

Minutes of the Audit and Risk Committee held on Monday 16th May 2022 5:45 pm
Virtual meeting

MINUTES

Present

Andy Jennings [Chair]
Neil Hunter
Tim Waller
Nichola Harrison
Tim Waller
Louise Armstrong

In attendance

Stephen Jones, Deputy Principal
David Hoose, Mazars (external auditors)
Lee Glover, Haines Watt (internal auditors)
Lorna Raynes (RSM, auditors for ESFA)

Clerk

Emily Baldwin

Section 1: General		
1.1	Apologies for absence	There were no apologies for absence. L Armstrong was welcomed to her first Audit and Risk Committee meeting.
1.2	Declaration of Interests	There were no declarations of interest. A Jennings declared that he was now an elected member of Huntingdonshire District Council.
1.3	Matters that are confidential	The internal and external auditors confirmed that there were no confidential matters that they needed to raise with Governors. <i>S Jones joined the meeting.</i>
1.4	Minutes of the meeting held on 14 th March 2022 and matters arising	The minutes were agreed to be a true record of the meeting. S Jones reported that he had agreed with the head of HR that the health and safety training target should be 100%. In response to the action on data protection, penetration tests were planned on an annual basis. E Baldwin confirmed that she had reviewed the HR value for money model and would incorporate some elements into the Audit Committee Annual report.

2.1	Risk management policy	<p>S Jones presented the updated risk management policy.</p> <p>The Committee welcomed the updated policy, particularly the statement on risk appetite.</p> <p>The Committee discussed whether the impact levels in the policy were appropriate. After some discussion it was agreed that the impact levels for finance be changed to £75k for medium and £200k for high. The quality and reputation levels should be checked with other committees.</p> <p>It was noted that the most important factor were that the actions were being taken forward to mitigate the risk.</p> <p>The Committee <u>recommended</u> the updated policy to Corporation for approval on that basis.</p>
2.2	Risk Register	<p>S Jones introduced the updated Risk Register. He confirmed that the Register gave an overview of the College's key corporate risks, and that there were other operational risk registers for areas of work that were managed locally (such as safeguarding and large capital developments).</p> <p>The streamlined format of the Risk Register had enabled more engagement at the College.</p> <p>It was noted that some of the target dates for the risks had elapsed. S Jones agreed to consider how to give the Audit Committee assurance over the actions, particularly overdue ones, in the narrative of the cover paper.</p> <p>Governors asked about the risks around the sale of iMET. It was agreed that the probability of the sale not completing was now reduced. They also asked about the risk of apprenticeship income targets, which while now were reduced, was a generic risk due to the uncertain climate. S Jones agreed to amend the scoring for the risks accordingly for the next committee meeting.</p>
3.5	Audit strategy memorandum	<p>D Hoose introduced the Audit Strategy memorandum.</p> <p>The purpose of the audit strategy memorandum was to summarise the proposed audit approach of the audit team, including significant audit risks and areas of key judgements.</p> <p>D Hoose confirmed that there were no major changes in the audit scope. The timetable of the audit had been brought forward on request of the College. The fee levels had increased by 7% in line with Consumer Prices Index.</p> <p>In response to a Governor query, D Hoose confirmed that the auditors were taking the same approach to undertaking additional student recording testing as last year.</p> <p>The Committee <u>approved</u> the Audit Strategy Memorandum.</p> <p><i>D Hoose left the meeting.</i></p>
3.1	Internal audits	<p>L Glover introduced the findings of the internal audits:</p> <p>Budgetary control</p>

Substantial assurance had been provided, with two recommendations which have been accepted.

Governors queried the outcome of the audit due to the worsening position in the monthly accounts. They did not recognise that the budget setting process for 2021/22 had been managed appropriately at a strategic level. L Glover said that they were looking at the budgetary controls at the current time, rather than how the budget was set for 2021/22. There was an unusual situation as COVID had impacted the budget for a longer period of time. He could not confirm whether the audit had looked at the budget setting process for 2022/23 due to the timing of the audit. He confirmed that the audit did not scrutinise the assumptions that were made as part of the budget setting process.

Governors said that the audit brief was not clear that budget setting at a strategic level was excluded. There was a risk for the College that changes to the budget were not highlighted sufficiently early in the year to allow action.

N Harrison left the meeting.

S Jones gave the Audit Committee assurance on the additional budget meetings that were being held in order to ensure a more prudent and realistic budget for 2022/23. More information on the assumptions underpinning the budget were being scrutinised by the F&R Committee.

Resource utilisation

Substantial assurance had been provided, with one recommendation. There had been no issues with the quality of the data that management used to assess staff utilisation. Governors asked whether the report stated that the College had an appropriate level of staff utilisation and that this was checked before agencies were used to cover staffing. L Glover confirmed that the audit checked that the quality of information was correct, but did not make an assessment on how that data was used.

S Jones gave Governors background on how data on staff utilisation was used. It was one of three key KPIs associated with resource efficiency, the other two being course hours and class sizes. SMT currently had no concerns over staff utilisation, which was regularly scrutinised by the Vice Principal Curriculum Development. The heavy workload of staff meant that staff utilisation was not currently an issue.

The recommendation related to the level of scrutiny at board level. The Clerk agreed to look into how this could be reported to the most appropriate committee.

A Jennings left the meeting. N Hunter took over as chair of the meeting.

Work experience

Adequate assurance had been provided, with three recommendations. The final draft of the audit had been circulated electronically to the Committee and it was noted that management had agreed with the recommendations. The issues mainly related to the recording of information on Pro-Monitor.

		The Committee received the report.
3.2	ESFA funding audit	<p><i>L Raynes joined the meeting.</i></p> <p>The College was selected for a full funding audit last autumn and this was undertaken prior to Christmas and concluded early in 2022. The final report had now been issued. L Raynes from RSM presented the main findings of that audit.</p> <p>The report identified errors amounting to £258k. She drew attention to the largest funding issues that had arisen:</p> <ul style="list-style-type: none"> - Apprenticeships – College had not been able to evidence some off the job (OTJ) hours for heating and ventilation courses (£109k error) - Apprenticeships – College had not calculated OTJ hours correctly for 15 learners (£57k error) - Study programmes – College had not reduced planned hours for some students that had withdrawn within 6 weeks (£27k error) - Learners enrolled on multiple English/Maths levels (£51k error) <p>Governors asked if the audit looked at issues with underclaiming. L Raynes confirmed that it did report significant areas of underclaim if they were apparent during the audit, but these were not significant.</p> <p>Governors asked if the funding errors were normally seen in the sector. L Raynes said that the level of funding errors was higher than average in her experience.</p> <p>Committee members asked how the College was ensuring these errors were not repeated. L Raynes drew attention to the recommendations in the report.</p> <p>On behalf of A Jennings, the Clerk asked if human error was a factor in the recording of OTJ hours. L Raynes confirmed that there had been staff changes in that area. She said she did not know the total number of heating and ventilation students at the time. It was also noted that the issue with OTJ hours for apprenticeships was either that information was not available at the time of audit, or that it had not been planned appropriately.</p> <p>Governors stressed the importance of having a management action plan as a result of the audit. They noted the high level of staff turnover in the MIS department.</p> <p>The College would need to engage with the ESFA to minimise the determine the level of clawback.</p> <p><i>L Raynes left the meeting</i></p> <p><i>L Armstrong left the meeting</i></p>
3.1	Follow up audit	Governors returned to the follow-up audit which had received substantial assurance.
3.3	Progress report on outstanding audit	

		E Baldwin introduced the report on outstanding audit recommendations. They noted the five actions which were overdue. The Committee asked the internal auditor if they had any concerns over the outstanding actions. L Glover confirmed that he did not. The Committee agreed to remove three of the five outstanding actions, as proposed in the report, as these were now broadly complete or no longer relevant.
3.4	Internal audit plan	<p>E Baldwin gave an update on progress for the internal audit plan for 2021/22. It was noted that the audit plan was on track. Governors discussed the audit brief for environmental reporting. It was noted that SMT's opinion was that the brief could be expanded to cover embedding of environmental issues in the curriculum.</p> <p>After some discussion, it was agreed that the audit should focus on the College's mandatory reporting requirements. It was not clear what was needed for the 2021/22 Financial Statements and S Jones and L Glover agreed to check this after the meeting in order to confirm the scope.</p>
4.1	Policy review	<p>E Baldwin gave an update on the review cycle for key College policies. The Committee noted that the International Strategy was marked as red as it was overdue; the Commercial and Sustainability Committee had agreed to its postponement due to current uncertainty in the market.</p> <p>The Committee welcomed the report, and suggested that an additional column was added to show whether there was associated staff training with the policies.</p>
4.2	Terms of reference and work plan	<p>E Baldwin presented the Committee's Terms of Reference (with no changes) and the proposed Work Plan for 2022/23.</p> <p>The Committee agreed the Work Plan and recommended that the first meeting be held in-person in September.</p> <p>The Committee <u>recommended</u> the Terms of Reference to Corporation with no changes.</p>
4.3	Appointment of internal auditors - confidential	<p><i>L Glover left the meeting</i></p> <p>S Jones informed the Committee of the outcome of the internal audit tender process. It was noted that the scoring was very close between two audit firms with no single firm securing the highest score from each panel member. As a result, the scores of individual panel members would be added together in order to determine which firm had secured the highest score overall. The Committee endorsed this approach.</p> <p>N Hunter agreed to discuss with S Jones outside of the meeting to confirm the final score with the Head of Procurement and to report to Corporation accordingly.</p>
4.4	Any other business	S Jones confirmed that there had been no instances of fraud at the College since the last meeting.

There was no other business and the meeting ended at 8:00pm.

