

AUDIT COMMITTEE

Minutes of the Meeting held on 30 June 2020 at 17:30

A Microsoft Teams meeting

Present

Governors:

Kevin Gaffney	Chair
Lucy Hodgson	
Tony King	
Denis Miles	
Debbie Morris	
Sue Nicholls	

In Attendance:

Stuart Laverick	Principal
Nicki Williams	Vice Principal and Deputy Chief Executive Officer
Cherie Clements	Director of Finance
Tony Felthouse	Senior Manager, KPMG (External Auditors)
Asam Hussain	Director, RSM Risk Assurance Services LLP (Internal Auditors)
Louise Tweedie	Partner, RSM Risk Assurance Services LLP (Internal Auditors)
Kay Kavanagh	Clerk to the Corporation

Action

20.1 Apologies

Apologies were received from Lucy Hodgson who will be joining the meeting late. No apologies were received from Steve Boulton.

20.2 Declarations of Interest

Members were asked to declare any Interests, financial or otherwise, which they may have in any Agenda Item. Members confirmed that they had no interests to declare.

20.3 Audit Committee Concerns

Members were invited to raise any issues which they wish to discuss. Members confirmed that there were none.

20.4 Auditor Concerns

The Auditors were invited to raise any issues which they wish to discuss, and all confirmed that there were none.

20.5 Minutes of the Previous Meeting

Minor corrections were highlighted in the papers. The Audit Committee **APPROVED** the revised Minutes of the meeting held on 4 March 2020 as an accurate record for signature by the Chair, subject to the amendments being made.

20.6 Matters Arising

The Audit Committee **MONITORED** action taken, and remaining to be taken, in respect of Matters Arising from the Minutes of previous meetings.

7 actions had been completed or would be addressed during the meeting.

Action 1 – KK provided an update on the ‘Fraud, Anti-Bribery and Whistleblowing’ policies and confirmed that there had been no use of the policies in the previous 12-month period. Members agreed that the action can be closed.

Action 4 – Members agreed that this item could be closed, as resolved.

Action 8 – carry forward to December.

CC

Members agreed to re-open action 9 and carry forward to December.

KK

20.7 Determination of Any Other Urgent Business

No other urgent business was determined.

**20.8 Risk Register and Assurance Framework
Strategic Risk Register – Summer Term Update**

The College Risk Register has been reviewed for the Summer Term 2019/20 and the Strategic Register update was available to members ahead of the meeting. The full Risk Register is available on the Governors Portal.

Due to the Coronavirus pandemic, lockdown and the resulting changes to policies, processes, working and learning resulting from this situation and the uncertainty we now face has led to significantly more change to both the scoring and the wording than usual. The College has a detailed Covid Return to Work Plan should members require more detail on specific items.

The Audit Committee **MONITORED** the College Risk Register and raised the following questions:

- **Can the ‘Governor Recruitment’ and ‘Clerk Recruitment’ items be removed?** Yes, these will be removed ahead of the next version.
- **Should the Cyber risk be highlighted as a higher risk?** The College has experience in blended learning so are not experiencing the same level of risks that other Colleges in the sector are experiencing. Penetration tests have been completed. Cyber risk has been a highlighted risk for several years.
- **Are there any higher risks for remote working?** No, users are still monitored by the College systems. Safeguarding procedures have been promoted and guidance has been sent to staff.
- **Are financial controls still able to be in place with remote working?** Yes, the finance system is cloud-based, so there are no changes to financial controls. CC added that the Symmetry finance system had recently been upgraded, which was a timely upgrade with the need for remote working.
- **Are the Auditors aware of anything from other Colleges, that we are missing?** All Auditors confirmed that they are not aware of any missing risks and Heart of Worcestershire College is consistent with other Colleges.

20.9 Internal Audit Reports

a. Progress Report

Asam Hussain, Director, RSM Risk Assurance Services LLP, presented the internal audit reports, confirming that the 2019/20 Internal Audit Plan was approved by the Audit Committee in June 2019 and is now complete.

There are 27 actions, 16 are low priority and 11 are medium priority.

The Cyber security risk was highlighted, with the current risk of phishing increasing due to the rise of remote working. Cyber Security is included on the Internal Audit Plan for 20/21.

b. Quality Assurance Systems

18 control areas were identified. Asam Hussain confirmed that the members can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.

Highlighted areas:

Passport System: Testing identified that the Passport system, used to record staff Peer Review training was incomplete in 5/15 cases reviewed and evidence was not provided of training for a further 3/15 cases despite the member of staff having undertaken Peer Reviews.

Peer Review documentation: Review of a sample of Peer Review documentation identified the following issues:

- Intended Focus Forms were not always completed and submitted prior to the Peer Review taking place;
- There was a delay in completing and submitting five Peer Review Notes and six Outcome Forms;
- Outcome Forms do not contain the provision for staff to confirm that the results of the review have been discussed between the reviewer and reviewee.

Evidence of Internal Verification (IV): There is no College-wide Internal Verification (IV) or External Verification (EV) Policy or Procedure, instead curriculum areas use the individual awarding body's guidance. Although awarding bodies have their own handbooks, there is a risk that internal staff may not be aware of their roles and responsibilities in respect of IV and the process to be followed.

Central Action Log: While the actions from Internal and External Verification reports are reported and discussed at the relevant Curriculum Area Standardisation Meeting, there is no central Action Log.

DM explained that the sickness levels and flooding issues over the winter months impacted the submission of forms.

SL added that the strengths of the controls in place have been tested during the recent Covid-19 period, and overall, they have shown to be effective.

c. Key Financial Controls

Members **noted** that reports were compiled before the Covid-19 outbreak.

17 areas were tested, with 4 low priority actions identified.

Summary:

Creditors and Payments: The Purchasing Card Acknowledgement Form that is required to be signed by the card holder states: 'I agree to use this purchasing card in accordance with the internal procedures which I have received, read and understood'. A sample of 15 card holders were selected for review. Testing confirmed the following exceptions:

- In 8/15 cases, the Purchasing Card Acknowledgment Form had been signed but not dated
- In 3/15 cases, the Purchasing Card Acknowledgment Form had been signed but not dated by Finance

Tenders: Testing on a sample of three tenders identified the following exceptions:

- In 3/3 cases, where the lowest priced tender was not accepted, a written record in the notes section of the Record of Tenders document was not available. RSM were informed that this information is instead recorded in the Report for Tender. We confirmed this to be the case for the three in our sample.

Purchase Orders: Testing of a sample of 15 purchase orders identified the following exception:

- In 2/15 cases, the date of the invoice preceded the date the purchase order was raised/approved.

Bank reconciliations: A sample of bank reconciliations were obtained for review. Testing confirmed the following exception:

- In 2/6 cases, bank reconciliations had not been signed and dated as prepared or approved, however, corresponding unreconciled reports to support each bank reconciliation had been signed.

Data Analytics – duplicate payments: Data analysis identified 646 potential duplicate payments. In 494 of these cases, there were two potential duplicate payments relating to the same purchase; and in one case there is potentially nine duplicate payments relating to the same invoice.

Invoices which exceed the value of the purchase order: Data analysis identified:

- 274 invoices that exceeded the purchase order value based on net
- 318 invoices that exceeded the purchase order value based on gross

Invoice payments being made to different suppliers but using the same bank account details: Data analysis identified 54 occurrences.

Asam Hussain confirmed that he hadn't had the opportunity to investigate the above findings.

Action

CC confirmed that there is a 20% tolerance on invoices. All invoices had been checked and there were no concerns.

Members would like an update to be provided by CC on each item on the Key Financial Controls report.

CC

CC explained that the Tender process had been updated following regulation changes.

d. Student Support Arrangements – Employability & Careers Strategy

A Careers Strategy 2018-2020 is in place that outlines the College's commitment to ensuring that learners acquire the skills, knowledge and attitudes to manage their learning and career progression. The Careers Strategy 2018-2020 outlines how the College will help its learners gain experience and knowledge which will boost their employability. Due to this commitment, the College has been accredited to the Matrix Quality Standard.

The Gatsby Benchmarks are used as a guide for how the College provides career guidance and advice to learners.

Two 'low' priority management actions have been agreed, concerning work experience of learners:

- One learner had no evidence that demonstrated that they had completed work experience or were planned to undertake work experience relevant to their studies; and four learners had no evidence that they had taken part in meaningful encounters with employers.
- Work Experience Feedback forms do not have the provision to record where the learner could improve their skills, or which skills the learner should work on. If these are not identified, there is a risk that the learner may miss valuable constructive feedback from employers that they could use to further develop their employability skills.

SL explained that the success of partnership working, locally, nationally and regionally, reflects in the report.

18:10 Lucy Hodgson joined the meeting

e. Learner Number Systems

In completing the agreed programme of work on the College's ILR return dated 29 January 2020, RSM have identified a small number of exceptions where the College has not complied with the ESFA AEB funding and performance management rules ('the Funding Rules'). The exceptions identified have not resulted in any significant errors in the funding being claimed.

Highlighted actions of findings:

Waivers: The 2020/21 Enrolment Form will be amended to clearly document whether a learner is full or co-funded. Where a waiver is identified the Enrolment Form will clearly record what evidence has

been seen and that it has been validated by staff, and the date on which this has taken place.

Transfers: Where multiple levels are taught in the same class, the last date of attendance on the former aim and the first date of attendance on the new aim will be clearly documented on an amendment form to provide an audit trail.

Receipt of additional support: For the sample of 20 learners tested, only one learner was in receipt of additional support funding, and this was recorded in the ILR. Additional support will only be claimed for those months in which support is provided and can be evidenced.

Two medium priority management actions have been agreed:

1. Where work experience is part of the study programme, sufficient evidence will be held to demonstrate that the activities are planned, organised and supervised by the College and taking place during the College's normal hours.
2. Evidence of support provided to High Needs learners will be maintained within ProMonitor under the Additional Support Comments section on ProMonitor. Comments will be regularly input and will demonstrate how the learners Support Plan is being delivered. All comments will be clearly recorded as Additional Learning Support for transparency and ease of collating.

A member **asked** if members could be assured that the Corporation is not under-claiming. LT confirmed that this is monitored, and all possible claims are being made.

f. Follow-up

Asam Hussain confirmed on behalf of RSM that, in their opinion, Heart of Worcestershire College has demonstrated reasonable progress in implementing agreed management actions.

From the 13 actions, 6 have been closed, 7 do not have sufficient evidence to close.

The College was in the process of upgrading the JANE Systems software to be able to record and report on performance management and appraisal completion.

Two actions were highlighted concerning Higher Education:

1. Training will be provided to ensure staff understand the importance of accurate and timely withdrawal and transfer data, in respect of the ILR and Portal.
2. The College will ensure that they provide staff with guidance on the necessary local procedures to successfully withdraw or transfer students to a different course.

One action was identified for follow-up:

1. The staff utilisation report will be formally monitored by the Senior Leadership Team (as part of the KPI suite). A suitable KPI measure will also be reported to the Corporation on a regular basis.

Members raised the following questions:

- **Will there be a follow-up report on the open items?** A HR Audit is planned for 20/21, where the open items will be reviewed.
- **Are the items planned for July/August achievable?** NW stated that the delays associated with the JANE system upgrade were out of the Colleges control. The working group is meeting next Thursday, and NW is confident that the requirements will be in place ahead of the next Audit committee meeting in the Autumn term.
- **Does the new system incorporate Payroll?** Payroll, Training and HR are now all on one system.

20.10 Internal Audit Strategy 2020-23 & Internal Audit Plan 20/21

The Internal Audit Plan for 2020/21 was presented for consideration.

Areas to be audited:

- IT – Cyber Security Controls
- Framework for Compliance with Legal and Regulatory Requirements: Health and Safety
- Governance and Risk Management Arrangements
- Human Resources: High Level Advisory Review
- Learner number systems and curriculum planning framework: T Level Preparations
- Follow up

Members raised the following questions:

- **Will blended learning be assessed?** LT confirmed that the College will need to comply with funding requirements.
- **Can we have assurance that blended learning will be successful from September onwards?** SL confirmed that we look for evidence of informative assessment: Have the students engaged; Have they understood? Blended learning is flexible and students may not access the material 'live'. Lecturers and personal tutors are liaising frequently with students. DM added that it can be challenging for SEN learners, but various initiatives have been put in place, including:
 - Online support
 - Individual sessions
 - Areas adapted

Parental training is planned for next year to assist students at home and various projects are planned to support Mental Health.

- **How is practical work taking place?** Students have been on site over the last few weeks, with social distancing in place, to complete practical work. The College is fortunate to have many buildings that can be utilised under the current COVID-19 circumstances. Interactive material has also been provided. DM added that behaviour is good, and staff and students are very respectful of the social distancing requirements.

Members **resolve** to **recommend** the Internal Audit Plan to the Corporation for approval.

20.11 Audit Tenders

The audit firms were appointed for a three-year term.

The Financial Statements audit for 2019/20 will be conducted in the Autumn of 2020 by KPMG for the third year. The internal audit service will continue in 2020/21 for a third year.

Auditors will be appointed in April 2021.

CC explained that the College regularly use Crescent Purchasing Consortium (CPC) Framework agreements. The framework ceases in December 2020 but would be replaced by a new framework, however there may be some change in suppliers.

Members **questioned** if the existing appointment could be extended. CC confirmed that a '3yr plus' option was available, but it was not chosen by the College. CC will discuss with the Auditors, the possibility of extension.

CC

20.12 Financial Regulations

A copy of the updated Financial Regulations was provided ahead of the meeting, with changes highlighted.

CC confirmed that there were no significant changes.

Members **resolved** to *recommend* the Financial Regulations to the Corporation for approval.

20.13 Audit Plan 2019/20

4 significant risks have been highlighted:

- Valuation of net pension liability
- Fraud risk from revenue recognition
- Management override of controls
- Going concern

The report details how the Auditors will approach each of the above.

Other areas of focus highlighted:

- Office for Students (OfS) registered providers were required to prepare an access and participation plan as part of their registration conditions with the OfS.
- Access and participation expenditure is required to be analysed in four categories: access investment; financial support provided to students; support for disabled students; and research and evaluation.

A timetable for the audit was provided. TF confirmed that KPMG are planning for the eventuality that a significant proportion of their work may need to be undertaken remotely, particularly for their interim audit. An increasing amount of their audit procedures can be performed remotely and therefore they do not anticipate that remote working will prevent them from being able to complete the audit. For areas of the audit which require access to audit information that may be held in hard copy, KPMG will work with management to identify this proactively and plan for how it can be provided.

A Member **challenged** the £3,500 fee. It was confirmed that it is a requirement of the Office for Students for audit of 'access and participation expenditure' to be included within the opinion on the accounts. TK added that it may be less than £3,500 but would unlikely be higher.

Action

A Member **questioned** if the 'Going Concern' revision was applicable, as the College accounts began prior to 15 December 2019. TK confirmed that this will be looked at next year. CC added that it can be reviewed in October.

20.14 College accounts direction 2019 to 2020 – financial reporting requirements for sixth-form and further education colleges

Members **received** the college accounts direction 2019 to 2020, as 'governors as charity trustees'.

Members asked the following questions:

- **Is the finance record no longer required?** It has been replaced by the Integrated Financial Model for Colleges.
- **What are the changes from the March 2018 FRS 102 to the May 2019 FRS 102?** TF confirmed that there are no significant changes, and there will be little impact on the College.
- **How easy will it be for the College to report on energy and carbon?** NW confirmed that she will need to investigate the requirement to report on energy & carbon and provide an update at the next meeting.

NW

20.15 FE Commissioner Investigation Report

KK explained that the report was subjective and required updating. KK to update the FE Commissioner Investigation Report and present at the next Audit Committee in December 2020.

KK

20.16 Post-16 Audit Code of Practice 2019-20

Members were advised that the Post-16 Audit Code of Practice 2019-20 had yet to be published. KK to present the Post-16 Audit Code of Practice 2019-20 at the next Audit Committee in December 2020.

KK

20.17 Confidential Items

The auditors left the meeting at this point.

20.21 Any Other Urgent Business

There was no other urgent business.

20.22 Date and Time of Next Meeting

The date of the next meeting was confirmed as 1 December 2020 at 17:30, via Microsoft Teams.

The meeting closed at 19:15

Signed:

Date:

Matters arising:

Action	Agenda item	Details	Due Date	Owner
1	20.6	Subsidiary Company Accounts The companies were retained for potential future use and for VAT reasons for NEWCEL. A brief explanation for this would be provided with the next year's accounts.	Dec 2020	CC

2	20.6	Department for Education (DfE) Governance Guide - Follow Up UK Corporate Governance Code 21. Assessing Chair Performance. Members would be asked to assess the Chair's performance in 2019/20 and triennially and this would complement the current two way one to one dialogue sessions and Corporation self-assessment.	Dec 2020	KK
3	20.9c	CC to provide an update on each item on the Key Financial Controls report.	Dec 2020	CC
4	20.11	CC to discuss with the Auditors, the possibility of extension.	Dec 2020	CC
5	20.14	NW to investigate the requirement in the College accounts direction 2019-20 to report on energy & carbon.	Dec 2020	NW
6	20.15	KK to update the FE Commissioner Investigation Report	Dec 2020	KK
7	20.16	KK to present the Post-16 Audit Code of Practice 2019-20 when it becomes available.	Dec 2020	KK