



AUDIT COMMITTEE MEETING

Date: Wednesday 14 June 2023

Time: 5.00pm

Venue: Board Room / Video Conference

Present:

Andrew Fawcett (Chair)

Sharon White

Chris Ball

Farhad Ahmed

In Attendance:

Bill Webster (Principal)

Garry Westwater (Executive Director of Finance)

Tim Openshaw (Assistant Vice Chancellor, Planning & Student Experience) (UoB)

Danny Harvey (PwC)

Deborah Bradburn (Clerk)

Jill Hebden (Minute Taker)

1. SECTION A - BUSINESS MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

1.1 Welcome to Members/Officers

The Chair welcomed members to the meeting, which commenced at 5.03pm.

1.2 Apologies for absence

No apologies were received

1.3 Declarations of Interest

The Chair reminded everyone present to declare any interests that they may have on matters to be discussed.

There were no declarations of interest.

1.4 Request for an item to be unstarred

No requests were made.

1.5* Notes of the previous meeting held on 29 March 2023

The notes of the meeting held 29 March 2023 had been previously circulated to Committee Members for consideration.

Agreed: that the notes be received.

1.6 Matters arising from the previous minutes

The Clerk presented the action progress log and noted that all actions from the previous meeting had been completed.

2. SECTION B - COLLEGE MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

2.1 Internal Audit Reports

(i) General Ledger Controls

PwC presented the General Ledger Controls audit report and the following points were brought to the Committee's attention:

- There was an overall 'medium risk' finding with four findings as follows:
 - (i) approval of journal entries – journal entries should be more robust with a review process to be implemented (medium risk).
 - (ii) lack of journal documentation evidence – this was required to support journal entries (medium risk).
 - (iii) control account reconciliation - there was a lack of formal documentation of the reconciliation preparer, reviewer and the dates that the reconciliation had been performed (medium risk).
 - (iv) procedural documents – there was a lack of formal procedural documentation related to general ledger controls (low risk).

Governor Questions:

Which journals do they relate to? What process does the College have in place and is there a recommendation to mitigate the risk?

The audit was primarily focused on manual journals that have a lower level of fraud risk. The recommendation is that there is documentation for declarations and sign offs put in place which should be conducted through sampling on a risk basis approach that considers the frequency and size of journal and whether it is completed out of hours. It is expected that this would be an area that the external auditors look at.

What type of entry is without supporting evidence?

The details are not included in the report and this is relatively common in small and manual entries. These are in the main related to money being allocated to incorrect codes.

Is there anything written down in terms of highlighting what the journal entries are?

No, only the value is recorded and a scrutiny of the account codes used. The current policies and procedures are out of date since migrating to the new purchase order system and will be refreshed. These are on the agenda to complete and will include regular sampling.

(ii) Stakeholder Engagement:

PwC presented the Stakeholder Engagement Audit report and the following points were noted:

- There was an overall 'low risk' finding with two medium risk findings as follows:
 - (i) stakeholder engagement strategy – there lacked clarity on the stakeholder engagement strategy. Consistency in the approach to stakeholder engagement communications was recommended (medium risk).
 - (ii) position statements – there lacked structure to individual local position statements leading to some discrepancies between individual and overall statements (medium risk).

The Principal noted that this was the first year that skills position statements had been created and that consistency would increase with the higher quality position statements to be used as templates. There had been an extensive stakeholder engagement session presented to the Board with a walkthrough of the strategy document that recognised the quality review process.

Discussions were underway at Group level in terms of a stakeholder communications strategy and how as a Group it would present to stakeholders.

Governor Questions:

Is the communications strategy an area that the College is asking PwC to look at?

There is a greater level of focus on communications this year with a lot of outbound and inbound communications; it's recognised that there needs to be consistency across all areas.

RESOLVED:

The Committee noted the internal audit reports.

2.2 Internal Audit Progress Report 2022/23

PwC presented the Internal Audit Progress Report and the following points were highlighted:

Changes to the internal audit plan would include:

- (i) apprenticeship provision review was planned for 2023/24 with the proposal that this be put back.
- (ii) removal of the business continuity review to be replaced with an audit of the Individual Learner Record (ILR) data.

The Principal noted that the ILR data was regularly audited by the ESFA and GMCA and that this review may not be as valuable as other audit reviews.

The Committee were informed that there would be a change in personnel at PwC with a new Head of Internal Audit that worked in education and with education regulators to ensure consistency of internal audit provision.

Governor Questions:

What has the one day against the ILR audit on the progress report been used for?

This was used for a scoping meeting in relation to initial work on the business continuity review.

RESOLVED:

The Committee noted the 2022/23 Internal Audit Progress Report.

ACTION:

Review the number of audits undertaken on ILR data over the last five years and report back to the Chair and PwC.

(Change in the Order of the Agenda)

2.4 Proposed 2023/24 Internal Audit Plan:

PwC presented the proposed Internal Audit Plan for 2023/24 which set out the overall view for the Group. The following key areas for the College were noted:

- Learner Recruitment
- Estates Maintenance
- HE Learner Experience
- Managing Public Money Guidance – review of financial regulations
- Apprenticeships (Group Review)

It was noted that the Audit Committee dates should state March 2024 and proposed that learner recruitment be an area of review for both the College and University.

Governor Questions:

What is the timeline for the financial regulations review?

It is proposed that this is completed for the March 2024 Audit Committee as the College will need to be compliant from April 2024.

Would the HE learner experience review take as long as ten days as there are only fifty-five HE learners?

This can be reviewed and reduced if needed.

RESOLVED:

The Committee approved the proposed 2023/24 Internal Audit Plan in principle with changes to be made, if required.

(Change in the Order of the Agenda)

2.3 Outstanding Audit Recommendations: Monitoring Schedule

The Executive Director of Finance presented the monitoring schedule, highlighting the following points:

- There were seven 'live' recommendations to be actioned with three 'partially completed' or the risk accepted following the review recommendations.

It was noted that the College subcontracting activity had been previously considered and the arrangements met the stringent requirements prescribed to undertake subcontracting. It had passed the three tests in that comprehensive due diligence had been undertaken, it was financially robust and provided strategic value to the Group as well as providing quality provision.

RESOLVED:

The Committee reviewed and noted the outstanding audit recommendations report.

2.5 ESFA Audit Code of Practice 2022/23

The Clerk provided an update and overview of the changes made to the annual update of the ESFA Code of Practice, as revised in April 2023. The College's assessment of compliance against the Code had been reviewed and any areas for amendment had been identified.

The changes in the main were with reference to the ONS reclassification and how colleges must meet the requirements of the HM Treasury document 'Managing Public Money' ('MPM') including the ESFA bite size guides to assist colleges in the transition to meet the MPM requirements.

RESOLVED:

The Committee noted the ESFA Code of Practice report.

2.6 Counter Fraud Strategy

The Executive Director of Finance presented the Counter Fraud Strategy, noting that minimal amendment had been made due to the holding position whilst the financial handbook was awaited. The Counter Fraud Strategy would be brought back to the Committee following a full review in the Summer.

RESOLVED:

The Committee recommended the Counter Fraud Strategy to the Board for approval.

ACTION:

Clerk / Board Agenda

2.7 Risk Management / Risk Register

Tim Openshaw presented the report, and the following points were highlighted:

- The risk management annual report summarised the College's approach to risk with a number of updates made to keep the risk register topical.
- The substantial changes were the removal of the risk surrounding study programmes and a new risk added around emerging developments in artificial intelligence.
- The summary matrix of key risk (S5 – recruit and retain staff) reflected discussions with the senior management team, especially in relation to the construction department.
- Class based provision within construction could be supported by artificial intelligence but sustaining learner motivation would be a challenge.

Governor Questions:

What are the main key risks in relation to artificial intelligence?

The immediate risk was around assessments that were uncontrolled such as coursework. It is increasingly difficult to identify what is and isn't generated by an individual with wider cyber security systems and tools emerging that can help as well as awareness raising. The College is taking a balanced approach to AI, there are both positive and negative impacts. Learners are being prepared for employment and AI will be more prevalent in that environment.

RESOLVED:

The Committee noted the update to the Risk Management / Risk Register and that it was an accurate reflection of the risks and how those risks were being addressed.

2.8 Starred Items

(i) *Audit Committee Terms of Reference

The Clerk presented the Audit Committee terms of reference noting the minor amendment in recognition of the ONS reclassification.

RESOLVED:

The Committee recommended the Audit Committee Terms of Reference for approval at Board.

ACTION:

Clerk / Board Agenda

3. SECTION C - UNIVERSITY GROUP MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

None.

4. SECTION D - ANY OTHER BUSINESS

The Principal provided an update on Alliance Learning following the recent 'inadequate' rating from Ofsted. An 'inadequate' rating would normally result in the ESFA serving the provider with a notice of contract termination. Due to the mountainous effort made by Alliance Learning following the rating, ESFA had deferred this decision and the removal of Alliance Learning from the Register of Apprenticeship Training Providers ('ROATP').

4.1 ESFA Policy / Funding Rules / Conditions of Grant Changes

This was a standing item on the agenda to discuss noteworthy matters. There were no notable changes from the previous Committee meeting.

The Executive Director of Finance noted that the GMCA had increased the funding rate for 2023/24 to 6.5% for mainstream adult provision.

RESOLVED:

The Committee noted the update provided.

ACTION:

Standing item to be amended to remove 'ESFA' to encompass all funding streams.

5. SECTION E - FUTURE MEETINGS

Thursday 30 November 2023 at 5.00pm

There being no further business to discuss, the meeting closed at 6.20pm

Chair's Signature:

Date: 30 November 2023