

**AUDIT COMMITTEE MEETING
MINUTES**

Date: Tuesday 16 June 2020

Venue: Online

Time: 5.30pm

Chair	Neil Yeomans
Corporation Members	Gareth Wall, Cynthia Griffin
Co-opted Member	Thana Nathan
Auditors	Paul Goddard and Leisyaen Keane - Internal Auditors (Scrutton Bland) Stephen Lucas and Joanne Lees (KPMG)
Officers	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO
Minutes	Elsa Wright – Director of Governance

Item No	Item of business
1.	Welcome and introductions The Chair welcomed everyone to the meeting. The Deputy CEO introduced Joanne Lees from KPMG who would lead on the audit in the autumn. Joanne specialised in public sector audits in education and social housing.
2.	Apologies for Absence All members were present.
3.	Declaration of Interests None received.
4.	Minutes of the Last Meeting Held on 5 March 2020 The minutes were agreed as drafted.
5.	Matters Arising and Action Points from the Meeting All items had been completed or were covered on the agenda. It had been agreed that the revised risk register would come to the meeting in September. Action – Director of Governance to note for agenda

ITEMS FOR DISCUSSION, DECISION OR ACTION

6.	<p>In Year Monitoring and Performance 19-20</p> <p>6.1 Internal Audit reports 19/20</p> <p>The reports for the Risk and Governance audit and the Funding Assurance audit were in the pack. Two further audits were in progress and would be completed by July. The Curriculum audit and High Needs audit had been moved to 20/21. There was a discussion about the number of days against the plan of 105 days, which included 10 contingency days. 55.9 days had been used with a further 32 planned and 7.1 cancelled. This was a decrease of 13.2 days. The audits that had been planned had been delayed due to Covid 19. The Chair asked about the reduction in the number of days against last year's total of 100 days in a smaller organisation. Process improvement would allow for some decrease but it was important to ensure that this was reviewed.</p> <p>The Deputy CEO explained that the High Needs funding would be covered by the external audit and that the verification of processes and value added could be done in other ways, not just by internal audit. There was a discussion about the value of an audit of curriculum planning. The Chair was keen to ensure that the audits were of value and gave assurance. The organisation had grown in size and 70 days seemed a little low. The Deputy CEO explained that the college would move onto one financial system from 1 July and that as much of the internal audit time was spent looking at processes and volumes of transactions, it should be possible to reduce the number of hours spent. The IT systems across the campuses were now aligned. Governors discussed how they could assess the effectiveness of organisational change and whether the changes were embedded. It was important to ensure that all mandatory checks were in place and then for additional days to be used to assess the impact and effectiveness of the new systems.</p>
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	<p>Governors asked whether there were benchmarks in the sector for the number of days and scope of internal audit. Other large colleges did have around 100 days but the number should be based on the risk assessment. The CEO explained that the reports were giving governors significant assurance which confirmed that the Senior management team were running the organisation effectively. It was incredibly important to ensure that the large funding streams for 16-18, AEB and subcontracting were audited. The IA explained that many clients would decrease the number of days this year due to the pandemic and he was comfortable with the coverage. The cycle of audit would continue next year and there were some areas that required a second visit. Assurance could be given in other ways and this needed to be fed into the risk framework and reviewed by the committee. The committee agreed the plan for 19/20 as presented. There was a high level of funding assurance and there were two recommendations that were being followed up on the ILR and eligibility. The plan would be completed by August for the new enrolment cycle. The auditors had followed up on the recommendation on Learning Agreement signatures for apprenticeships and the associated funding risk. Further evidence had been seen which gave them the required level of assurance.</p> <p>There were two reports for review. The recommendations on governance had been followed up and would be implemented by the due date. The recommendations on funding assurance had been superseded by the implementation of the new finance systems.</p> <p>6.2 Audit recommendations</p> <p>There had been a slight delay due to Covid 19 but the follow up work would be complete by the September meeting. The aim was to manage the list down to around 10 recommendations which would need follow up over time. 62 had be completed and evidence supplied to the auditors.</p> <p>ACTION – Audit recommendations to be reviewed at the September meeting</p> <p>6.3 Internal Audit Plan 2020-21</p> <p>The plan had been mapped against the risk register and had been developed in light of previous audits and the professional view of the auditors. It had taken on board comments from the previous meeting and considered areas of high risk. There were a number of cyclical audits set out on p36 of the pack. Where audits had been moved this was shown in the plan set out on pages 37 and 38. Both curriculum planning and high needs were considered to be high risk and the auditors asked whether independent assurance would be given from elsewhere. The 5 year rolling plan at p39 ensured coverage of the key areas. There were a number of items which management had asked to remove for 20-21. There was a discussion about other sources of assurance. The Deputy CEO explained that OFSTED would examine curriculum intent and the effectiveness of planning but the inspection date was unknown. The plans were reviewed against the curriculum and good practice was implemented across the college. The college was keen to understand what value added would be delivered through the audit and what could be tested. The Chair agreed that there could be assurance in other ways but that the committee would need to examine it and take a view. The Deputy CEO agreed that the basis for decision making could be set out for the committee along with the evidence.</p> <p>The CEO asked how assurance could be given on curriculum. He saw the value and the importance of the financial audits and understood why business continuity and systems should be tested. The new systems should allow the numbers of days spent on audits to decrease as there was much less complexity. The senior management team spent 5 days on curriculum planning and review. The CEO could see the value in looking at high needs, however, the managers were relatively new and the audit should be scheduled for the end of the year. The committee had asked for the audit on recruitment and staffing. The CEO explained that the HR Director reported to F&GP using over 20 metrics and that if there was an issue, the college should be aware of it.</p> <p>The Chair suggested that there should be a separate discussion with the management team about the value in some of the audits. It was important for the committee to receive assurance that systems were operating as reported by management. IA reports must be clear about the basis for their decisions and reports should include the sources of data and information that had been used to make the recommendations on assurance. There was a discussion about the audit of Business Continuity and what that might cover. The current pandemic would not be captured by such an audit as the scenarios used would be completely different looking at the collapse of IT systems and the loss of buildings. Assurances would not add value to the current BCP that was taking place.</p>

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	<p>The Chair asked the Deputy CEO to write a short paper setting out how assurance would be given in those areas that were proposed for removal. High needs would be moved to the end of 20-21. The CEO was asked to consider the information the committee should receive on HR to be given assurances about recruitment.</p> <p>ACTION – Deputy CEO to draft paper on sources of assurance. CEO to review HR reports which would provide assurance</p> <p>6.4 Risk management Update The Chair had agreed that there would not be a full update at this meeting due to the current work on risk during the pandemic. The focus was currently on safeguarding, working environment, reopening and organisational resilience.</p> <p>Leisyen Keane left the meeting at 6.37pm</p> <p>6.5 Reappointment of External Auditor It was agreed that the retender process would take place in the new year for the 2020-21 audit cycle.</p> <p>ACTION – External audit tender for Spring 2021 meeting</p> <p>6.6 External Audit Plan 2019-20 There was a discussion about the plans as set out in the paper. Audit Committee members would be involved in the process which was good governance process.</p> <p>ACTION – The audit plan was agreed</p> <p>There was a discussion about the audit fee which was set out on page 60 of the report. There were four significant risks including management override of controls, the recognition of risk, funding streams and the pension fund liability. The CEO asked about the pension audit as the college had no control over the figure as it was calculated by the actuary. Joanne Lees explained that they would test the assumptions and judgements that were used by the actuary to ensure that they were accurate. The assurance on going concern would be particularly key this year given the pandemic and the impact that this was having across the whole sector although this would not become clear until later in the 2020-21 financial year.</p> <p>The fee was calculated by reviewing the complexity of the audit: two new colleges had joined the group and the 3 separate finance systems which were migrating to one in July. Stephen Lucas explained that the audit was complex with the two Havering Colleges. KPMG had audited the FE college last year but the values for the HSFC would need to be reviewed and there were a number of documents and systems that would need to be tested for the first time. There had been three payrolls until March and the transfer of data would need to be reviewed. The audit of 2020-21 would be less complex and there would be no transfers of the payroll or general ledger to be verified. Returns for the Teachers Pensions Scheme would also be harmonised. The fee was for a complex piece of work. The Chair confirmed that the fee was to be agreed by the CEO and Deputy CEO.</p>
7.	<p>Terms of reference The changes were highlighted in yellow as suggested by the internal audit of Governance. Paul Goddard suggested that there should be a reference to approving an internal audit plan and receiving the external audit report. The business plan was also included in some models. There should be reference to GDPR reporting and receiving the risk register. The Chair asked the auditor to share a template.</p> <p>Action – IA to share a model template. Director of Governance to review the ToRs for the September meeting</p>
8.	<p>Committee self assessment</p> <p>All governors were asked to complete the self assessment and return it to the Director of Governance by the end of the month.</p> <p>Action – All governors</p>

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9.	Any other Business There were no items to report.
10.	Date of Next Meeting The next Audit Committee will take place on 24 September. The Chair thanked everyone for attending the meeting. The meeting ended at 6.50pm.