

Hereward College

Minutes of: AUDIT COMMITTEE

Date: 4th March 2024

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr M Cumella
Mr K Sonecha
Ms H Hillyard (from 18.00)

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

Mr M Harvey (ICCA-ETS)

Mrs Y Doherty (Director of Governance)



23/36 APOLOGIES

Apologies for absence were received from Mr S Crick.

23/37 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 College Management joined the meeting.

23/38 DECLARATIONS OF INTEREST

There were no declarations of interest.

FOR DECISION

23/39 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 20th November 2023 (circulated, document March 24/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 20th November 2023 be approved.

23/40 ACTIONS/MATTERS ARISING

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

23/23 Face to Face Meetings

The Chair confirmed the intent to address this under the Actions Report.

23/24 Financial Statements year ended 31.07.2023

Capital spend was queried and that no grant aid was recorded – would this position be repeated for 2023/24?

It was reported that nothing had been received so far this year, and that the College did tend to fall below the required thresholds to be eligible for this funding.

It had again been raised as part of the annual strategic conversation (as per last year) held with the DfE in February 2024. The DfE had again indicated that they would take this issue away for consideration.

Actions Report

The Committee considered the Actions update report (circulated, document March 24/2)

23/23.1 Actions Report**22/62 Audit Committee: Meetings**

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

20.11.23 Response:

Insufficient members were able to attend in person. A new date to be identified.

It was agreed that the Director of Governance would confirm availability for March 2024

Carry Forward

Response:

Insufficient members were able to attend in person. A new date to be identified.

DISCUSSION:

It was acknowledged that this could be challenging as not all members were local to the College. It was recognised that face to face meetings were of benefit for a variety of reasons. It was suggested that further attempts be made to schedule a face-to-face meeting of the Committee. If this was not possible in June or September, then definitely for November 2024 when the Committee would consider the Financial Statements 2023/24.

Carry Forward

[ACTION] ALL

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

20.11.23 Response:

RB to discuss with JC when agreeing the Terms of Reference for the audit.

Response:

Discussion held as part of KFC audit, which is presented to the Committee (see later). **COMPLETE**

23/24.2 External Audit: Audit Completion Report 2022/23**Credit Cards**

This was acknowledged and it was confirmed that a review would be undertaken to understand the basis for this position and any potential remedial action. **[ACTION]**

It was suggested that reference to the expenses policy be made.

Response:

Update provided in progress against audit recommendations paper.

COMPLETE

23/31 *Deep Dive*

The Committee noted that the next planned Deep Dive was:
Curriculum Planning / Costs / Analysis by Pathway for presentation March 2024

The Vice Principal Finance and Resources confirmed that work on consideration of this from the pathway perspective had begun.

It was queried if there was anything required from members in terms of refining the scope / deliverables.

It was suggested that this be addressed by email circulation to ensure agreed expectations. [ACTION]

Response:

Presentation distributed for delivery at the meeting on 04.03.24

COMPLETE

23/33 *Performance Review of External Auditors*

Committee members noted the issue of the assessment documentation (circulated, document Nov 23/14), 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 Mrs Barnes and one Committee member.

The Committee considered each of the assessment criteria and agreed the satisfaction rating.

It was confirmed that the Director of Governance had noted the responses and would provide the completed document to the Chair of the Committee. The Chair of the Committee would provide the feedback to Murray Smith. [ACTION]

Response:

Chair provided feedback to Ms N Tucker at Murray Smith.

COMPLETE

23/34 *Any Other Business*

- Committee Chair

Mr Brand suggested that consideration should be given to the prudence / benefit of rotation of the individual holding the role of Committee Chair (similar to audit partner rotation).

He confirmed that having fulfilled the role since October 2018 he felt he should step down from the position but would remain a member of the Committee.

It was agreed that this be progressed outside of the meeting.

Response:

Members had been contacted; two nominations have been received. One nominee had confirmed that it would not be possible for them to undertake the role of Chair of the Committee. Having discussed this with the Corporation Chair and the Audit Committee Chair, and the scheduled governance review, Mr Brand has agreed to continue in the role for the remainder of the 2023/24 academic year.

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

23/41 POLICIES

The Vice Principal Finance and Resources provided an update report the review of policies (circulated, document March 24/3).

41.1 Anti-Money Laundering Policy

The policy had been updated to reflect that the College relinquished its Tier 4 sponsor licence in May 2021 and no longer accepts international students. Other minor amendments. There have been no significant changes to relevant legislation since the last review.

Discussion points:

There was discussion as to why the College had stopped accepting international students.

page 3, 'Know Your Customer' would this include credit checks?

It was reported that it was rare for the policy to be applied (last used in 2021/22). Instances such as private payments would involve a high degree of due diligence.

It was suggested, and agreed, that additional detail be included in relation to this.

[ACTION]

RB

It was **RESOLVED THAT**, subject to the amendments discussed, the Anti-Money Laundering Policy be recommended for Corporation approval.

41.2 Anti-Tax Evasion Policy

Roll forward of the existing policy, noting there have been no changes to relevant legislation since the last review.

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

FOR INFORMATION**23/42 INTERNAL AUDIT****42.1 Internal Audit Reports****42.1.1 Learner Attendance, Retention, and Intervention 02.23/24**

Mr Harvey presented the Learner Attendance, Retention, and Intervention report, (circulated, document March 24/4).

The objective of the audit review was to provide management and the Audit Committee with an independent assurance opinion that the College has adequate and effective systems, processes, and controls in respect of student retention and intervention mechanisms.

OVERALL ASSURANCE CONCLUSION:

Design: **GOOD**

Application/Compliance: **GOOD**

Assurance Opinion: **SUBSTANTIAL**

It was commented that it was evident the interventions and work to support learners was very strong.

The report contained one recommendation; rated **low** relating to application / compliance.

The recommendation related to:

Retention and Intervention Strategies Deployed

'Student attendance and retention may be below target and interventions delayed'.

Recommendation

The College should continue to develop and deploy flexible intervention strategies which reflect the individual support needs of the learners within each Pathway.

The recommendation was accepted by the College management.

Discussion points included:

Were the targets too high?

It was acknowledged that these could be considered high / aspirational, and it might be something that the College would want to consider.

Mr Cumella commented that they were high based on his previous experience.

2.2 Target Setting and Progress Reviews (page 4)

Progress against the starting points and individual targets is recorded on 'Databridge' or 'Xello', in the case of employability skills.

Was there any alternative software that would complete both of these tasks (rather than separate systems)

It was confirmed that this would require investigation.

It was suggested that if this was possible it may deliver efficiencies etc.

3. Action Plan – recommended action (page 9)

It was queried if the management response addressed the recommended action in terms of development / deployment of flexible intervention strategies (see report for detail).

It was commented that it was difficult to respond to the recommendation as the College was in-year and meeting or exceeding the targets set. It was advocated that the response confirmed that regular monitoring supported actions to be taken in line with what was necessary.

It was **RESOLVED THAT** the Learner Attendance, Retention, and Intervention 02.23/24 report be noted and received.

42.1.2 Key Financial Controls 03.23/24

Mr Harvey presented the Key Financial Controls report (circulated, document March 24/5).

The objective of the audit review was to provide management and the Audit Committee with an independent assurance opinion that the College has effective and efficient controls governing its fundamental financial systems for those areas under review.

OVERALL ASSURANCE CONCLUSION:

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

The report contained two recommendations; rated **medium**, one relating to application / compliance and the second to design.

The recommendations related to:

Purchasing and Creditor Payments

'The College may not achieve 'value for money' from its procurement activities and/or inappropriate procurement proposals may go undetected until after commitments have been made.'

'The College may not achieve complete and accurate supplier payments on a timely basis and/or errors may go undetected.'

Recommendations

- The College should prioritise the Vice Principal Finance and Resources and Finance Manager's review of the procurement systems in operation with a view to streamlining them and encouraging greater compliance at a time when it is rationalising the number of credit cards in circulation.
- The College should introduce Senior Leadership Team approval of all supplier pay runs.

It was confirmed these were points the College was very much aware of.

The recommendations were accepted by the College management.

Discussion points included:

There had been previous discussion regarding the number of credit cards, which posed the potential for increased risk.

This was agreed and that the review had commenced. 3 cards had been closed instantly and a further 9 were on a list for closure. There were continuing discussions regarding alternative methods.

Was there, or would there be a policy regarding credit cards?

It was reported that the focus was on establishing alternatives to the use of credit cards.

The lack of clarity regarding second signatories relating to pay runs.

It was confirmed that this issue had been addressed. The Vice Principal Finance and Resources was now on the signatory list. Explanation of the period between appointment and actioning this was provided.

The process was now:

Preparation	Assistant Management Accountant
Detailed first approval	Finance Manager
Final approval	Vice Principal Finance and Resources

There were contingency arrangements to allow for absence.

If a purchase requisition was not required for credit card expenditure was there an alternative.

It was confirmed that purchase requisitions were not required for credit card expenditure nor for periodic payments.

Was approval for credit card expenditure obtained in advance or retrospectively?

It was reported that this was a retrospective process.

Further to point raised about a possible credit card usage policy, would the issue of guidelines be an alternative?

It was reported that there was a Procurement Policy in place and that this was being reviewed simultaneous to the credit card review. Once complete it would require signature by those staff retaining credit cards.

2.3 Areas for improvement –

For 5 out of 7 (71%) purchase order transactions selected that were above the £3,000 value-for-money threshold, appropriate value-for-money evidence was provided, or the payment related to a periodic payment, as per the Financial Regulations

How was VFM demonstrated for the other 2?

It was confirmed that this detail wasn't available at the meeting.

However, there were now improved controls, and the Accounts Payable Officer was diligent in checking for VFM.

It was emphasised that with regard to these points, in general, the process was very paper based and labour intensive. It was intended that there would be delivery of training for all budget holders and those making purchases as part of the next staff training day.

There was discussion of the use of different systems to release staff from the completion of paper-based processes.

Aged creditors

Explanation of two amounts included where it was due to payment on account, and an overpayment by a specific Local Authority. LAs don't allow for money to just be returned. In this instance this was not paid based on an invoice. The LA worked to the financial year (not the academic year) and on account which made it difficult to reconcile. The finance team were working on reconciling this unusual amount. Historically the figure had been quite low.

It was **RESOLVED THAT** the Key Financial Controls 03.23/24 report be noted and received.

42.2 Progress against the Internal Audit Annual Plan 2023/24

Mr Harvey presented an update on progress against the Internal Audit Plan 2023/24 (circulated, document March 24/6)

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

The remaining three were scheduled for April and May 2024.

No high-level recommendations had been made.

It was suggested that when completing the ESFA Funding Audit that consideration be given to potential fractional duplication.

It was **RESOLVED THAT** the progress report against the IAS Annual Plan 2023/24 be noted and received.

23/43 RISK MANAGEMENT - Update Report

The Vice Principal Finance and Resources provided an update report on Risk Management (circulated, document March 24/7).

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:

- The increased use of parking and collections from the back of the LRC have reduced stress on the main car parking and collection areas.
- Work continued on fire sirens to provide a more even and acceptable level of sound to reduce the potential of dysregulation.
- Of the 5 actions rolled forward from the last financial year, 4 are ongoing and 1 is now complete, with good progress being made on two of the four.

Discussion points included:

It was suggested that there were key areas of risk such as

- SR3-3 Failure to engage relevant LA Commissioners, Health, and Social Care Agencies in delivering their responsibilities.
- SR4-1 Failure to ensure the ongoing financial viability of the college, leading to a failure to meet the requirements of the Bank and LGPS and moving the College into the Insolvency Regime
- SR4-2 Failure to identify and respond to changes in funding and legislation.

that should be referred to the Board for in-depth discussion, especially in terms of the impact on the College and actions taking to address the risks.

It was emphasised that there had been no movement in terms of assessed risk for these areas between reporting in November 2023 and March 2024.

It was **RESOLVED THAT**

- i. the point raised about in-depth Board discussion of key areas of risk be presented to the Board.
- ii. the Risk Management Update report be noted and received.

[ACTION] MC/SB

23/44 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

The Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document March 24/8).

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

Points highlighted included:

- Three new recommendations from the most recent IA reports were included, one of which had been completed.
- Completion of one action against the ESFA Mock Funding Audit 2022/23 had delivered considerable improvements.
- Enrolment processes – detail on planned actions was provided.

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

23/45 DEEP DIVES

45.1 Curriculum Planning / Costs / Analysis by Pathway

The Vice Principal Finance and Resources provided a presentation on the Review of Contribution by Pathway (circulated, document March 24/9).

It was reported that given the data available from existing systems and data structures and the limitations of key assumptions applied, it had not been possible to conclude with a reasonable degree of confidence such that SLT or Audit Committee is able to rely upon the outcome as to whether income received to deliver the curriculum within each of the pathways covers the direct cost of delivery in each pathway.

Detail of the process followed was provided.

It was confirmed that there was now a better understanding of the data available and its limitations.

It would now be necessary to consider future actions, what was required, e.g., contribution by Pathway or subject, and what additional resource / data etc would be required to deliver this.

Discussion points included:

- MIS – do current systems allow the College to manage its business as it would wish?
- Given the report presented is there a financial risk related to the inability to manage it at the level of granularity that would be liked?
- This type of analysis required detail that couldn't be obtained from the current systems – revert to first principles of starting with reporting requirements and consider how data is input? Decide what is available / what want and create a road map to deliver?
- Consider what trying to achieve and the purpose e.g., budgeting. Current limitations impact on this – completion of the task would be useful whilst acknowledging that historically the college finances and been well managed.

It was commented that the work completed needed to be acknowledged and that it concurred with what had previously been reported to the Committee. It was suggested that this supported the position that there was time to invest in the wider project and pre-empt any future issues.

The Chair asked Mr Harvey for his opinion.

Mr Harvey expressed agreement with the views expressed by that he would refer to Mr Creed, who had greater experience of this, for feedback.

[ACTION] MH

It was queried if this presented an additional financial risk for inclusion on the Strategic Risk Register. It was suggested that this was encompassed by SR4-1: failure to ensure the ongoing financial viability of the college.

It was proposed that it was a question of how, from the reports available, could an assessment be made regarding the MIS enabling effective financial management of college resources at all levels. It was commented that this would need to be looked at.

This was agreed.

[ACTION] RB

45.2 Future Deep Dives

FOR DECISION

The Committee considered the report on Deep Dives (circulated, document March 24/10).

The report identified the proposed schedule as

10.06.2024 Income / Diversification of Income

TBC Policies (assurance regarding implementation / impact)

Discussion/feedback points included:

Given the continuing strategic discussions, possible future plans / developments it was suggested that the schedule for 2024/25 be revisited in June 2024 / September 2024.

This was agreed.

[ACTION] ALL

It was **RESOLVED THAT** the schedule of deep dives be reviewed at the June 2024 or September 2024 meeting.

23/46

GIFTS AND HOSPITALITY

The Disclosure of Gifts and Hospitality document was considered (circulated, document March 24/11).

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 one member of staff had made a declaration of the receipt of a gift. Detail was provided.

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

Mr Harvey left the meeting.

23/47 ANY OTHER BUSINESS

- *Internal Audit*

The Vice Principal Finance and Resources presented a report on the tender for Internal Audit Services (circulated, document March 24/12).

The contract for the provision of Internal Audit Services supplied by ICCA Education Training and Skills was in the fifth and final year. Therefore, a new contract for Internal Audit Services would be necessary, effective 1 August 2024

A mini tender process under the Crescent Purchasing Consortium framework agreement had commenced, with the timeline detail provided.

The Committee was requested to note detail and that interviews of any potential providers would need to take place by arrangement after 2 April 2024 and taking into account the Committee and Board timetable.

Discussion/feedback points included:

- Sharing scoring criteria, marking, weighting etc.
- Questions provided for response as part of the tender process.
- Interviews.

It was agreed that the Vice Principal Finance and Resources would share the documentation via the Director of Governance.

The process would be agreed thereafter.

Mr Brand and Mr Cumella indicated that they could be available for interviews (dependent on dates).

It was **RESOLVED THAT**

- i. the Vice Principal Finance and Resources would distribute the tender documentation.
- ii. the appointment processes to be agreed following the closing date.

[ACTION]

**RB
ALL**

23/48 DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 10th June 2024.

The Chair thanked members for their attendance and contribution.