CORPORATION BOARD
AUDIT COMMITTEE

Minutes of a meeting held on Tuesday 11 June 2019 at Abingdon Campus at 6pm

Present	**In attendance**
Mark Johnstone	Mark Lay, Finance Director
Ali Kennedy	Darren Bailey, Head of Finance
Adam Mumford	Rakesh Shaunak, MHA MacIntyre Hudson (from item 4)
Darren O'Connor	Nick MacBeath, TIAA (by phone, items 6-12)
	Ruth Reavley, Clerk

Governor questions are represented with bullet points, and management responses are italicized.

1. Election of a Committee Chair
The Committee accepted the case for appointing a short-term Chair, and elected Darren O'Connor to Chair the meeting and to serve as Chair of Audit until his successor is appointed, with Adam Mumford to speak for the Committee at the forthcoming Board meeting.

2. Opening comments, apologies for absence and new declarations of interest
Stephen Vickers's apology owing to car breakdown was received after the meeting had convened. There were no new declarations of interest.

3. Business Support Presentation: IT
Lee Reszeter, Head of IT, gave a presentation.

- What was the College experience on phishing? *A recent attack had been responded to by around 2% of staff, and less than 1% of students.*
  Governors commented that this was a good result. Were there any lessons learned? *It appeared that mobile devices were typical for those who clicked through, and Hourly Paid Lecturers were disproportionately represented. This information would inform future training activity.*
  The attack took place on a Sunday over a Bank Holiday weekend, and the IT team put a College-wide response into place within hours on that day.
  There is a cost vs. risk analysis undertaken on network monitoring. The College gains protection from the JANET provision (JANET is a high-speed network for the UK research and education community).
- Was there a risk in relation to external contracts? *No, a separate mini data centre is provided.*
- In the sector, have Colleges typically moved to data centres? *No, this is usually a cost-related decision.*
  What about cloud storage? *Again a cost-related issue, plus the response times and requirement for bigger "pipes". In the existing system, the Head of IT and his team know where the data is and can recover it readily if necessary.*
- Given recent publicity of a data centre compromised at a larger and well-known employer because of a radiator leak in the room above which was undetected over a weekend, what protection is in place at the College? *There are water/heat monitors in the data centre, linked to the Estates team emergency line for out of hours service. The Estates plan designs route water away from the data centres.*

Governors thanked Lee Reszeter for an informative presentation.

4. Minutes of the meeting held on 26 February 2019
The minutes were approved and signed.

5. Matters arising from the Minutes not covered elsewhere on the agenda
The Action points from the February meeting were noted. There were no additional matters arising not covered on the agenda.

6. Financial Statements Audit Strategy and Timetable, year ended 31 July 2019
Rakesh Shaunak presented the plan. There were no new risks identified for the 2018/19 report.

- Is impairment of carrying value of land and buildings raised as a matter of course with many Colleges with which you work? *Yes*
  Do you see depreciated repair costs as a risk? *Yes*
- What is a typical sample size in testing components of the audit? *Typically 30-40 items. The number may be lower if internal audit or analytical review also contributes to the opinion.*
- How would you communicate areas of concern? *Factual queries are raised with the Director of Finance or Principal, and other causes of concern would be directed to the Chair of Audit or the Board Chair, as appropriate.*
- Noting the position with respect to the 2019 SORP (not to adopt for 2018-19), are there any other SORP or Funding Body changes affecting the Audit process expected? *None are expected.*
- How is the level of materiality set out? *An average is taken, using income as a KPI*
- How is the valuation of the Local Government Pension Scheme established? *These are produced by Actuaries. MacIntyre Hudson benchmarks across the sector. Actuarial valuation takes place every third year. The last was undertaken in March 2017, effective until April 2020. There is an annual valuation.*
  Attention is given to the impact, rather than to the rates per se.

Governors recommended the Strategy is approved by the Board.

Action	By Whom	Deadline
Add to Board agenda	Clerk	For July meeting

7. Internal Audit – progress of actions on previous Internal Audit recommendations
Nick MacBeath apologised for his inability to attend the meeting in person, owing to an unfortunate double-booking in his diary. Staff annual leave had prevented him from sending a colleague. He presented two Internal Audit reports, on an ICT review of GDPR, and on Human Resources, both of which gave "Reasonable Assurance".

Commenting on the GDPR report, he noted that TIAA had issued no "urgent" recommendations, which was untypical of the work undertaken with other FE Colleges; this was considered a positive outcome. He praised the College Action Plans which were already in place to address the concerns TIAA had identified. The College Data Protection Policy had been updated, and TIAA found a lot of good practice in place.

- Has the College received a GDPR request? *Not yet.*
  It was not until a request had been received that the challenge to respond can be fully understood.

- Does the College engage with external experts in developing its expertise and approach? *The Data Protection Officer was trained externally, and is a member of the sector DPO network.*

Commenting on the HR report, he noted that TIAA had issued no "urgent" recommendations. Much good practice had been found. HR already had action plans in place for the areas of concern identified by TIAA.

- A change to the induction checklist procedure had been proposed. What was in place currently? *Induction is mandatory, and sessions are scheduled regularly. Managers are asked to release staff for induction, and probation is conditional on induction. However, with some Hourly Paid Lecturers on small numbers of hours, and specialised work, securing attendance can be tricky.*

  The software provider of i-Trent had recently given a presentation to the HR team and the Business Improvement Team (BIT) on i-Trent functionality. There was potential to automate some data chasing. Other BIT activity in early 2019/20 was planned.

Governors noted that Sub-Contract Internal Audit would begin the next day, with a Certificate required by 31 July 2019. The cyber Security field work had been completed, and Follow-up Audit fieldwork planned for the following week. Once that is complete, the plan for 2018-19 would be complete.

Governors discussed the Learner Numbers Compliance Review. The College did not accept the TIAA findings that there were no issues. The College believed that TIAA had not completed triangulation testing adequately, and that some issues, albeit not significant ones, had been missed. TIAA agreed with this observation; the scope for the work was clear, and triangulation had been required. Governors noted that the Auditor concerned was now on long-term sick leave. TIAA offered to re-perform the test with a new member of staff. This was not acceptable to the College, as the team concerned were entering their busiest time, with student recruitment of critical importance.

- Is there a deadline for the work to be completed? *No, but the College would like assurance on this big and complex area which is of fundamental importance to the confidence which can be placed on finances. Both the External Auditors and the Funding Agency could reasonably expect to see that such assurance had been given.*
  Internally, in preparation for the Audit, lessons had been learned, and Action Plans are in place to address the shortcomings identified.
- Was the TIAA report issued? *Yes*
  And the College was concerned? *Yes, we could not accept it. Three years ago Mazars, the then IA service providers had judged the area "red", and though improvements had been made, the College did not think the activity was as robust as TIAA indicated.*
  The Chair thanked the College for its transparency.
  When is capacity available for a re-performance of the fieldwork? *Learners must be fully entered into the College system by Day 42 of the Academic Year. So, there would be capacity after mid-October, not in time for the Financial Statements Year End timetable.*
- Would the External Auditors be prepared to rely on the report? *Rakesh Shaunak responded that a report with no findings was not acceptable. MHA MacIntyre Hudson would have to undertake an additional high-level review.*

- Was there any capacity at all in the data Team? *The forthcoming months were the busiest time of the year. There was capacity in March/April.*
- Would an Interim Report suffice? *We have heard that it would not satisfy the External Auditors.*
- Is it the Finance Director's view that what the College has identified is not material? *Yes*
- But the External Auditors would be concerned? *The College findings did not reach the ESFA threshold for materiality.*
- Rakesh Shaunak asked what the sample size had been; Nick MacBeath did not have the information available, but would report back.
  Rakesh Shaunak explained that the MHA MacIntyre Hudson fallback is reconciliation to ESFA records. He suggested that, from the Board's point of view, Learner Numbers Compliance should be tested annually. The finance Director responded that it is in the Internal Audit Plan every year.
- The Chair asked Nick MacBeath whether the report had gone through the normal TIAA internal review process. Nick MacBeath confirmed that it had done, and that the fieldwork Auditor had dropped out at no notice.
  The Chair observed that there appear to be some issues with the review process at TIAA. Nick MacBeath agreed that was the case.

Governors approved the GDPR and HR reports, and noted progress on the Annual Sub-Contracting, Cybersecurity and Follow-up Audit work. They noted that the College and TIAA are progressing the Learner Numbers Compliance Review. They supported the College in expressing dissatisfaction with a report without recommendations.

8.   Internal Audit – Progress of actions on previous internal audit recommendations
Governors approved the report, noting that a follow-up Audit by TIAA was scheduled for the following week.

9.   Internal Audit 3-year strategy – 2019/20 programme
Nick MacBeath presented the proposals. The 2018/19 risk appraisal remained appropriate. One change had been made form the previous plan, to swap the cyber security and risk management reports, in response to College activity on re-working the Risk Register.

- Have all the timings and scopes been discussed with the College? *Yes, they have been negotiated and agreed with the Finance Director.*

Governors recommended the Strategy and Timeline to the Board.

Action	By Whom	Deadline
Add to Board agenda	Clerk	For July meeting

10. Financial Benchmarking
The Finance Director introduced the report, which is a response to an outstanding Audit action. The report will also be submitted to the Finance & General Purposes Committee for content. He had found it useful to analyse where the College was positioned against similar FE institutions. Key findings ere highlighted. The Finance Director would be meetings with his counterpart at the Buckinghamshire College Group for a line-by-line analysis, with particular attention to be given to pay and non-pay cost differences.

- What accounted for the difference in average Full Time Equivalent teaching staff costs between AW and the sample average? *There is no definition of what roles are included in the classification "teaching"; each College will classify differently. The College has a high number of SEND students, so a larger number of SEN support*

staff than in typical; catering is provided by an in-house team; staff responsible for quality are included in the teaching numbers.
Is there value in this paper then? *Yes, other measures are informative, and there is value in further detailed analysis*
Rakesh Shaunak recommended such analysis is undertaken over a sequence of years, in order that trends can be identified.

11. Value for Money Action Plan
Governors acknowledged that staff are continually encouraged to obtain value for money and to drive down costs.

- Were efforts to obtain economy, efficiency and effectiveness achieving the desired results? Was it the case that better results were being obtained from the same resource? *Yes, that was broadly true. Workload monitoring could be added to the analysis.*

Governors were satisfied that the report met their needs.

12. Risk Management
Following a Board paper in March (and at Audit in February), the Finance Director had consulted widely with Faculties and Business areas. The paper reflected this work. The High Level Register had changed very little. Work within the Senior Management Team to define the Whole College register was ongoing.

- It is now clearer what the risks are, what the controls are (which stop the risk being triggered) and what the mitigations are (things done if the risk is triggered). Could the Report be presented in a structure that shows firstly the risks which are satisfactorily being controlled, and then risks being mitigated? *The way the Risk Management Policy is written, only if a risk is still scored as red with the controls in place, would mitigating actions be required.*
  For some risks, it is reasonable to say that there are no controls available. *For instance, there are no controls for a reduction in Government funding, but mitigations involve diversification.*
- Rakesh Shaunak asked whether the Board had a Board Assurance Framework. Is the Board clear that the controls work? *The Board receives Management Accounts, Key Performance Indicators and a Balanced Score Card, and termly Reports from the Principal, for example.*
  The Crisis Management Policy is tested with scenarios. *As Risk Champion, the Finance Director tests 6 controls each term, requiring evidence to be submitted.*
- The High Level Report starts with Strategic Aims, then "Business risks". What characterises a "business risk"? *They are the risks which arise whatever the kind of business, for instance infrastructure. They also map to ownership by College leaders.*

The paper was recommended to the Board subject to the revision discussed.

Nick MacBeath (TIAA) left the meeting.

7. Further debate – Learner Numbers Compliance Audit
Governors returned to the Learn Number Compliance Audit. They supported the Finance Director's view that TIAA's auditor had not been appropriately skilled. The insight offered in former years by a very experienced Mazars Auditor had provided the College with good value for money on Learner Numbers Compliance work. The Report had been a piece of additional commissioned work. The College would not commission such work from TIAA in

future. Any charges for the commissioned work form TIAA would be resisted. The Finance Director would consult Rakesh Shaunak and members of the Senior Management Team, before commissioning this work in 2019/20.

13. Annual Reports
1. Gifts and Hospitality Register
The report was noted. The Clerk was asked to check whether one governor declaration fell within the scope of the Conflicts of Interest Policy. Such declarations should be proportionate to the risk to the College.
2. Public Interest Disclosure (Whistleblowing)
The report was noted.

14. Policies
Governors recommended two revised Policies to the Board: Conflict of Interest & Loyalty (with the associated governor register of interest and eligibility forms), and Risk Management.
Governors recommended the recommendation to roll over the Public Interest Disclosure/ Whistleblowing Policy for a further year to the Board.

Action	By Whom	Deadline
Add revised policies to Board agenda	Clerk	2 July Board

15. Committee Terms of Reference
Governors recommended the proposed changes to the Committee Terms of Reference to the Board.

Action	By Whom	Deadline
Add revised Committee Terms of Reference to Board agenda	Clerk	2 July Board

16. Committee Business Plan 2019-20
The Plan was approved, subject to one change, to move the Annual Value for Money report to March.

The meeting closed at 7.40pm.

Signature …………………………………………………

Date …………………………………..