed to better record the quantitative and qualitative data and to collate feedback from staff after the completion of a review.

It was noted that 2021/22 was the third year of the contract. The contract allowed for annual extensions for two years subject to Audit Committee review and recommendation. More detailed processes are to be developed to monitor performance throughout this year, with updates at the March 2023 meeting to inform any potential to retender prior to 2023/24.

**22/18 ANY OTHER BUSINESS**  
There was no other business for consideration.

**22/19 DATE OF NEXT MEETING**  
The date of the next meeting was confirmed as 21<sup>st</sup> November 2022.

**ACTIONS: AUDIT COMMITTEE 26<sup>th</sup> SEPTEMBER 2022**

<b>22/06</b>	<p><b>DEEP DIVES</b></p> <ul style="list-style-type: none"> <li>Income Curriculum Planning and cost recovery: November 2022 <b>[ACTION]</b></li> </ul> <p>Interim Vice Principal Finance and Resources to present the deep dive at the meeting on 21<sup>st</sup> November 2022.</p> <p><b>Response:</b></p>	<b>PP</b>
<b>22/07</b>	<p><b>MATTERS ARISING</b></p> <p>The Chair raised bank interest receivable against budget It was confirmed that this would be investigated <b>[ACTION]</b></p> <p><b>Response:</b> <b>Board approval was given on the opening of 65-day notice and 32-day notice accounts to improve returns.</b></p> <p><i>42.2 Previous Meetings Action Update: Risk Management SR3-3: Attendance at regional groups</i></p> <p>The detail previously provided was noted. It was queried if this remained the case. It was reported that attendance at the schools liaison group was in place and that the position with regard to attendance at other groups would be reviewed with the Principal. <b>[ACTION]</b></p> <p><b>Response:</b> <b>The Interim Vice Principal Finance and Resources attends meetings of Coventry and Warwickshire Chamber of Commerce and AoC Regional FDs network.</b></p>	<b>PP</b>
<b>22/08</b>	<p><b>RISK MANAGEMENT</b></p> <ul style="list-style-type: none"> <li><i>SR4-7: failure to provide fit for purpose IT systems and services..... (page 11)</i></li> </ul> <p>The Interim VP Finance and Resources to provide an assessment on the strengths and weaknesses of existing systems <b>[ACTION]</b></p> <p><b>Response:</b></p>	<b>PP</b>
<b>22/10</b>	<p><b>PROGRESS AGAINST THE AUDIT RECOMMENDATIONS</b></p> <p>ESFA Mock Funding report – recommendation regarding the template It was queried if this could be automated. It was reported that this would be investigated. <b>[ACTION]</b></p> <p><b>Response:</b></p>	<b>PP</b>
<b>22/16</b>	<p><b>DRAFT AUDIT COMMITTEE ANNUAL REPORT 2021/22</b></p> <ul style="list-style-type: none"> <li>The address for the external auditor required amendment. <b>[ACTION]</b></li> </ul> <p><b>Response:</b></p>	<b>YD</b>