

Minutes of: AUDIT COMMITTEE

Date: 6th March 2023

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Mr M Crook (from 18.05)
Ms H Hillyard

In attendance: Mrs P Powditch (Interim Vice Principal Finance and Resources) (from 17.45)

Mr P Oxtoby (RSM UK Audit LLP)
Mr J Creed (ICCA-ETS)

Mrs Y Doherty (Director of Governance)



22/37 APOLOGIES

Apologies for absence were received from Mr K Sonecha.

22/38 MEETING WITH THE AUDITORS

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

Internal Audit Service

It was reported that there were no points to raise that were not included in the business for consideration on the meeting agenda. The annual internal plan was progressing as anticipated and the item of AoB was noted.

External Audit Service

It was reported that there were no points to raise that were not included in the business for consideration on the meeting agenda

It was queried if there were any sector developments that the Committee needed to be aware of. It suggested that there was nothing other than the ONS reclassification of the FE sector, which was impacting other colleges sooner than it was expected to be the case for Hereward. It was recognised that specific detail was still to be published.

It was questioned if the change was something the College should be concerned about. It was advocated that this would only be the case if the College were planning to borrow money or subject to cash restraints. The current position was onerous for those Colleges in this situation. In the longer term the FE sector would become more integrated into central government and the debate on a suggested change of year end (to March) was continuing.

Awareness of the change/restrictions relating to permitted borrowing was confirmed.

The College Management joined the meeting.

22/39 DECLARATIONS OF INTEREST

There were no declarations of interest.

FOR DECISION

22/40 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 21st November 2022 (circulated, document March 23/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 21st November 2022 be approved.

22/41 ACTIONS/MATTERS ARISING

Prior to consideration of the Actions Report the Chair raised the following points:

- Confirmation of the appointment of a permanent Vice Principal Finance and Resources. A start date of 01 June 2023 was reported and that the placement for the Interim Vice Principal Finance and Resources would conclude on 16 June 2023.

Detail on the appointment process was provided.

Risks associated with the 'handover period' were raised, and it was acknowledged that there were always risks, whilst also recognising that the ability to have any 'handover period' as preferable. It was confirmed that the 'handover period' would most likely be 6 days over the two-week period.

It was noted that the new Vice Principal Finance and Resources would attend their first Audit Committee on 19th June 2023.

The Chair commented that if this was to be the last Audit Committee attended by the Interim Vice Principal Finance and Resources that thanks of the Committee formally be recorded for the substantial contribution Ms Powditch had made to the College, and that members wished her well for the future.

- Accommodation Strategy
This had been presented and approved at the Corporation meeting on 02 February 2023, and had impacted the intended Deep Dive in to this. The schedule of Deep Dives was to be considered later in the meeting.

It was suggested that the Accommodation Strategy be uploaded to the Portal for members of the Committee who did not sit on the full Board. **[ACTION]**

Role of Governors

It was reported that this had been discussed at the Corporation meeting on 02 February 2023, and it had been agreed that if members could not attend meetings (Committee and Corporation) that they be encouraged to review the reports uploaded to the Portal and provide comments/questions to the Director of Governance in advance of the meeting.

It was also highlighted that if members considered additional support would assist in fulfilling the role that they contact the Director of Governance, or Committee/Corporation Chair to discuss.

41.1 Actions Report

The Committee considered the Actions update report (circulated, document March 23/2)

22/24.2 *Actions/Matters Arising:* Report on the Review of IT systems

Members to provide detail on any resources for supporting the use of existing systems to the Interim Vice Principal Finance and Resources.

Response:

Detail had been provided, and the possibility of support from Ms. Hillyard. A specialist in Sage had been engaged for a two-day project to review the current position and provide proposals for improvements that could be implemented.

22/25.3 *Financial Statements year-ended 31.07.22:* Regularity Self-Assessment 21/22

It was suggested that the report be updated to include as much evidence as possible.

Response:

The evidence sources were updated prior to presentation for signature at the Corporation meeting on 8th December 2022. COMPLETE

22/32.2 *Future Deep Dives*

- Summer Meeting (June 2023); TB following review at March meeting.

Response:

On the agenda for 06 March 2023 COMPLETE

22/34 *Performance Review of External Auditors*

The responses provided at the meeting to be provided to the Chair of the Committee and feedback given to RSM

Response:

Detail provided to the Chair by email:	22 nd November 2022	COMPLETE
Feedback provided to RSM:	28 th November 2022	COMPLETE

It was **RESOLVED THAT** the update against the actions from the previous meeting be noted and received.

41.2 Action from Corporation Meeting 08.12.22: Release of Provisions

The Interim Vice Principal Finance and Resources presented a report on the proposal for the treatment of provisions release (circulated, document March 23/3).

It was confirmed that following consideration and approval of the 2021/22 Financial Statements at the Corporation meeting held on 8th December 2022, the Corporation had tasked the Audit Committee with the initial consideration of a policy/procedure relating to the release of provisions.

The College has historically made an allowance in accruals for possible repayments to LEAs for students with low attendance as most of the contracts allow for a repayment of the element 3 funding if a student is not in attendance.

The auditor requested the College to review the basis for releasing the whole of the provision made in 2019/20 in the 2022/23 Financial Statements as it was much higher than trend provision due to the low attendance of learners as a result of the COVID pandemic.

Summary points:

- The College makes provision for low attendance each year and releases such provisions after three years when most learners will have left the College, with the risk of repayment diminishing.
- The College signs a contract for each individual learner.
- The clause allowing repayment could be considered onerous given that costs continue to be incurred, any such claim was likely to be challenged by the College, but the likelihood of any repayment occurring each year needed to be considered as part of the accounts process.
- The provisions made in 2019/20 and 2020/21 were higher than in previous years as a result of student absence due to COVID. The government required public bodies to continue funding during this time (Procurement Policy Note - Supplier Relief due to COVID-19). If current practice is maintained the first of these provisions would be released in 2022/23.
- The requirements under the accounting framework (HE and FE SORP) and FRS102 were confirmed.
- The College had not made any refunds to any LEA in a review of the accounts for the last ten years or in the memory of the accounting staff or senior management team.
- Practice at other specialist colleges had been confirmed, with the College adopting a more conservative approach.
- Proposals for a possible move to a six-year provision were provided, though not supported.
- It was advocated that maintaining the provision for three years reflected the position that most learners would have left the college after this period, and on the balance of probabilities it was unlikely that any repayment would be requested.

Points/discussion included:

- The Chair confirmed that a number of discussions had taken place between himself, the Interim Vice Principal Finance and Resources, the External Auditors, and Mr Crick.
- Mr Brand had a slightly differing view re contingent liability, but acknowledged that he was happy to support the proposal which was based on more detailed knowledge of the sector.
- The IAS confirmed that there was little evidence of this in the vast majority of colleges, and it was suggested that it was necessary to consider if the policy was reasonable.
- The EAS recognised that this was based on contractual obligation, but that the College would look to challenge. It was suggested that the period the provision was held for should be considered and if this was relevant to the learners. Balance contract versus historical position. Could six years be considered an unreasonable amount of time and onerous.
- Mr Crook confirmed that he had nothing to add as long as the auditors agreed with the proposal and that it complied with any contractual obligations.
- Mr Crick confirmed that he was content with the discussions and the proposal based on historical evidence and comparative information.
- Ms Hillyard confirmed her agreement

It was **RESOLVED THAT** the proposal for the treatment of provisions release be **recommended for Corporation approval**.

22/45 APPOINTMENT OF NEW EXTERNAL AUDIT SERVICE

The Interim Vice Principal Finance and Resources presented a report for a proposed process and indicative timeline for the procurement of an External Audit Service (circulated, document March 23/4).

- RSM had indicated the intention to resign as the Auditors for Hereward College.
- It was necessary to appoint new auditors in time for adequate planning to take place for the 2022/23 Financial Statements audit.
- It was proposed that a mini tender process be completed under the Crescent Purchasing Consortium framework agreement.

Mr. Oxtoby reported that RSM would continue to be engaged as the EAS until the appointment of a new provider had been made. It was confirmed that the correspondence relating to the resignation required under the provisions of the Post-16 Audit Code of Practice would be provided as appropriate.

It was explained that the decision was based on the policy of partner rotation and a lack of resource within RSM to continue the engagement.

It was queried if any other options had been considered.

It was emphasised that with the partner rotation and other staff changes had resulted in the need to match stretched resources against need and as a relatively small client this had meant that the College 'lost out' to larger clients.

The Chair expressed the sincere thanks of the Committee for the service, knowledge of the sector, support and value added by RSM.

It was reported that it was anticipated that at least three of the firms listed in the report were not expected to submit a response to the tender. On the basis of this and need to achieve a positive outcome it was advocated that the search for providers be widened, detail was provided.

In discussion this was agreed.

It was queried if there were any potential risks or issues associated with the proposed timetable and handover given the College had a relatively new Finance Manager and the appointment of a new, permanent Vice Principal Finance and Resources later this year.

It was reported that the Finance Manager had been largely responsible for the statutory financial statements 21/22. Systems were being developed, including the continuing work on the Management Accounts recording and reporting all of which it was advocated would support the financial processes. It was suggested that there might be some concern with regard to system testing/sample sizes.

Mr. Oxtoby commented that the timings of the appointment process could impact and that this would need to be factored in.

Mr. Creed commented that there may be issues attracting sufficient responses as the 'market was busy' and that appointments were reviewed by the ESFA.

The position of RSM should there be any slippage with the timeframe was queried.

It was confirmed that RSM would remain in post until an appointment was made, however if no appointment was made, for the completion of the 2022/23 financial statements, RSM did not have the resource to complete this audit.

It was suggested that the position would need further review in the instance that no appointment is made.

It was questioned if the ESFA had any data on auditor firms appointed within the sector.

It was reported that this data was included within the finance records published by the ESFA, however this was historical data and the position could have changed.

It was suggested that this be reviewed, if not already done so, and any amends be incorporated into the proposal.

It was further suggested that consideration be given to contacting firms prior to the issue of the tender.

It was **RESOLVED THAT** the proposal for the audit tender process be **recommended for Corporation approval**.

Mr Oxtoby left the meeting at 18.35pm**22/46 POLICIES**

The Interim Vice Principal Finance and Resources provided an update report the review of policies (circulated, document March 23/5).

46.1 Anti-Bribery Policy

Review only. No changes to legislation or regularity framework.

It was **RESOLVED THAT** the Anti-Bribery Policy be recommended for Corporation approval.

46.2 Anti-Money Laundering Policy

Minor amendments. No changes to legislation or regularity framework. Policy amended to use MLRO consistently throughout.

There was discussion of the provisions relating to the controls in place to identify parties that are dealing with the College application.

It was **RESOLVED THAT** the Anti-Money Laundering be recommended for Corporation approval.

46.3 Anti-Tax Evasion Policy

Review only. No changes to legislation or regularity framework.

It was **RESOLVED THAT** the Anti-Tax Evasion Policy be recommended for Corporation approval.

FOR INFORMATION**22/47 INTERNAL AUDIT****47.1 Internal Audit Reports*****Health and Safety 02.22/23***

Mr Creed presented the Health and Safety report, (circulated, document March 23/6)

The objective of the audit review was to provide an independent assurance opinion that adequate and effective controls are in place to support compliance with the current Health and Safety regulations/legislation placed upon the college.

OVERALL ASSURANCE CONCLUSION:

Design: **GOOD**
 Application/Compliance: **ADEQUATE**
 Assurance Opinion: **SUBSTANTIAL**

The report contained two recommendations;
 one **medium** and one **low** relating to application / compliance.

The recommendations related to:

- Risk Assessments (**low**)

The College must ensure that risk assessments are reviewed by the Director of Technical Resources, Estates and Facilities, and feedback is given on any areas of improvement that may have been identified. Checks must then take place to ensure these actions have been implemented. A reconciliation should take place to ensure that outstanding reviews are completed in 2022/23.

- Training and Development (**medium**)

The College should ensure that controls over the completion rate of mandatory training for staff is improved to review and challenge those staff where training is not yet complete in line with stated timescales. Staff should be reminded of the requirement to complete mandatory training, and this should be referred to within performance reviews.

The recommendations were accepted by the College management.

Discussion points included:

Review of the related policies; were there any not listed?

It was confirmed that the policies reviewed were those considered in the context of Health and Safety.

How did the audit review compare to others?

It was advocated that the outcome was reasonable and included standard recommendations.

It was suggested that the position with regard to Training and Development could be better, but that it was about being able to demonstrate completion.

Recommendations:

- Risk Assessments

Was the recommended action on target for the agreed completion date (8th April)?

- Training and Development

Were the recommended actions on target for the agreed completion date (24th April / 27th May)?

It was reported that the work relating to the risk assessments was scheduled to be completed by the Director of Technical Resources, Estates and Facilities and the Principal.

There were updates to be made to training records and although this would increase the completion rates above those detailed in the report, it would still not increase the overall completion rate to the 90% target.

It was agreed that an update on this should be provided at the next meeting. [ACTION]

It was **RESOLVED THAT** the Health and Safety 02.22/23 report be noted and received.

47.2 Progress against the Internal Audit Annual Plan 2022/23

Mr Creed presented an update on progress against the Internal Audit Plan 2022/23 (circulated, document March 23/7)

Two of five reviews had been completed so far, this academic year.

The remaining three were scheduled for April and May 2023

No high-level recommendations had been made.

It was **RESOLVED THAT** the progress report against the IAS Annual Plan 2022/23 be noted and received.

22/48 RISK MANAGEMENT - Update Report

The Interim Vice Principal Finance and Resources provided an update report on Risk Management (circulated, document March 23/8).

It was confirmed that

- The strategic risk register had been updated to reflect current controls and residual risk.
- The Actions List had been updated to include progress, as well as any revised target dates and new actions that had been identified.
- An update on Health and Safety was provided.
- Regular updates on the strategic and operational risks facing the College were also provided in the finance paper submitted to each Corporation meeting.

Points highlighted included:

MV-01: Failure to oversee the strategic direction and provide effective governance

The residual risk had increased from Housekeeping to Contingency in relation to the need for all Governors to complete the safeguarding training. This would decrease once this action had been completed.

Discussion points included:

SR3-3 'Failure to engage relevant LA Commissioners, Health and Social Care Agencies in delivering their responsibilities' had been increased from Contingency to Significant – reasoning was sought.

It was confirmed that this related to the financial pressures being experienced by LAs, and some low-level pushback. However, it was not anticipated that there would be any difficulties.

It was queried if an additional risk regarding the change to the EAS should be included.

It was advocated that this was not a strategic risk.

The contingency position should no appointment be possible was raised. It was suggested that it then became both a regulatory and strategic risk.

It was **RESOLVED THAT** the Risk Management Update report be noted and received.

22/49 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

The Interim Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document March 23/9).

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

Discussion/feedback points included:

The Interim Vice Principal Finance and Resources commented that there was some concern that the actions in the management responses were not very 'SMART'.

The outstanding completion of the recommendation relating to Governor training from the Safeguarding, including the Prevent Duty 04.21/22 report was noted. As was the revision to the risk register reported to the meeting earlier.

This action had been raised at the last meeting of the Corporation (2nd February 2023) with a deadline for completion of the next meeting on 23rd March agreed.

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

22/50 DEEP DIVES - Future Deep Dives**FOR DECISION**

The Committee considered the report on Deep Dives (circulated, document March 23/10) with detailed discussion of the future schedule.

The report identified the proposed schedule as

March 2023	Accommodation Strategy (SR 2-4; SR 3-1)
Summer 2023	TBC

Watching brief	IT Systems and Services (SR 4-7)
	Strategic Direction and effective Governance (MV 01)
	Curriculum Planning (SR 1-1; SR 2-1)

Discussion/feedback points included:

- Accommodation Strategy

The Accommodation Strategy had been agreed at the last meeting of the Corporation (2nd February 2023). This had confirmed smaller scale developments, so the need for a deep dive assurance was queried.

It was agreed that this was not required at this time, but could be reassessed in the summer/autumn terms.

- IT systems and Services

Following the report provided by the Interim Vice Principal Finance and Resources and the engagement of a consultant to review the current usage of Sage and identify improvements that could be implemented. Anything of relevance to be shared with the Committee by the Interim Vice Principal Finance and Resources. **[ACTION]**

It was agreed that this would now be a watching brief.

- Strategic Direction and effective Governance

This was being considered under the regulatory requirement for the completion of a formal external review and the potential for an informal assessment ahead of that.

- Curriculum Planning / costings / funding

It was suggested that this should consider and provide assurance around the process and the need for any flexibility to respond to external pressures such as inflation.

It was advocated that this area felt like one of the largest risks for the College.

It was reported that costs were impacted by issues such as the care market, availability of staff, general inflation, utility costs, and staffing costs.

It was suggested that the position be assessed by the current levels of assurance and where it was felt that there were insufficient levels of assurance and that more detailed review was required.

It was suggested that there was a need for assurance that the processes accurately cost the service provision / model, the processes of recovery, and where costs rise there is the opportunity to renegotiate.

It was confirmed that there was limited ability to renegotiate after contracts had been agreed.

There had been discussions with regard to the model which involved an increase in rates, but with less hours being claimed.

It was queried how it would be anticipated any deep dive of this area would look.

It was advocated that this would provide assurance regarding the processes for setting budgets / costs and how any changes could be mitigated. It related to reviewing the processes to provide assurance that risk was being managed, including any risk associated with staff changes.

It was agreed that there would be merit in this. It was proposed that some level of assurance could be provided with more detailed commentary provided in the proposed budget that would be presented for approval in June. It was commented that it would also be possible to strengthen the scenario testing when the budget was presented. **[ACTION]**

It was also suggested that the Interim Vice Principal Finance and Resources could provide recommendations for any amendments to processes once the current cycle was complete.

It was agreed that this remain a watching brief pending completion of the current processes with a possible deep dive to be confirmed for the next academic year. **[ACTION]**

- Income / diversification of income was suggested as an area for review. It was agreed that this be discussed further at the next meeting (19th June 2023).

It was **RESOLVED THAT**

- i. there would be no deep dive in the summer term
- ii. the schedule of deep dives be reviewed at the next meeting (19th June 2023), to include consideration of:
 - Curriculum Planning / costings / funding
 - Income / diversification of income.

22/51 ONS – FE Sector Reclassification

The Committee considered the report on ONS – FE Sector Reclassification (circulated, document March 23/11).

The report provided detail on information/guidance that had been published on the application of some of the changes implemented as a result of the decision of the Office for National Statistics (ONS) to reclassify colleges into the central government sector, with immediate effect (29th November 2022).

It was **RESOLVED THAT** the report on ONS – FE Sector Reclassification be noted and received.

22/52 GIFTS AND HOSPITALITY

The Disclosure of Gifts and Hospitality document was considered (circulated, document March 23/12).

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 there were no declarations of gifts or hospitality received.

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

22/53 ANY OTHER BUSINESS

- *Supplier Payments*

The Interim Vice Principal Finance and Resources presented a report on Supplier Payments (circulated, document March 23/13), which provided detail on two incorrect payments to suppliers and to set out the new processes that had been introduced to guard against this being repeated.

The Committee noted the detail of the report, and that the most important issue was that corrective action was taken.

It was agreed that the Committee receive an update report at the next meeting that all actions had been completed/cleared. **[ACTION]**

- *Interim Vice Principal Finance and Resources*

The Committee noted that this was the last Audit Committee meeting that the Interim Vice Principal Finance and Resources would attend.

The Committee Chair and members commended the Interim Vice Principal Finance and Resources for her effective stewardship and hard work.

22/54 DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 19th June 2023