



Confirmed Minutes

<u>Present:</u>	Mr A Nelson (Chair), Mr K Webb, Ms H Haigh Mr N Uppal and Ms K Fleming (attendance 83%)
<u>In attendance:</u>	Ms R Sutcliffe (for agenda item 4 only), Ms S Crompton (Wylie & Bisset for agenda item 5; by phone), Mr D Robinson (Tiaa) and Ms J Pryce
<u>Clerk:</u>	Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

Apologies for absence had been submitted by Mr G Wright.

There were no declarations of interest.

2. Minutes from Meeting held on 27th November 2018

Resolved:

- **That these be accepted as a correct record.**

3. Matters arising

Financial Statement and Members Report 31st July 2018:

The Clerk confirmed that the signed financial statements and members report were forwarded onto the ESFA by 31st December 2018.

Final Audit Findings Report for the year ended 31 July 2018:

The Clerk confirmed that the letter of representation had been signed by the Chair and the Principal.

Audit Committee Annual Report 2017/18::

Mr Nelson confirmed that the signed Audit Committee Annual Report had been forwarded onto the ESFA.

Audit Providers: Reserved item

Mr Nelson confirmed that an update on this matter is to be provided under agenda item 12.

4. IT Disaster Recovery and IT Business Continuity Plans

Ms Sutcliffe (Director of IT) advised the committee that this document details the college's policies and procedures for an IT related disaster recovery, as well as our process-level plans for recovering critical technology platforms and the telecommunications infrastructure. The document summarises the college's recommended procedures. In the event of an actual emergency situation, modifications to this document may be made to ensure physical safety of our people, our systems, and our data.

Ms Sutcliffe advised members that the principal objective of the disaster recovery programme is to develop, test and document a well-structured and easily understood plan which will help the

college recover as quickly and effectively as possible from an unforeseen disaster or emergency which interrupts information systems and business operations.

Ms Sutcliffe explained that the proposed changes reflect the revised organisational structure at college and also reflects the new disaster recovery framework following the server infrastructure work completed last summer.

The committee was satisfied that the presented plans continue to be comprehensive and adequately address all objectives of the disaster recovery programme. Ms Sutcliffe explained that this was the formal biennial review of the document however members were assured, that as part of the updating process; any in year changes made to the plan are fully tested with appropriate amendments made to training materials.

Ms Sutcliffe was thanked for her work and the efforts she has taken in leading a process to ensure the college is as prepared as possible in this area of business.

Resolved:

- **That the IT Disaster Recovery and IT Business Continuity Plans be received.**
- **That the IT Disaster Recovery and IT Business Continuity Plans be amended in light of identified typographical errors.**

5. External Audit Strategy and Planning Memorandum

Ms Crompton presented her report to the Committee.

The purpose of the report explained the scope of the Audits of the financial statements and regularity, the proposed audit approaches and highlighted the key risks that Wylie & Bissett will be focussing the external audit work upon.

Ms Crompton advised the committee that the audit will be performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view and have been properly prepared in accordance with applicable law and United Kingdom General Accepted Accounting Practice.

The committee noted that the initial risk assessment outlined within the report, based on the summary of systems and overall risk assessment, had indicated a raised risk, in comparison to previous years, for corporate governance. Ms Crompton explained that from the initial planning procedures, Finance Management was to be flagged as a possible identified area where the risk of misstatement in the accounts may be greater than normal. This is because Wylie and Bissett are aware that the central finance role at the college is to be covered by interim staff with the likelihood that the current Assistant Principal of Finance and Estates will vacate this role during the year. All present welcomed audit testing designed to gain assurance over the adoption and implementation of appropriate accounting estimates and operations by interim staff.

The Committee considered and agreed to the timetable and communication plan proposed to ensure timely audit findings report.

Resolved:

- **To approve the External Audit Strategy and Planning Memorandum**

Ms Crompton left the meeting at this point.

6. Internal Audit Reports

Mr Robinson presented his reports to the Committee.

Appraisal Review of Marketing (March 2019)

This audit reviewed the arrangements for marketing the College. The review also looked at how the effectiveness of marketing actions are monitored and measured and considered opportunities

to improve processes in line with best practice. The overall assurance assessment assigned was reasonable assurance.

As a result of the audit – 1 routine action point was recommended and accepted by management; for which an implementation date and responsible officer has been identified and listed within the final report. No Operational Effectiveness Matters were identified.

The audit finding stated that no quantitative data is collected relating to how the various marketing activities, literature and publicity influences a students' decision to apply for and subsequently enrol at the College. Members acknowledged that the management response targets new successful applicants only. The committee was therefore of the opinion that there is merit for the quantitative data to also be collated on those students that don't end up applying to the college or for applicants that do not convert to enrolment. It was agreed for the Senior Leadership Team to consider whether such extension work should be captured within the recommendation tracker.

The Committee also acknowledged that the College needs effective marketing to maintain the levels of students required to ensure viability against increased competition for other providers. Materiality. Members noted that the total budget allocated to marketing for 2018/19 is £62,000. To February 2019 the actual expenditure has been £43,745, which has related to printing of the Prospectus and course booklets, signage, pull-up banners, photography and advertising. Members asked Mr Robinson if Tiaa were in a position to offer bench mark data on budget allocation for example is the budget sufficient for size of college? etc. Mr Robinson explained that this was not possible. Ms Pryce also confirmed that direct comparison would also be difficult within the NORVIC college groups as marketing is structured and costed differently within establishments.

Resolved:

- **That the report be received**
- **To record the committee's thanks to all staff that contributed towards the Audit.**

Assurance Review of the Admissions and Enrolment (February 2019)

This review considered the processes and controls for student admissions and enrolment including the tracking of data through each stage. The review also considered opportunities to improve processes in line with best practice. The overall assurance assessment assigned was substantial assurance. Mr Robinson confirmed that no recommendations or operational effectiveness matters were identified. The audit verified that controls are in place to ensure that applications are processed promptly and fairly and the offers made are appropriate.

- Testing carried out showed that appropriate documentation had been completed and retained to support the application and the enrolment of students.
- Regular monitoring is undertaken of the data relating to the number of applications received of students from each school.
- Detailed documented guidance and training is provided to staff who are involved in the interview and enrolment activities.
- All course offers are quality checked prior to being confirmed to the student.

Resolved:

- **That the report be received**
- **For all relevant staff to be thanked for their hard work and efforts as demonstrated by the successful outcome of the audit.**

Assurance Review of Ordering, Receipt and Payments (March 2019)

Mr Robinson explained that the specific review considered the arrangements for: authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The scope did not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed. The ordering, receipt of and payment for goods and services is a key financial system and is an assurance review subject to review every three years. This area was last audited in 2015/16 and awarded reasonable assurance.

On this occasion, the overall assurance assessment assigned was limited assurance. As a result of the audit 7 action points were recommended (1 urgent, 1 important, 4 routine and 1 operational) All actions have been accepted by management - implementation dates and responsible officers have been identified and listed within the final report.

The committee was informed that between 1st November 2018 and 28th February 2019 the College raised orders to the value of £273,531.

Mr Robinson explained to the committee that the audit findings were that the key control and operational practice needs to be addressed in order to strengthen the control environment. In particular, that the controls in relation to verifying supplier details request need to be improved to reduce the risk of bank mandate fraud. Efficiencies could also be achieved and the potential for input errors reduced by utilising the facility to upload the BACS file directly into the online banking system.

It was noted however that all orders and invoices reviewed were found to be appropriately authorised.

The Committee considered the Management and Operational Effectiveness Action Plans. Members reported to be concerned that the urgent and important recommendations made had previously been identified and actioned at the time of the last audit undertaken in May 2016. Progress made relating to these specific recommendations were also reviewed during the follow up audit in 2017 and were confirmed as having being implemented. The committee therefore asked how management, and in turn the committee, are to be assured that all changes to practice is from now on embedded and therefore sustained over time.

Ms Pryce explained that all existing recommendations completed and confirmed by the follow up report shall continue to be removed from the tracker. However, going forward the senior leadership team shall retain a separate note of all priority one recommendations accepted and completed for future reference to enable ad-hoc management checks to be made. The audit committee welcomed this development as an additional source of assurance that changes to practice, policies and procedures remain live, post follow up audits.

The Clerk also advised members that the F&R Committee met on 11th March 2019 and were briefed on the outcomes of the assurance review and follow up review. The F&R Committee took into consideration the level and type of recommendations made when undertaking their own assurance review for the risk: Poor financial management and control. Red assurance level was assigned. An action plan was agreed and a further review date set for June 2019 with the view to securing green assurance once again for this risk.

Resolved:

- **That the report be received**
- **To record the committee's thanks to all staff that contributed towards the Audit**
- **For the proposed changes to the tracker to be endorsed and implemented with immediate effect.**

Follow Up Review (March 2019)

As part of the approved internal audit periodic plan for 2018/19 Tiaa have undertaken a review to follow up progress made by Huddersfield New College to implement previous internal audit recommendations. The audits considered as part of the follow up review were:

- Follow Up 2017/18
- Structure and Process
- Board Assurance Framework
- Budgetary Control
- Estate Management
- Funding – MIS and Data Management

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing had been completed to assess the level of compliance with this status and the controls in place.

Through the work performed the Auditors were able to confirm that 5 recommendations from the 6 recommendations followed up had been fully implemented at the time of the review. The only recommendation that had not been completed by original implementation date related to the ongoing problem of classroom fire doors being wedged open.

The Clerk confirmed that this specific area of noncompliance continues to be monitored by the Finance and Resources committee. Members were also advised that the senior leadership's plan to establish full compliance had been shared with and accepted by the Finance and Resources Committee at its last meeting. Updates on noncompliant use of fire doors and subsequent action taken by management will continue to be presented to the F&R committee.

Resolved:

- **To receive the report**
- **To record the committee's thanks to all staff that contributed towards the Audit**

7. Recommendation tracking

The recommendation tracker is a standing agenda item that intended to members up to date with recommendations previously raised by internal, external and other auditors and to track progress made by the college in implementing the recommendations.

Ms Pryce confirmed that the tracker had already been updated with the new recommendations accepted within the recent audit reports. Ms Pryce further explained that the tracker was now to also cite sources of evidence to be used when confirming that the actions have been completed by agreed implementation dates.

Resolved:

- **To receive the report**

8. Risk Management Policy

Ms Pryce explained that the College's Risk Management Policy is subject to a biennial review and as per the Corporation's Scheme of Delegation – The Audit Committee is to review, make comments and recommend any significant changes for corporation approval.

Members noted that the risk management policy continues to promote best practices to be adopted college wide in the identification, evaluation and cost effective control of risks to ensure that they are eliminated or reduced to an acceptable level. Furthermore the policy makes clear that risk management is not intended to focus only on financial impact; but rather it should also focus on operational impact. Risk is inherent in all College operations. All employees should understand the nature of risk and accept responsibility for the risks associated with their area. The committee however asked for the policy to make clear that the risk register is for high level strategic risks only with all other operational risks being managed through departmental self assessment reviews and quality improvement plans. Members also asked for the policy to be amended to confirm that the highest overall rating possible for a key risk could be 25 not 20 as currently stated.

Resolved:

- **For the corporation to be advised that the biennial review of the college's risk management policy had been undertaken.**
- **Given that only small changes to the existing policy has been deemed necessary; governors are to be advised that the revised policy is to be made available via Moodle.**

9. Board Assurance Framework: Mid Year Review.

Ms Pryce informed the committee that all major risks impacting the college remain subject to formal reviews at each of the Risk Management Group Meetings; which are held every half term. Any significant changes to risk scores would be recorded in the BAF change log and reported to the Clerk for representation to the responsible committee / corporation; as deemed necessary. Ms Pryce also confirmed that the timeframe for each assurance review, throughout the academic year, continues to be planned with the Clerk in order to schedule risk presentations with relevant corporate and committee agenda items to best maximise on assurance sources at time of consideration.

Ms Pryce presented the current overview of the Board Assurance Framework; the current position of the most significant risks were considered by the committee. Ms Pryce also confirmed that as per the BAF operational process a formal review of the risk register will be again undertaken by the Risk Management Group at its next meeting; outcome of which will be reported back to the committee. Ms Pryce explained however that accademisation will feature in the risk register going forward into the new academic year given that it is an emerging strategic risk for the college. The committee agreed with this.

From the discussions had, the Committee was satisfied that the BAF continues to identify the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Members agreed that risks continue to be prioritised using a consistent scoring system and that the Board Assurance Framework continues to provide an adequate and effective framework for risk management.

Resolved:

- **That the Board Assurance Framework be received**

10. Initial Assurance Review: Failure to effectively manage GDPR (General Data Protection Regulation)

The presented BAF risk and subsequent discussions at the meeting confirmed that the College continues to manage this area well to best identify, analyse and secure continued compliance with legislation requirements. It was noted that the senior leadership continues to seek external consultation (via Eversheds or other expert) to be satisfied that GDPR requirements are fully understood and implemented college wide.

The Committee concluded however that amber assurance was to be assigned to this specific risk area at this current time; given that it continues to be a developing and untested area. The committee made it clear that the assurance level assigned did not reflect an absence of management activity but rather reflected the limitations to the range of external assurance sources currently available. Members noted that a GDPR compliance review was to be undertaken by internal audit in May 2019 and were therefore of the view that a further assurance review should be undertaken at a future meeting when audit findings were to be presented.

Resolved:

- **That the risk be awarded amber assurance**
- **For the Clerk to update the Master BAF**
- **For a further assurance review to be undertaken at a future committee meeting when audit findings are available.**

11. Any other Business.

There was no other business for the Committee to consider.

12. Audit Providers : Reserved Item

The current contractors were appointed on 1 August 2015. The contracts awarded to W&B and Tiaa were for three years in the first instance, extendable in annual increments thereafter, subject to satisfactory performance and agreement of fees, up to a maximum duration of 5 years

In June 2018, the Audit Committee recommended to the Corporation for the continued appointment of the auditors (external and internal) for 2018/19 as each provider had again been assessed positively against their performance agreed indicators. Members were also satisfied that both audit companies continue to provide appropriate assurance and have always fulfilled the agreed service requirements. This recommendation was endorsed by the Corporation at its meeting on 5th July 2018.

Members were mindful, at the point of making this recommendation, that a full tendering exercise may need to be undertaken during 2019/2020 for auditor appointments for 2020/2021 onwards – as the maximum duration of 5 years will, at this point, have been achieved. The Clerk was subsequently tasked with determining best practice / regulatory requirements with regards to audit provider rotation.

The Clerk confirmed at today's meeting that the Instrument and Articles of Government, the College's financial regulations, the Committee's terms of reference and all Governance Codes do not stipulate a time frame for mandatory audit rotation and tenders. However, in April 2014 the European Union published its revised Audit Directive and Audit Regulation. The new rules for auditor independence requirements requires all UK public interest entities to rotate their statutory auditor after a maximum period of twenty years, with a mandatory tender at the ten year midpoint.

The Clerk also confirmed that the Audit Directive states that the maximum tenure of an auditor (partner in an audit firm) is five years. Lead auditor rotation is a much more cost effective way of increasing independence between auditors and the organisation. The committee acknowledged that to date there has been regular rotation of lead auditors for external audit. Tiaa also regularly appoints different 'expert' auditors dependent upon the scope of the area of work under review.

It was the committee's opinion that the current arrangements satisfies the European Union audit directive and Audit Regulation especially considering that mandatory audit provider rotation is not necessary until 2025.

The Clerk advised members that she had spoken with both Internal and External Auditors to ascertain their views on continuation of appointments. Throughout discussions business interests were declared; with both Tiaa and W&B asking the Clerk to notify members of their desire to continue to work with the college for the foreseeable future. Both current Audit Firms stated however that the Committee should seek appropriate benchmarking data to be satisfied that it is receiving value for money with regards to audit provision and agreed annual fees.

The Clerk presented to the committee sourced data from the College Accounts 2016/17. This data is taken from the Education Skills and Funding Agency (ESFA) database of college finance records for the year ended 31st July 2017 and was published on 26th April 2018. Data for 2017/18 is currently not yet available.

The committee noted that the comparative data collated demonstrates that current provider fees from both Tiaa and W&B compare favourably to the Sector averages.

Members therefore agreed it appropriate to recommend to the Corporation for both auditor contracts to be extended for a further 2 years at the current 5 year point. The revised timescale for

implementing the CPC framework will therefore commence by June 2021; for tendering to be completed and auditors appointed by August 2022.

Resolved:

- **To receive the report**
- **To recommend for the Corporation to extend current audit contracts for a further 2 years at the current 5 year point. (up to and including the academic year 2021/22)**

13. Learner Impact Reflection

The impact of discussions and scrutiny of the Committee work in improving the outcomes and experience for all learners was considered and the following agreed:

- **Assurance received that the college is maintaining strong financial procedures, to ensure funding is allocated to the most appropriate areas, to maximise the Student learning, Experience and outcomes.**
- **Assurance received that the college continues to have an adequate and effective framework for risk management.**
- **Assurance that the college is committed to creating a culture of protecting privacy and personal data ensuring that students can have confidence that their information is being protected and used appropriately.**
- **By assuring the process for responding to the requirements of the GDPR, the college is able to minimise the potentially significant financial consequences. Minimising this risk to the financial health of the college ensures students are able to receive maximum benefit from college funding.**
- **The overall audit opinion provides assurance that the college has an adequate and effective framework for governance, risk management and internal control.**
- **Ensuring that the College is maintaining the quality of learning to maximise the Student Learning, Experience and Outcome.**
- **Assurance received that the college remains compliant with regularity and propriety requirements as per the terms and conditions of funding.**
- **Appointment of Auditors ensures that the college has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the 'effectiveness and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets'.**

14. Determination of confidentiality

All supporting documents relating to the Board Assurance Framework and auditor providers were deemed to be confidential given the sensitive nature of information detailed.

13. Date of next meeting: Tuesday 11th June 2019 at 5pm