**CORPORATION BOARD**
**AUDIT COMMITTEE**

Minutes of a meeting held on Tuesday 26 February 2019 at Abingdon Campus at 6pm

| **Present** | **In attendance** |
|---|---|
| Mark Johnstone | Nick MacBeath, TIAA |
| Ali Kennedy | Lynn Turner, Head of the College Information Team (item 3) |
| Adam Mumford | Mark Lay, Director of Finance |
| Darren O'Connor, Co-opted | Maureen Boyle, Vice Principal, Student Engagement |
| | Darren Bailey, Head of Finance |
| | Ruth Reavley, Clerk |

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

**1. Election of Committee Chair**
Darren O'Connor was elected Committee Chair. Mark Johnstone was nominated to respond to Audit-related matters at the March 2019 Board meeting. The meeting was quorate and fulfilled ESFA Post-16 Audit Code of Practice guidance on membership.

**2. Opening comments, apologies for absence and new declarations of interest**
There were no apologies. Ali Kennedy was welcomed to her first Committee meeting. There were no new declarations of interest.

**3. Business Support Presentation: College Information Team**
Lynn Turner, Head of the College Information Team gave a presentation on the role of the College Information Team in processing learner information for Admissions, Exams, and Data & Funding.

Governors expressed interest in a variety of aspects of the team's work.

- Where is the team based? *Mostly Abingdon, a small team in Witney, providing a service throughout the College.*
- An incredibly informative presentation. What would your stakeholders say of CIT? *People always want more from us.*
  *Curriculum staff are here to teach, not to fill in forms. Administration for compliance is a burden which is not necessarily as vital. The Head of CIT has improved the College-wide understanding of the role, and supported the building of relationships internally.*
  *Accuracy is key. Triangulation of data is key. The Funding Agencies can require a clawback if data more than 10% of data is found to be erroneous.*
- Does the team have sufficient capacity – you mentioned a sickness bug which has disrupted the team's work. *This period in the year, the team is fine. At busier times (e.g. enrolment) mundane tasks which are unrelated to funding are dropped. Team members are trained to fulfil a number of specialist tasks which underpins flexibility.* Given the scale of risk to the College were data for funding to be wrong, is the team robust? *If we thought the risk was of concern, we would say. At very busy operational times (e.g. enrolment) we can bring in consultants.*
- Is the team stable? Or growing? *Following a structural re-organisation, the headcount is slightly smaller, and the budget is being used differently. A Data Analyst has joined the team, funded through restructuring in 2017/18, enhancing the team's capacity to contextualise data.*

- To what extent can the work be automated/digitised? *The matter is limited by Funding Rules. Going paperless would need significant investment. Student signatures are key. Funding Agencies require a wet signature, with signed parental consent where students are under 18 years old. The Government is supporting the digital agenda. Document management is digital. Adult part-time enrolment is online or by phone. For some students on 16-18 Study Programmes, going to an entirely paperless system would be a very big challenge, and one for which they would require varying degrees of support. Subcontractors also are paper-based at present.*

The Head of CIT was thanked for a stimulating presentation.

**4. Minutes of the meeting held on 26 November 2018**
The minutes were approved and signed.

**5. Matters arising from the Minutes not covered elsewhere on the agenda**
The paper was noted.

**6. External Auditors**
Performance Review 2017/18
The report was discussed. Governors were satisfied with the performance of the External Auditors, and noted the benefits gained from a change of Audit Lead. The College Accounts are signed off by a MacIntyre Hudson Managing Partner.

- How many days were spent on site by MHA MacIntyre Hudson for the last set of Accounts? *4.5 days, which in part was a reflection of the high quality of preparedness and responsiveness from the in-house team.*

The proposed KPIs for 2018/19 were approved.

**7. Internal Audit Reports and Update**
Nick MacBeath, TIAA Audit & Investigations Manager, updated members on progress on the Annual Plan. Data Protection and HR processes fieldwork had been completed recently. Management Reports were in draft. In both cases, reasonable assurance was the draft outcome. Some HR control recommendations were in draft.

- Had the HR findings been expected? *The Finance Director, who had not been present at the de-brief meeting, reported that the findings were helpful, in, for instance, testing whether documentation processes recorded the right things. For instance, the Return to Work Policy measures return to work interview documentation, yet Bradford Factor Monitoring has greater management use in measuring the disruption of absence patterns. The potential to more fully exploit the functionality of the in-house HR software, i-Trent, had also been noted. The HR team anticipated that the IA Report would help the College to improve and sharpen the focus of processes.*
  The Audit and Investigations Manager noted that some findings had been exactly as the Head of HR had anticipated.
- Is this the first time that an Audit committee meeting had taken place without any IA reports to consider? *It was a rare occurrence, but not the first time.*

Members discussed the remaining elements of this year's Audit Plan. They agreed that Internal Audit of current Risk Management processes and controls was inappropriate given the Board's desire to review the approach, and that work to do so had been delayed owing

to pressures related to the aborted merger. They noted a Working Group on Risk Management and KPIs had been convened for 11 March.

The Finance Director would review plans for 2019/20, and seek Audit committee member support for a change to the Audit Plan, which would be taken to the Board in March for approval.

| Action | By Whom | Deadline |
|---|---|---|
| Circulate proposal to substitute one area of IA planned for 2019/20 into the 2018/19 plan, in exchange for Risk Management, to be included in the 2019/20 Plan | Finance Director | As soon as possible |
| Add Revised IA Plan 208/19 to Board Agenda | Clerk | March 2019 |

8. **Internal Audit – Progress on actions on previous Internal Audit Recommendations**

- Given a governor's recent business experience of financial fraud, did the College have insurance to cover third-party fraud? *No insurance was currently in place. The Barclays Client Relationships Manager had recently approved the College change of payment process and payment controls. Internal controls on purchase orders and invoice approval were clear, and systems adhered to. The Senior Management Team levels of authorisation for payments in excess of £1,000 were clearly set out. Following batched data loading by the finance team, the Finance Director oversaw the payroll process, where the risk to bank sort code and account details was highest, undertaking a check for duplications as part of the sign-off.*
Do you have control key codes? *Yes, they are locked.*
Highly sophisticated scams have been identified by all the main High Street Banks. *The Head of Finance reviews before the Senior Management Team sign off on high value transactions. For payments in excess of £5,000, two members of Senior Management Team must sign.*
*The College was not a large trading organisation; transactions were generally less complex, though multi-contractor Capital Projects could be complex.*

Governors recognised that the College processes were robust.

- Were plans in place to develop a Value for Money Action Plan? *The work had been set aside during the merger negotiations. A paper would be brought to the June Audit committee.*

| Action | By Whom | Deadline |
|---|---|---|
| Add Value for Money Action Plan to next Audit Agenda | Clerk | June 2019 |
| Draft VfM Action Plan | Finance Director | May 2019 |
| Consider the case for third party fraud insurance | Finance Director | immediate |

9. **Risk Management**
Committee members noted ongoing Board review work in risk management. The paper presented information related to the old Strategic Plan. The Senior Management Team reviewed risk regularly; governors noted revisions to risk scores related largely cash-related, and government funding related. Governors noted that a new Risk Register was planned for the June Audit Committee meeting.

- Did student safety, risk of terrorism, and risk of cyber attack appear on the full risk register? *They did, but were not considered high risk.*

- Would the new risk register be a fresh start? *There has been Board discussion on whether the correct risks were being measured: risks related to delivering the strategic plan differed from external pressures challenging the business. The new Board Chair was keen to ensure a consensus on identification of the right risks to measure.*
- When would a new Risk Register be available? *A Working Party would meet on 11 March. There may be an indicative "direction of travel" available at the March Board.*
- Audit papers should make clear the narrative around risk – what it means for the college, the risk, cause and result. These were not entirely clear in the paper. Authors needed to take the perspective of someone not in the College every day.

| Action | By Whom | Deadline |
|---|---|---|
| Send the newest Committee member the full Risk Register | Finance Director | immediate |

## 10. Commissioned Consultancy Reports

Governors discussed the options presented.

The Chair proposed that the IA budget should not be used on reports and certifications required by funding agencies. Responding, the Finance Director explained that the inclusion of the subcontracting review was an accident of history. It had been introduced part-way through an academic year, without prior notice, as a requirement, and the Board had agreed to its being completed by the previous Internal Auditors. The Finance Director argued that, as it involved a review of processes and controls on learner numbers, it was a legitimate piece of internal audit work.

Governors agreed that expenditure on development of a new risk management was premature and was to be held back until the Board's Working Party had completed its work.

Governors approved TIAA completing the annual sub contracting assurance certificate, provided it was completed earlier than July (proposed by TIAA). The Audit & Investigations Manager understood some earlier dates were being identified.

Governors approved expenditure on an annual funding audit, but to be completed earlier than July 2019 (proposed by TIAA). They understood negotiations to bring forward the work were ongoing.

| Action | By Whom | Deadline |
|---|---|---|
| Add annual Sub-Contracting Assurance Certificate to next Agenda | Clerk | Summer term 2019 |
| Add annual funding audit to next Agenda | Clerk | Summer Term 2019 |

## 11. Regularity & Propriety Questionnaire

The Head of Finance introduced the paper. In the Audit Findings Report for year ended 31 July 2018, the Audit Lead had recommended completion and approval of the Questionnaire at the start of the academic year, to allow opportunity to rectify deficiencies in a timely manner. Governors noted that in recent years the year-end questionnaire issued by the ESFA has remained largely the same from year to year, but that the final version is not usually issued until Spring annually. Early approval would therefore be on the basis of the previous year's questions. The chart contained partly statements of intent, and partly statements of fact.

- Would any of the statements of intent be difficult to achieve? *The Head of Finance and the Clerk thought not.*

| Action | By Whom | Deadline |
|---|---|---|
| Add draft Regularity and Propriety Questionnaire to Autumn Term agenda in future years | Clerk | Summer term Audit meeting |

## 12.     Future Business

The plan was noted.  The Head of IT would be invited to present at the next meeting.

Governors considered that the papers had been of an appropriate content for their needs.  They were keen to move forward on the Board's oversight of risk.

## 13.      Any Other Business

The inherent insecurity of College credit cards was discussed.  The College had noted a rising trend in attempted fraud.  One governor observed there were no corporate credit cards at all in their company, as they were viewed as being too high risk.  The College had very low limits set.  Pre-loaded cards were advocated.

- How often are bank reconciliations made?  *Statements were downloaded and checked daily.  Reconciliations were run monthly.  Unusual outgoings were routinely challenged by the Senior Management Team.  There is regular Fraud Awareness training.*
- A governor recommended that a dummy phishing scam is run after training sessions, to reinforce the message.


Signature ………………………………………………

Date …………………………………..