

Hereward College

Minutes of: AUDIT COMMITTEE

Date: 10th June 2024

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Ms H Hillyard
Ms N Paterson

In attendance: Mrs R Barnes (Vice Principal Finance and Resources) (from item 23/51)

Mr M Benson (Murray Smith)
Mr J Creed (ICCA-ETS)

Mrs Y Doherty (Director of Governance)
Mrs S Collier (External Governance Review: Observation)



23/49 APOLOGIES

There were no apologies for absence.

23/50 MEETING WITH THE AUDITORS

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

Internal Audit Service:

It was confirmed that there were no points to raise.

External Audit Service:

It was confirmed that there were no points to raise. The first two stages in relation to the external audit had been completed (planning and TPS).

The College Management joined the meeting.

23/51 DECLARATIONS OF INTEREST

There were no declarations of interest.

FOR DECISION

23/52 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 4th March 2024 (circulated, document June 24/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 4th March 2024 be approved.

23/53 MATTERS ARISING / ACTIONS**MATTERS:**

The Chair highlighted the following from the most recent AoC Chief Executive updates:

- Pre-election discussion webinars – was anyone joining?

It was confirmed that this would be followed up

[ACTION]**RB**

- Reference to the Labour Party Conference (Sept 24) being the only political party details shared in the AoC note, was this indicative of any political affiliation?

It was suggested that AoC were apolitical.

- AoC seeking to identify employers who might publicly advocate for an increase in FE funding from any future government – had this been raised with Whitbread?

It was commented that this was best taken up with the Principal

[ACTION]**RB**

- Valuing Enrichment Week (10 – 14 June)
- Stakeholder management – was it worth getting to know the party candidates / local MPs if not done so already.

It was reported that the College had recently hosted a local MP.

- Pay award – AoC had decided to delay making a pay offer until the teacher pay award is known.

It was confirmed that this had been subject to discussion on the FD network. It was anticipated that the offer would be between 1% – 3%. The College would be including 2% as a placeholder in the budget.

It was confirmed that there was nothing to raise from the Board meeting held on 16 May 2024.

ACTIONS:**59.1 Actions Report**

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

23/23.1 Actions Report

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

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****Response:**

To be carried forward to the 2024/25 academic year.

CARRY FORWARD**ALL**

In discussion it was agreed that the Committee should plan to meet face to face, as a minimum, in November 2024 when the financial statements would be presented.

[ACTION]**ALL****23/41.1 Anti-Money Laundering Policy**

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****Response:**

Additional detail was included with the policy presented and approved at the March 2024 meeting of the Board.

COMPLETE

Ref		Action by
23/43	Risk Management Update Report It was suggested that there were key areas of risk 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. [ACTION]	MC/SB
	Response: This was reported and discussed at the March 2024 meeting of the Board.	COMPLETE
23/45.1	Deep Dives Curriculum Planning / Costs / Analysis by Pathway 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
	Response: To be discussed at meeting 10th June 2024 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 as to how effective MIS were at producing information to manage the business financially. It was commented that this would need to be looked at. This was agreed. [ACTION]	RB
	Response: After consideration this is not believed to be an additional risk for inclusion on the Strategic Risk Register as it is covered under existing identified risks and mitigations. In regard to effective MIS reporting this was limited to the parameters of current systems but remained under review. COMPLETE	
23/45.2	Future Deep Dives 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
	Response: To be discussed at meeting 10th June 2024, see minute 23/56.	
23/47	Any Other Business Internal Audit The Vice Principal Finance and Resources would distribute the tender documentation. The appointment processes to be agreed following the closing date. [ACTION]	RB / ALL
	Response: Processes completed and appointment approved at the May meeting of the Board.	COMPLETE

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

23/54 **EXTERNAL AUDITORS**

External Audit Plan for year ended 31st July 2024

The Committee considered the Draft External Audit Plan for year ended 31st July 2024 (circulated, document June 24/3).

Mr Benson drew attention to

Section 2: Scope of Engagement (page 5) and in particular the assessment of the risk level for the audit as low. This would dictate the sample sizes, particularly in low-risk areas.

Section 6: Significant risks and key judgemental areas (page 9)

Mandatory:

- Revenue recognition
- Going concern
- Management override of controls

Education Clients:

- Expenditure – existence, allocation, and value for money
- Payroll
- Accrued and deferred income and expenditure
- Capital expenditure and fixed assets.
- Local Government Pension Scheme (LGPS)

YE 31.07.23 the College chose not to recognise the pension asset in line with the majority of the sector.

It was anticipated that additional guidance would be issued by ICAEW, but this was not expected to be definitive.

It was anticipated that the onsite work would begin week commencing 30 September 2024.

Discussion points:

The College had no points to raise, there had been a good planning meeting, with the output as expected.

It was highlighted that the audit did not relieve management / governors of their responsibilities, it was a tool to assist in the discharge of those responsibilities.

It was **RESOLVED THAT** the External Audit Plan for year ended 31st July 2024 be recommended for approval by the Corporation.

23/55 **AUDIT COMMITTEE 2024/25**

The Committee considered the proposed meeting dates and business cycle for the 2024/25 academic year (circulated, document June 24/4).

The dates were in line with the meetings held in 2023/24.

The business cycle, which provides a minimum outline of business (subject to additions as required) was considered.

Discussion points:

The agreed, minimum, face to face meeting in November 2024 was reiterated.

It was **RESOLVED THAT**, the proposed meeting dates, and business cycle for 2024/25 be agreed.

23/56 DEEP DIVES

Future Deep Dives

The Committee considered the report on Deep Dives (circulated, document June 24/5) with detailed discussion of the future schedule.

The report identified areas previously discussed:

Income / diversification of income

Policies

Detailed discussion/feedback points on future deep dives included:

The intended strategy event in October 2024 was noted.

It was suggested that a flexible approach be adopted.

- Policies – brought to Corporation and Committee for approval, assurance regarding implementation / impact, including audit recommendations and how these are embedded.
- Governance arrangements relating to the partnership with Whitbread, ensuring that the College operates with full effectiveness, assurances of no additional risks / effective mitigations.
- Any impact of the result from the General Election on funding streams.

The need to be adaptable was acknowledged, and that this most likely wouldn't be possible until November at the earliest.

It was confirmed that broad assumptions would be included in the draft budget with more clarity available from September onwards.

It was further recognised that this was the reasoning for scheduling the strategy event for October 2024.

- Reporting – assessment of MIS in enabling financial reporting and efficient, effective use of college resources.

From the perspective of the auditors – were there any suggested areas for focus on the basis of the College Strategic Risk Register and sector knowledge?

It was emphasised that funding of core activity was the biggest risk and that any future issues would not be known until after the election.

It was commented that there was a need to be sure of the purpose and benefit of deep dives, to ensure that such activity did not detrimentally impact on the workload of senior management, and to recognise that specialist reviews could be performed by providers other than the internal audit service.

This was acknowledged along with the need for adaptability. It was suggested that deep dives were a tool that the Audit Committee could use to seek assurance and it was useful to have a 'watch list' of areas where this could be useful. It was agreed there is no requirement a deep dive be undertaken every term.

It was suggested that income risk was monitored via the reports on student numbers. It was advocated that the largest risk was associated with income from the LA and the need to manage the workforce to the level of provision being delivered, i.e., having a workforce strategy that allowed for flex to student numbers.

It was commented that this could also relate to curriculum planning (as considered in March 2024), but it would be worth considering it for inclusion on the list of watch areas. This should also take into consideration the areas of work of the Internal Audit Service and other Committee deep dives.

Suggested 'watch list' for extra / deeper assurance:

- Student Numbers and impact on income.
- Income diversification.
- Policies – refine meaning / benefit.
- Whitbread / HTS – recognising Board reports and Principal updates.
- MIS - Management Information Systems – greater assurance on how to enable more effective management of resources and enable governors to discharge their responsibilities whilst recognising that this could require investment.
- Workforce strategy.

In regard to MIS, it was highlighted that it had been long understood that the Databridge system had limitations and was not fit for the purpose of providing financial assurance. Work was continuing on understanding the level of contribution by provision, but this would be via alternative means of assessment.

It was suggested that it was about how Databridge fed into other systems (if it did) to provide holistic end to end processes and what development / investment would be necessary to make systems fit for purpose.

It was advocated that this would require a gap analysis to determine what was missing. This would be a substantial piece of work that would also require investment.

Detail was provided on alternative means of determining financial viability / contribution e.g., standard template for a typical student.

Alternative methods that did not require large investment in systems were under consideration.

This point was reiterated by Mr Benton. He suggested that it was the core role of the CEO /CFO to manage the provision so that it worked. Any loss-making areas would become apparent. This did not require computer systems to calculate. It was suggested that this remain under constant review by the SLT, with the Board deciding on what to / or not to provide if a particular area was not making money.

The Vice Principal Finance and Resources expressed agreement but that there was considerable work required in order to achieve this.

It was suggested that Management Information Systems remain on the 'watch list' subject to the caveat that the Vice Principal Finance and Resources provide updates on the activities being undertaken.

This was not to be too onerous.

This was agreed.

It was **RESOLVED THAT** the 'watch list' of areas to be subject to a Deep Dive as necessary be approved.

23/57 POLICIES

The Vice Principal Finance and Resources provided an update report regarding the review of policies (circulated, document June 24/6).

FOR COMMITTEE APPROVAL

57.1 Treasury Management Policy

Minor amendments only. Update of CIPFA Treasury Management Code of Practice edition and the potential need for Treasury consent when considering financial instruments.

It was **RESOLVED THAT** the Treasury Management Policy be approved.

57.2 Value for Money Policy

Review only. No changes to legislation or regularity framework.

It was **RESOLVED THAT** the Value for Money Policy be approved.

FOR RECOMMENDATION TO CORPORATION**57.3 Financial Regulations**

Minor amendments, including to role titles. An update to current operational banking arrangements and changes to wording relating to delegated authorities introduced under the Managing Public Money framework to ensure consistency with the new College Financial Handbook, noting that the delegated authorities remain the same.

It was highlighted that it had previously been documented that the roles of Vice Principal Finance and Resources and Finance Manager together could not authorise payments.

This only applied to cheque payments (signatures) and not electronic payments.

Electronic payments were subject to detailed review by the Finance Manager. The Vice Principal Finance and Resources performed a secondary review and specifically for payments over £3k or anything unusual.

There was also additional segregation of duties involving the Accounts Payable Clerk and Assistant Management Accountant.

The wording of the policy had been amended to reflect the position more accurately.

Provision of assurance that the finance staff were not colluding was raised.

It was advocated that would be provided by both the internal and external audit service providers.

It was **RESOLVED THAT** the Financial Regulations be recommended for Corporation approval.

FOR INFORMATION**23/58 INTERNAL AUDIT****58.1 Internal Audit Reports****58.1.1 16 – 18 Student Admissions Process 01.23/24**

Mr Creed presented the ESFA Mock Funding report, (circulated, document June 24/7)

To provide management and the Audit Committee with an independent assurance opinion that the College has in place efficient and effective processes which support the College in maximising and hitting its recruitment targets.

OVERALL ASSURANCE CONCLUSION:

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

The report contained **no** recommendations.

It was **RESOLVED THAT** the 16 – 18 Student Admissions Process 01.23/24 report be noted and received.

58.1.2 ESFA Mock Funding Audit 04.23/24

Mr Creed presented the ESFA Mock Funding report, (circulated, document June 24/8)

The objective of the audit review was to provide an independent assurance opinion that the control framework in operation in respect of the ESFA funding supports compliance with the relevant agencies requirements as defined within the ESFA funding rules 2023/24.

OVERALL ASSURANCE CONCLUSION:

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

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

The recommendations related to:

3.1 Enrolment, eligibility, and existence (medium)**Risk**

Not all data in relation to eligibility may be collected or confirmed, putting eligibility at risk.

Recommendation

The College should ensure that Enrolment Forms are checked thoroughly at the point of completion and any missing information, signatures and dates are obtained prior to them being processed.

The recommendation was accepted by the College management.

3.3 Attendance (medium)**Risk**

Funding may be reduced / put at risk where students are not attending or where evidence of attendance cannot be provided.

Recommendation

The College must take steps to reconcile the start dates and actual end dates recorded in the ILR with the attendance evidence provided. This process should include thorough verification of attendance records and cross-referencing them with the ILR. If any discrepancies are found, they should be investigated and correct promptly to maintain accurate and reliable records.

The recommendation was accepted by the College management.

3.2 Accuracy of Source Data (low)**Risk**

The College may not be providing the ESFA with complete and accurate ILR data.

Recommendation

The College should ensure that accuracy checks are undertaken throughout the year to reconcile key details of a students' programme recorded on the ILR, to ensure that they reflect the programme which they have agreed with the student.

The recommendation was accepted by the College management.

It was emphasized that there were no systematic errors.

Discussion points included:

It was queried if there were different sample groups?

It was confirmed that this was the case. The sample size was the same (15), but they were separate by funding stream (16-18 / AEB).

The issue associated to signature was raised.

It was reported that this related to where a name is typed in and cannot be linked back to a specific individual.

It was acknowledged that this has been raised previously and a manual work around to not having a process for digital signature implemented. This may be an area for development / investment in a system solution.

The finding classified as 'Potential Funding Error' was raised. It was queried that if this related to initial 'on-boarding' would eligibility not be sorted later in the year based on activity / delivery. It was confirmed that this approach was not supported by the funding methodology. The contract was established between the learner / college / funding body at the start.

It was **RESOLVED THAT** the ESFA Mock Funding Audit 04.23/24 report be noted and received.

58.2 Progress against the Internal Audit Annual Plan 2023/24

Mr Creed presented an update on progress against the Internal Audit Plan 2023/24 (circulated, document June 24/9).

Four of the five planned reviews had been completed.

Report Reference	Audit Title	Start Date/ Status	Design	Application/ Compliance	Overall Assurance	H	M	L	A
Report 01	16 - 18 Student Admissions Process	FINAL	Good	Good	Substantial	-	-	-	-
Report 02	Learner Attendance, Retention and Intervention	FINAL	Good	Good	Substantial	-	-	1	-
Report 03	Key Financial Controls	FINAL	Good	Adequate	Substantial	-	2	-	-
Report 04	ESFA Mock Funding Audit	FINAL	Good	Adequate	Reasonable	-	2	1	-
Report 05	Follow-up of Previous Internal Audit Recommendations	Term 3							

It was reported that at the time the report had been issued the Follow Up review (05.23/24) had been at the planning stage. This had now been completed and the draft report issued to the Vice Principal Finance and Resources on 10 June 2024. This indicated **SUBSTANTIAL** assurance. This effectively concluded the Internal Audit Plan for 2023/24, with the final report being considered by Committee in the autumn term 2024/25.

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

58.3 Recommended areas of focus for 2024/25

Mr Creed commented that reference should be made to the College Strategic Risk Register. It was not considered appropriate to comment further to avoid influencing the work of the incoming Internal Audit Service provider.

It was queried if there was anything that could be shared from the work of the IAS.

Mr Creed referred again to the College Strategic Risk Register and the outcome of the General Election.

58.4 Internal Audit Exit Strategy

Mr Creed confirmed that ICCA would finalise the Follow Up report (05.23/24) and produce the Annual Internal Audit Report at the end of the financial year, which would be considered when signing off the annual accounts.

23/58 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

The Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document June 24/10).

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.

Key Financial Controls – credit cards

These had been reduced from 33 to 17.

Credit cards with specific purchasing categories had been identified for review.

Financial Regulations training would be delivered to budget holders / credit card holders at the end of August 2024.

Those that retained credit cards would be required to sign new T&Cs.

Discussion points included:

Specific / detailed updates on the actions which were reported as 'ongoing'.

It was commented that this was difficult for those areas where the new HR system needed to be in place. Some were especially contingent on this, e.g., replacement for the existing training matrix.

It was noted that in regard to Learner Attendance, Retention, and Intervention, it was documented that this would be monitored. It was requested that detail be provided on what is being done.

[ACTION] RB

It was agreed that the agenda for the next meeting – September 2024 – include an item on 'Embedding Change'

[ACTION] YD

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

23/59 RISK MANAGEMENT - Update Report

The Vice Principal Finance and Resources provided an update report on Risk Management (circulated, document June 24/11).

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:

- Recruitment – there had been some positive movement regarding ILS staff and although there were still vacancies, the College would be entering the new academic year in a better position.
- Accommodation requirements – summer work was planned based on anticipated learner numbers.
- Income diversification – the intent to develop a new strategy that would allow for leverage of partnerships / disability specialism.
- Phishing campaign had been completed.
- RIDDOR reports as per the report detail.
- Significant water outage

Discussion points included:

It was queried how the phishing campaign had been received.

It was confirmed that there had not been any complaints.

A third-party company had been engaged.

The results were now being analysed. Some failure was expected, and that the results would identify where / what training was needed.

It was noted that some areas of the SRR were outdated. The process of review would be discussed with the Director of Governance. **[ACTION]**

RB

This was noted. It was commented that as it was considered at every meeting and was a live / dynamic document a refresh would be welcome.

It was queried if the reported update to the doors related to the residence.

This was confirmed.

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

23/60 GIFTS AND HOSPITALITY

The Disclosure of Gifts and Hospitality report was considered (circulated, document June 24/12).

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.

23/61 PUBLICATIONS

- **Post 16 Audit Code of Practice 2023/24**

The report on the new Post 16 Code of Practice was considered (circulated, document June 24/13).

The revisions were identified via highlighting.

It was noted that this included:

- The insertion of reference to the Department for Education (DfE) to reflect changes implemented by reclassification.
- The reference to the COVID supplementary bulletin has been removed from the document as all Covid-19 grants have either stopped or become part of business-as-usual activity.
- The use of the term 'funding agreement' in the framework document has been clarified ("Clarification of terms", page 7). Where appropriate, 'accountability agreement' has now been used throughout the document.

It was **RESOLVED THAT** the report on the Post 16 Audit Code of Practice be noted and received.

23/63 ANY OTHER BUSINESS

The Chair expressed special thanks and gratitude to Mr Creed for his support of the College.

His input had been very informative and delivered with professionalism, pragmatism, and a sense of humour.

23/64 DATE OF THE NEXT MEETING

The proposed date of the next meeting was noted as 30th September 2024

The internal and external auditors left the meeting.

FOR DECISION – COMMITTEE MEMBERS ONLY

23/65 PERFORMANCE REVIEW OF INTERNAL AUDITORS

Prior to the meeting Committee members were requested to consider and evaluate the performance of the IAS against the quantitative and qualitative KPIs (circulated, document June 24/14).

Members were requested to provide detail in support of their evaluation.

It was noted that one response had been received, which was shared.

Discussion points included:

Debrief sessions

Mixed experience regarding continuity of staff

Reports were clear and concise

The Director of Governance would collate responses discussed and provide the completed document to the Chair of the Committee. The Chair of the Committee would provide the feedback to ICCA.

[ACTION] YD/SB

It was noted that 2023/24 was the fifth year of the contract, and that following the tender process a new Internal Audit Service provider had been engaged.