

Hereward College

Minutes of: AUDIT COMMITTEE

Date: 25th September 2023

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Mr M Crook
Mr M Cumella
Mr K Sonecha

In attendance: Mrs R Barnes (Vice Principal Finance and Resources)

Mr M Harvey (ICCA-ETS)
Mr M Benson (Murray Smith)

Mrs Y Doherty (Director of Governance)



The Chair welcomed Mr Cumella to his first meeting as a member of the Audit Committee, introductions were made.

It was confirmed that the meeting would proceed on the assumption that all members had read the papers in advance.

23/01 APOLOGIES

Apologies for absence were received from Mr J Creed (ICCA-ETS), Mr Harvey attending in place of Mr Creed.

23/02 MEETING WITH THE AUDITORS

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

Mr Harvey confirmed that the dates for completion of the work for the agreed Internal Audit Plan had been scheduled throughout the academic year. The first IA review would be completed in October.

Mr Benson confirmed that the TPS return had been signed off, that the planning and prelim work for the audit of the financial statements had been completed and that the field work was scheduled to begin as planned week commencing 2nd October 2023.

The College Management joined the meeting (17.40).

23/03 DECLARATIONS OF INTEREST

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

FOR DECISION

23/04 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 19th June 2023 (circulated, document Sept 23/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 19th June 2023 be approved.

23/05 ACTIONS FROM THE PREVIOUS MEETINGS

5.1 Actions (circulated, document Sept 23/2)

22/56 *Meeting with the Auditors*

External Audit Service

A letter of engagement had been sent to the interim Vice Principal Finance and Resources.*

*copy to be provided to the Committee.

25.09.23 Response:

Loaded to the Portal 12.09.23

COMPLETE

22/41 *Actions/Matters Arising:* Report on the Review of IT systems

Response 19 June 2023:

Report from Sage Consultant provided to the Committee.

Points raised:

How many of the recommendations had been implemented?

Which version of Sage was the College using – on premise or cloud version?

How to ensure updates are not missed?

Vice Principal Finance and Resources to report to next meeting.

25.09.23 Response:

The report had contained 8 recommendations applicable to accounts receivable, accounts payable, management accounts and budgets. Of the 8:

2 had been completed,

1 was in progress,

3 are outstanding and require software 'add-ons' (outside of Sage),

2 on review not considered appropriate / possible.

Examples of the add-on software were requested.

It was reported that this included examples such as Adept CSV for data importation, and Lightyear which would automate the invoice processes.

It was commented that this was of interest as the existing invoicing processes were manual, and that this would need review prior to considering automation.

22/50 *Deep Dives:*

- *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 suggested that there was a need for assurance that the processes accurately cost the service provision / model, and the processes of recovery.

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.

Response 19 June 2023:

Carried forward to consideration of the Budget at the Corporation meeting 29th June 2023

25.09.23 Response:

Budget presented and approved at Corporation meeting on 29th June 2023

COMPLETE

22/57 *Declarations of Interest*

The Chair indicated that to assist with efficiency, the meeting would proceed on the premise that members had read the reports in advance.

He also highlighted that it would be appreciated if any members who could not attend meetings could review the reports and send in questions/queries in advance so that they could be considered at the meeting.

[ACTION]**ALL****22/61 *Regularity Self-Assessment Questionnaire 2022/23:***

The updated version for 2022/23 would be presented at the Audit Committee meeting in September 2023.

25.09.23 Response:

Provided to the Committee for consideration at the meeting on 25.09.23 **COMPLETE**

22/62 *Audit Committee: Anti-Fraud Policy*

Should consideration be given to the Committee reviewing the Anti-Fraud Policy on September in light of the recent fraud incident (to be considered later in the meeting).

This was agreed.

25.09.23 Response:

Provided to the Committee for consideration at the meeting on 25.09.23 **COMPLETE**

Audit Committee: Meetings

Consider on site meetings / hybrid meetings as well as Teams. Aim for at least one meeting, in person, on site.

This to be considered /arranged after this meeting (19.06.23).

25.09.23 Response:

Members emailed on 12.09.2023 to identify availability for face-to-face meetings.

It was suggested that the Committee meet face to face at the next scheduled meeting (November)

[ACTION]**ALL****22/63 *Deep Dives***

- a deep dive around policies be presented in the autumn term (date TBC)
- the schedule of deep dives be further reviewed at the next meeting (September 2023), when the reviewed strategic risk register would also be presented.
-

25.09.23 Response:

A meeting between the VPs and Chairs of AC and Q&S took place 20.09.23 to discuss possible deep dives on the basis of the Strategic Risk Register and QulP. See later minute 23/09. **COMPLETE**

22/64 *Policies***64.1 *Treasury Management Policy***

Liquidity policy – detail on investing surpluses/interest on cash holdings – more detail to be provided.

In the interim look at what alternatives are available within existing banking facilities.

Further discussion should take place before the policy is approved.

25.09.23 Response:

Carry Forward

[ACTION]**RB**

22/65 Internal Audit: Internal Audit Plan 2023/24

Key financial controls – operation of systems, nuances – how well does the finance department service stakeholders. This could be extended to include working with budget holders (RB/JC to discuss).

25.09.23 Response:**Carry Forward****[ACTION]****RB**

- the Vice Principal Finance and resources would meet with Mr Creed to revise the proposed IAS plan for 2023/24 (on the basis of the discussions)
- a revised plan would be issued to Committee members for review and agreed recommendation to the Corporation meeting scheduled for 29th June 2023.

25.09.23 Response:

Actions complete and IAS Plan for 2023/24 approved at meeting of the Corporation on 29.06.23.

COMPLETE**22/66 Internal Audit: Internal Audit Reports****66.1.1 ESFA Mock Funding Audit 01.22/23**

The Vice Principal Finance and Resources felt that all of the recommendations should have been agreed. This would be reviewed, and the report amended. Going forward this would be reported on as part of the report on progress against audit recommendations.

25.09.23 Response:

Amendments made and revised report issued. Actions to be monitored via the Progress against Audit Actions Log reported to each meeting.

COMPLETE**22/73 Performance Review of the Internal Auditors**

Those members still to provide feedback were asked to do so. The Director of Governance would collate responses and provide the completed document to the Chair of the Committee. The Chair of the Committee would provide the feedback to ICCA.

25.09.23 Response:

Responses received were provided to the Committee Chair.

COMPLETE

It was noted that 2022/23 was the fourth year of the contract. The contract allowed for annual extensions for up to two years, after the initial three-year contract, subject to Audit Committee review and recommendation. It was agreed that on the basis of the completed performance review the Committee recommended the annual extension for 2023/24. It would now be necessary to tender for the IAS during 2023/24, for a contract beginning 01 August 2024.

25.09.23 Response:

Carried forward for update November 2023

[ACTION]**RB**

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

5.2 Anti-Fraud Policy (circulated, document Sept 23/3)

The Vice Principal Finance and Resources presented the Anti-Fraud Policy (circulated, document Sept 23/3).

It was reported that a small number of minor amendments have been made to correct omissions and to correct a reference made to the Financial Regulations (page 8), noting that these amendments do not change the overarching principles and procedures contained within the policy.

Discussion points/feedback included:

The fraud incident in the summer term was raised.

Details were provided and it was confirmed that staff had completed bespoke training from Barclays, and that processes had been documented.

It was queried if the policy should detail what were considered to be the main dangers and mitigations?

It was advocated that this would be a fraud risk assessment and it would need to be verified if this had been documented.

It was advocated that this might be useful.

It was questioned when there had last been a verification of the approval boundaries.

It was reported that there had been an Internal Audit review of Key Financial Controls in 2022/23 and another was scheduled for 2023/24.

Points raised included:

- if the included detail on the framework or the related policies included was sufficient.
- that it might be useful to consider adopting a regular procedure regarding identification and prevention of fraud.
- what were the internal controls – phishing emails / cash control – should these be looked at?

It was agreed that the Key Financial Controls review should include delegated authorities **[ACTION]**

RB

It was commented that it would be expected for testing to form part of the risk management processes, with key areas acknowledged as more vulnerable than others.

There was a need for assurance to be provided around this testing, segregation of duties and the evidence to support this.

It was suggested that some of the issues discussed would fall under the umbrella of cyber security rather than fraud prevention.

The Vice Principal Finance and Resources suggested that a further review of the Financial Regulations would confirm the key risks and mitigations to identify any gaps. **[ACTION]**

RB

It was suggested:

- that additional policies relating to cyber security could be included in the policy.
- that budget holders could complete online anti-fraud training.

Discussion points:

- cyber security procedures – independent assessment.
- be careful not to confuse GDPR & Data Protection with fraud.

It was agreed that the Vice Principal Finance and Resources would discuss these issues with the Director for Technical Resources, Estates and Facilities. **[ACTION]**

RB

It was suggested that the outcome be shared with the Committee, and that appropriate reference to fraud be included in the risk register with mitigations.

It was proposed that once the fraud risk was known the Vice Principal Finance and Resources could provide a brief report to the Committee providing assurance.

It was countered that this could be included as an update to the minutes (see below). **[ACTION]**

RB/YD

It was agreed that following these discussions and identified actions the Anti-Fraud Policy be recommended for Corporation approval.

Subsequent to the meeting it has been agreed that:

- the 'related policy and procedures' section of the Anti-Fraud Policy would be extended to include other finance related policies as appropriate.
- the departmental risk register would be reviewed in relation to fraud, and any necessary actions taken.

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

23/06 MATTERS ARISING

- 22/56 Meeting with the Auditors ONS reclassification

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.

This position was queried regarding the ambitions for the College estate.

It was reported that there had been no changes since November 2022. The college was in a strong financial position and that discussions were in progress regarding the methods for the funding of any developments, for example via bids. It was noted that under MPM any borrowing was expected to be via DfE.

It was anticipated that the financial handbook associated with the change of status would be published in 2024.

Chairs Update

The Chair provided an update on the position since the Corporation meeting of 29th June 2023:

- policies were approved,
- newly appointed governors confirmed,
- external governance review: interview of potential providers 11.10.23,
- deep dive meeting on 20.09.23 proposals:

▪ curriculum planning / costs / analysis by Pathway	March 2024
▪ income diversification	June 2024
▪ policies	Date TBC

- LGPS – FRS102 pension as asset rather than liability

This had been flagged today (25.09.23). This position had arisen for the first-time last year, when some providers had treated it as an asset, and others had reported as zero.

The ESFA is being pushed for guidance on whether to report as an asset as per valuation or zero but had thus far refused to provide any, not least since it was noted by Mr Benson that neither ICAEW nor FRC had defined a position to advise those preparing financial statements. Murray Smith had previously permitted as an asset, but also happy to zero dependent on approach of client. There was a technical point relating to whether it could be recognised in the future.

Discussion points:

- what was the materiality of the value (detail was provided),
- it was not currently recognised as an asset,
- there was a need to fully understand the implications either way,
- ESFA would ignore,
- if show as an asset:
 - issue for the organisation as it cannot be accessed if an asset could reduce contributions
 - as an asset would strengthen the balance sheet
 - consider against any future borrowing
 - there was a need to have a better understanding of why it would recognised as an asset and future implications
- if it is a deficit the implications are increases in contribution or making a one-off payment,
- Vice Principal Finance and Resources to investigate further, including with members, outside of the meeting.

[ACTION]

RB

Mr Harvey concurred with the discussions, but the issue would be referred to Mr Creed to ensure better understanding.

[ACTION]

MH

22/07

RISK MANAGEMENT

7.1 Annual Risk Management Report 2022/23

The Vice Principal Finance and Resources presented the Annual Risk Management Report 2022/23 (circulated, document Sept 23/4).

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 2022/23 with comparison since 2019/20 was provided.

It was **RESOLVED THAT** the Risk Management Annual Report 2022/23 be approved.

7.2 Risk Management Policy

The Vice Principal Finance and Resources presented the Risk Management Policy (circulated, document Sept 23/5).

It was reported the policy was last reviewed in November 2022. No further amendments were required at this time.

It was **RESOLVED THAT** the Risk Management Policy be recommended for approval by the Corporation.

7.3 Risk Management Update and Strategic Risk Register 2023/24

The Vice Principal Finance and Resources reported on Risk Management and the Strategic Risk Register 2023/24 (circulated, document Sept 23/6).

It was confirmed Strategic Risk Register had been reviewed and updated for 2023/24, with minimal changes.

Updates to the previous version included:

- The actions list has been updated to include progress, as well as any revised target dates and new actions that have been identified.
- Further action updates, with 5 remaining actions either ongoing (4) or partially complete (1)
- Action related to SR4-9 (MIS systems and reports) completed.

- An increase in the residual risk scores of two risks impacting:
SR4-5 Failure to maintain the profile and reputation of the College and
SR4-6 Failure to comply with Health & Safety legislation and Environmental Health
legislation. Both risks moving from Housekeeping to Contingency; detail was provided.
- An update on Health and Safety was provided.

Other areas highlighted included:

- *SR1-1 'Failure to achieve learner numbers (day and residential) that secure income'.* Learner numbers were positive against budget, with increased numbers across certain pathways and higher income.
- *SR4-3 'Failure to diversify income from dependency on high levels of ESFA income by expanding other income streams (such as AEB, DSA assessments and rental income)'.* Income from DSA assessments was higher than anticipated in 2022/23 but will end in 2023/24. AEB income is expected to continue at similar levels; detail was provided.
- The action list has been added to and updates provided against existing actions. This included of the 23 actions included for 2022/23, 18 are complete, 4 are ongoing and 1 is partially complete.
- Health and Safety – recent incident was isolated, and an increased programme of management instigated.

It was **RESOLVED THAT**

- the update report on Risk Management be noted and received.
- the Strategic Risk Register 2023/24 be recommended for approval by the Corporation.

23/08 Regularity Self-Assessment Questionnaire 2022/23

The Vice Principal Finance and Resources presented the Regularity Self-Assessment Questionnaire 2022/23 (circulated, document Sept 23/7).

It was confirmed that this was the annual update. The questionnaire had been amended to reflect the changes implemented by the ONS reclassification and MPM.

The College had no activities / transactions in 2022/23 that fell under the new MPM remit.

It was **RESOLVED THAT** the Regularity Self-Assessment Questionnaire 2022/23 be recommended for Corporation approval and signature by the Chair of the Corporation and Principal.

23/09 DEEP DIVES

The Committee considered the report on Deep Dives (circulated, document Sept 23/8).

The previous report of a meeting between the VPs and Chairs of AC and Q&S that took place on 20th September 2023 to discuss possible deep dives based on the Strategic Risk Register and QuIP was noted.

The proposed deep dives for 2023/24 were

- | | |
|---|------------|
| ▪ curriculum planning / costs / analysis by Pathway | March 2024 |
| ▪ income diversification | June 2024 |

beyond that, and based on previous discussion (June 2023)

- | | |
|------------|----------|
| ▪ policies | Date TBC |
|------------|----------|

It was **RESOLVED THAT**, the schedule of deep dives for 2023/24 be agreed as

- | | |
|---|------------|
| ▪ curriculum planning / costs / analysis by Pathway | March 2024 |
| ▪ income diversification | June 2024 |

RB

23/10 COMMITTEE SELF-ASSESSMENT and TERMS OF REFERENCE**10.1 Committee Self-Assessment**

The Committee considered the report on Self-Assessment Report (circulated, document Sept 23/9).

- Governors were requested to evaluate the performance of the Committee against a range of questions.
- Responses were provided using a scale of Strongly Agree, Agree, Disagree and Strongly Disagree.
- 3 Governors (60%) of the 2022/23 membership responded.
- In considering the responses the survey suggested areas for potential/immediate development were:
 - Attendance
(To avoid inquoracy)
 - Member engagement / participation
(Where unable to attend review papers and submit questions / points in advance of the meeting)
 - Internal Audit support

It was **RESOLVED THAT** the Committee Self-Assessment Report 2022/23 be noted and received.

10.2 Committee Terms of Reference 2022/23 & 2023/24**10.2.1 Compliance against the Committee Terms of Reference 2022/23**

The Committee considered compliance against the Terms of Reference for 2022/23 (circulated, document Sept 23/10).

Feedback was noted.

It was **RESOLVED THAT** assessment of performance against the Terms of Reference for 2022/23 confirmed that they been met.

10.2.2 Terms of Reference 2023/24

The Committee reviewed the Terms of Reference for 2022/23 to determine applicability for 2023/24 (circulated, document Sept 22 /13).

It was noted that feedback had been received and amendments suggested to

- No. 17
- No. 19
- No. 25

It was **RESOLVED THAT** subject that the proposed Terms of Reference for 2023/24 be presented for Corporation approval.

23/11 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2022/23

The Committee considered the draft Audit Committee Annual Report 2022/23 (circulated, document Sept 23/11).

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 85% for the 2022/23 year.
- Consideration of five internal audit/advisory reports, findings, and recommendations
 - 10 recommendations (high, medium, or low) compared to 12 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, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.

It was noted that the final version of the report would be presented at the next meeting of the Committee in November 2023.

It was **RESOLVED THAT** the draft Annual Report of the Audit Committee 2022/23 be noted and received.

FOR INFORMATION

23/12 INTERNAL AUDIT

Annual Internal Audit Report 2022/23

Mr Harvey reported on the Annual Internal Audit Report 2022/23 (circulated, document Sept 23/12).

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 10.

Discussion points:

Which was the biggest area of judgement re the assessment of controls, and any specific areas for review.

It was reported that this was considered to be the Funding Audit regarding enrolment and eligibility. Issues had included signatures, planned hours and associated data (not a funding query)

It was suggested and agreed that the range/types of errors be shared with the Committee.

Subsequent to the meeting it was suggested that members refer to the IA report in the first instance. This was available via the portal.

Audit Committee

2022.23

22.23_6. AC 19.06.23

Doc 10

It was queried if the issue relating to signatures had been addressed.

This was confirmed. Processes had been amended to include the requirement for either a wet signature, or an email linked to the learner. All learners were also required to respond to the welcome email from the College.

This was welcomed as engagement with a third-party provider and evidence was considered one of the biggest risks.

It was **RESOLVED THAT** the Internal Audit Service Annual Report 2022/23 be noted and received.

23/13 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

The Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document Sept 23/13).

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

Good progress had been made.

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

23/14 MONTHLY MANAGEMENT ACCOUNTS: Month 12

The Vice Principal Finance and Resources presented the Monthly Management Accounts: Month 12 (circulated, document Sept 23/14).

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

- Financial Health is Outstanding.
- 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.
- Transfers from provisions and reserves were noted.
- 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:

Potential for pushback re the surplus?

It was reported that there was evidence that supported the appearance of a trend for colleges to be making surpluses in the 2022/23 financial year.

It was acknowledged that some of the surplus was non-recurring, but the underlying performance was good.

The presentation of the report and the accuracy of the forecasting was commended.

A query regarding the opening and closing cash figures was raised.

It was agreed that more data would be provided.

Subsequent to the meeting it was confirmed that the net cash movement could be explained as being the difference between cash received and cash paid out during the financial year, as reconciled to the College bank account. The net movement for the financial year showed that cash held in the bank account reduced compared to the balance at 31 July 2022.

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

23/15 VALUE FOR MONEY

The Vice Principal Finance and Resources presented a report (circulated, document Sept 23/15) 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.

Discussion/feedback points included:

It was noted that one of the objectives was to promote a culture of continuous improvement – it was queried if this was the case.

It was advocated that time pressures could impact this, particularly in the autumn term when it could be necessary to respond very quickly. It was also acknowledged that there was an element of reliance on the member of staff involved.

It was questioned if full market analyses were retained as part of the processes.

This was confirmed to be the case and that this was attached to the associated documentation as required.

Comparison to other VFM reports was queried.

It was suggested that VFM was quite difficult and therefore any over reliance on the report should be avoided.

It was **RESOLVED THAT** the Annual Report on Value for Money 2022/23 activities be noted and received.

23/16 GIFTS AND HOSPITALITY

The Disclosure of Gifts and Hospitality document was received (circulated, document Sept 23/16).

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 had been no declarations of the receipt of gifts or hospitality.

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

23/17 ANY OTHER BUSINESS

There was no other business for consideration.

23/18 DATE OF NEXT MEETING

The date of the next meeting was confirmed as 20th November 2023.