

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Wednesday 24th June 2020 at 8.00 a.m.**

Present: Mr Karl Banister, Mr Geoffrey Bowley, Mr Hugh Stafford-Smith, Mrs Sarah Ediss

Apologies: N/A

In attendance: Mr Dominic Blythe (RSM), Mrs Sally Bromley, Mr Ian Dumbleton, Mr Dan Lodge, Mr Chris Rising (MHA MacIntyre Hudson), Ms Nicola Whitehead

In the Chair: Mr Hugh Stafford-Smith

1. Declaration of interests

There were no declarations of interests.

2. Minutes of the meeting held on 5th March 2020 were approved.

3. Matters arising

Item 3 ref 4iii: **GDPR and suppliers:** The Finance Director (FD) reported that 85% had provided their GDPR policies by the end of May. The College would not deal with the 44 outstanding suppliers unless received. These had been chased with a deadline of end July.

Item 4: **Internal audit advisories:** The Finance Director confirmed that a summary list of **insurance cover** was not needed as the documentation was easy to navigate and available on SharePoint as well as in hard copy in the College safe.

4. External Audit 2019/20: College Preparations

Papers: Audit Planning Memorandum

Following the earlier discussion of a potential rise, RSM now proposed a **fee of £17,850 excl. VAT**, (c.£3k more) although this remained subject to full knowledge of the ESFA's requirements. Members noted the **delayed publication of the Audit Code of Practice** and associated guidance for the forthcoming accounts. This **made preparations** for the regularity audit (through the as yet unpublished Regularity Self-Assessment Questionnaire) and the Statement of Corporate Governance (SOCG) **difficult**. A number of factors were thought to be at play but the **Covid-19 lockdown** was one, and **likely to impact on assessments of pension liabilities and 'going concern' 'as well as asset values, recovery of debts, systems and procedures, cybersecurity and fraud risk**. As such the Chair suggested that the **fee might in future** pare back to earlier levels and that this **should be carefully monitored (Action: Finance Director)**. In response to questions concerning savings through FD preparations and remote working saving on travel costs, RSM thought these would be outweighed by the greater complexity of the work. The key area of relevance for Collyer's in terms of emerging issues concerned the increase in fraud risk **(Action: Clerk to circulate separate annex to plan.)**

5. Internal Audit reports 2019-20

Papers: Student Data Management (the ILR)

Mr Rising introduced himself as the new Internal Audit Director for Collyer's. Turning to the final audit report of the year, containing one 'medium' and one 'low' recommendation, he confirmed that there was **'adequate' assurance**. The **two areas for development** included the recording of weekly hours for the BTEC Level 2 courses and clearer distinction on the timetabling of the L2 certificate and transition courses. **In neither case however was there any impact on the College's funding claim**. The Vice Principal (Curriculum)

clarified that this issue had arisen in a limited area following management decisions taken in a tight timeframe and exacerbated by the complex changes in BTEC specifications. This should therefore be resolved in future and did not suggest a systemic issue. In the light of this members suggested the description might be tightened up to reflect this greater perspective (**Action: MHA**).

In response to further questions, it was agreed that any useful **follow-up testing** (following this remote audit) would be included **in the 2020/21 internal audit programme** (**Action: MHA**). The Finance Director was also asked to explore whether a **remote paperless audit** might in future be an effective approach (**Action: Finance Director**).

In conclusion, Mr Rising thanked the College's Information Services Manager for her co-operation in the process. This had contributed to an effective audit, even as one of the first in lockdown.

6. Risk Management Annual Report

Papers: College-wide top risks 20/21; Potential External Strategic Level Risks 20/21; Reopening Risk assessment

i) The Principal explained the risk review process prior to submission to the Audit Committee. Not surprisingly **Covid-19 featured heavily in both potential external and internal risk assessments**. The latter showed however that, whilst gross risk scores were higher, the residual risk scores demonstrated **effective mitigations were in place**. Key areas identified included **teaching and learning and finances**, with for example, potential loss of income from lettings, international students and those outside Horsham if concerned about using public transport. Numbers were however expected to hold up relatively well, albeit with some competition from new provision anticipated. Members suggested that there be consistent inclusion of 'owners' and deadlines for fresh actions and that some items included might be considered issues rather than risks (e.g. SP1 and G2). (**Action: Principal**)

ii) The **College Risk Assessment regarding phased reopening** had been **agreed** by governors via written resolution and signed by the Chair of the Governing Body. This included a range of additional safety measures to safeguard staff, students and visitors. Further work would be undertaken on a Homeworking Policy in recognition of the difficulties in ensuring effective workstations for staff. **Further refinement** of the assessment would also seek to address queries raised about context and detail as the guidance to colleges developed. The Chair agreed that the focus should be on looking forward and **adapting to changing circumstances**. The Principal explained that this would be **informed by two new surveys to staff and parents covering both logistical and wellbeing issues** arising from remote working.

iii) Turning to the **Fraud Report requested by the Committee**, the Principal explained her approach in **examining the many indicators in the six categories identified by the ESFA**. The Report has been discussed by SMT and had been a **useful exercise in assessing the impact of changes in practice in recent years to help avoid fraud**. **No fraud had been reported in the 2019-2020 academic year**. In response, the internal auditor commented on the focus on internal rather than external risks raising e.g. cybersecurity as an issue. It was agreed the separate assurance gathered in this respect should be added with a similar reference to no successful attempts having been identified. The external auditor also flagged staff dissatisfaction as a potential cause of fraud.

Recommendation: That the Governing Body approve the Risk Management Report including the College wide risks and potential external risks for 2020/21.

7. **Internal audit needs assessment, strategic and annual plan**

Paper: Internal Audit Strategy 2018-2023

Mr Rising explained that MHA's strategy to 2023 included a clear **plan for 2020/21 as well as a forward look of two years**, all against the background of experience over the last two years when no areas of concern had been identified. The strategy was **driven by the College's risk assessments** as discussed by SMT and the Risk Management Group (RMG). Further to the proposals at the March meeting, SMT had reviewed the areas for **internal audit in 2020-21** in the light of developments and recommended:

- 1) **Student Destinations, Progression and Outcomes** (incl. impact of Covid-19)
- 2) **Quality Assurance Processes, including Self-Assessment**
- 3) **ILR** (100% check)
- 4) **Risk Management** (at all levels of organisation as well as tone at the top)

Discussion followed on the need for an audit of key financial controls (KFCs) - last carried out in 2017/18 and 2018/19 - with the following points being made:

- KFCs not considered significant in terms of risk and would to some extent be covered in 2021/22 when looking at Financial Planning and Budgetary Control;
- Such traditional areas of internal audit had given way to more student-focussed audits
- Could look next year at bringing forward to 21/22, as part of the annual review, taking account of any increased risk e.g. through changes in systems or software, and crossover with external audit;
- Cybersecurity was also mentioned as potentially being higher up the priority list than, for example, a further audit of estates management in 2022/23.

On the basis that KFC checks were not considered a priority over the proposed plans for 20/21 and there would be opportunity for further review, members agreed the plan.

Recommendation: That the Governing Body approve the Internal Audit Strategy 2018-2023 at their next meeting.

8. **Policies**

Papers: Public Interest Disclosure (Whistleblowing) Policy, Anti-Fraud and Irregularity Policy and Gifts and Hospitality Guidelines

Members noted that there were very limited or no changes to the policies, relating principally to job titles, hence their identification as proposed consent items. The Whistleblowing Policy followed the AoC model and guidance which remained unchanged. The fraud report (see 6iii above) illustrated the active management of risk in support of the policy framework. The financial thresholds in the G&H guidelines were updated at the last review and remained appropriate.

Resolved: The Audit Committee approved the Anti-Fraud and Irregularity Policy and Gifts and Hospitality Guidelines

Recommendation: that the Governing Body approve the minor changes to the Public Interest Disclosure (Whistleblowing)

[Mr Blythe and Mr Rising left the meeting].

9. **Review of Performance of Internal audit services provider 2019/20**

Paper: Performance indicators for internal audit 2019-20

The Finance Director explained that there had been further turnover of audit staff in 2019/20 with subsequent issues arising in terms of the nature and content of the recommendations and lack of attention to the management response. The **new internal Audit Director was aware of, and seeking to address, these concerns** and the final ILR

audit had gone more smoothly. He had also introduced clearer reports and forward strategy documents pertinent to the College's strategic aims and risk assessments.

Members asked nevertheless that, given the recent history, a **clear message** be sent in follow-up to the meeting reflecting the **expectations** for the coming year (in terms of personnel, reporting and education-appropriate recommendations) and that the response be shared with the committee members. *(Action: Finance Director)*. Noting that the current agreement extended until Summer 2022 and acknowledging some inevitable turnover in terms of career development, the members agreed however that they would not be averse to retesting the market in due course if needs be. The VP/ Principal Designate supported this approach, commenting that it might also be worth considering alternative providers for specific audit areas alongside a potentially reduced internal audit contract.

- 10. **AoB:** The Clerk advised the Committee that the Mercer's Court of Assistants was due to appoint a new governor at the beginning of July who was expected to join the Audit Committee in 2020/21.

11. **Committee annual assessment of its performance**

Papers: Audit Committee SAQU

Members confirmed that they had been happy with the papers received and consent items. The Chair suggested that it might be worthwhile inviting a member of another committee to attend the Audit Committee from time to time to support the understanding of the assurance which took place elsewhere *(Action: Clerk)*.

- 12. **Date of the next meeting: Tuesday 17th November 2020 at 08:00 (provisional)**

The meeting ended at 9.58a.m.

Chair.....

Date.....

NCW 5/7/20