















<b>Remote Access Symbols</b>
 Dialed in
 Online

<b>Special Audit Committee</b>
<b>Minutes</b>

<b>Meeting Time and Date</b>	<b>0900 on 18 May 2022</b>
<b>Meeting Location</b>	<b>Zoom Online</b>
<b>Members</b>	Robert Howard (Chair)  Guy Jones-Owen (Vice Chair)  Alex Lane  Tony Young (Independent) 
<b>Auditors</b>	Paul Goddard (Scrutton Bland) 
<b>Observers</b>	Peter Doble  Liz Wood (Academic)  James Bryan (HR)  Denise Cheng-Carter (Finance)  Christine Bianchin (Principal)  David Scott (Estates) 
<b>Minute Taker</b>	Joanne Coffey (Clerk) 
z:\governance\meetings and minutes\current gov meetings\clerk review\admin\mins\au mins 20220303.docx	

	<b>Action</b>
<p><b>1. Welcome and Apologies</b></p> <p>1.1. Apologies were received from Tony Young.</p> <p>1.2. The Chair of Finance and Resources, Peter Doble, was welcomed to observe the meeting.</p>	
<p><b>2. Declaration of Interests</b></p> <p>2.1. None.</p>	
<p><b>3. Internal Audit Reports (Decision)</b></p> <p>3.1. The ‘Budget Setting and Control’ and ‘Commercial Activities’ audits were conducted too early in the 2021-22 academic year, for the internal auditors to be able to fully assess mechanisms in place against outcomes.</p> <p>3.2. Scrutton Bland gave initial interim opinions which were then revised as more information became available from the new Interim Executive Director of Finance and IT.</p> <p><b><u>Budget Setting and Control: Reasonable assurance</u></b></p> <p>3.3. As a result of subsequent findings, the auditors have reduced their assurance rating from ‘Strong’ to ‘Reasonable’.</p> <p>3.4. In March 2022, a higher year-end deficit was re-forecast due to an in-year increase in salary costs, which could have been factored into the original budget. In addition, the anticipated income from HE and Apprenticeships had been too optimistically forecast.</p>	

<p>3.5. Following the initial flex of the budget in autumn 2021, budget holders had not been notified of their reduced budget allocations and continued to spend and act as per the original budget, leading to higher expenditure that could have been curbed.</p> <p>3.6. Scrutton Bland noted that this was an unusual situation, in their experience, which meant that they had not considered making further internal cross-checks, which would have identified this particularly issue in the process. However, due to staff being overwhelmed with workload at the time of the audit, the previous Finance Director had managed it alone (which would not have occurred in previous years) and the auditors felt that this was a lesson learned for them.</p> <p>3.7. They also noted that the March 2022 review of Lecture Utilisation (to be presented at the June 2022 Committee meeting) has indicated that there are cases of significant staff underutilisation, which may also have a further, direct impact on budgeted pay costs.</p> <p>3.8. No new recommendations have been made by the auditors but a high level of communication, rigour over the management of pay and non-pay costs and the close monitoring of income achievement are advised.</p> <p>3.9. The Interim Executive Director of Finance and IT has begun to make significant improvements in strengthening the controls of the budget processes, such as monthly meetings with budget holders in a bottom up approach, that factors in curriculum planning and challenges them on what they actually need.</p> <p>3.10. The number of budget holders have also been streamlined.</p> <p>3.11. It was explained that the current deficit cannot be rectified within one year, as it is imperative to balance cost-cutting against protecting the core business - the success of students.</p> <p>3.12. Governors and management agreed with the 'Reasonable' assurance and noted that, historically, monthly management accounts had not been timely produced and that there was a lack of control over staff costs. However, they were confident that the College was in a much stronger position now, where all financial control issues were being reviewed and monthly management accounts were now shared with all Governors, more promptly.</p> <p>3.13. The Executive Director of HR and Central Services noted that this was a good example of 'people and behaviours', in that it comes down to the choices that people make, which reflects on the need for stronger guidance. Management were now focussing heavily on the College's people processes.</p> <p>3.14. Evidence based budgeting is also essential, where income has historically been too optimistic, which has impacted on resources not being reduced at the right point in time, leading to reactive rather than planned budgets.</p> <p>3.15. The Committee discussed this reactive nature of how finance had been managed, which clouds what <i>actually works</i> with what <i>appears to work</i>, leading to complacency through a lack of awareness by budget holders, management, Governors and auditors, alike.</p>	
--	--

<p>3.16. It was agreed that the audit plan should remain flexible throughout the year, to ensure that urgent areas are prioritised and that standalone work can be factored in, as necessary.</p> <p>3.17. As improvements in the budget processes will be a significant area for the Committee to focus on over the next year, it was agreed that the Chair of Finance and Resources would be invited to observe at future Audit Committee meetings, for the first Report of the Director of Finance and IT, in relation to Budget Setting and Control.</p> <p>3.18. The role of the Audit Committee was also likely to include other management/staff to observe, as appropriate, which will provide a more dynamic and diverse range of views for the Governors and auditors to more broadly assess.</p> <p><b>Peter Doble left the meeting.</b></p> <p><b><u>Commercial Activities: Reasonable assurance</u></b></p> <p>3.19. Based on the framework in place, activities completed and future plans, the auditors considered that the planned approaches were appropriate. However, as the progress made by 30 March 2022 had been slower than expected, with too much of the activity being forward looking, the interim opinion was updated from 'Interim Significant' to 'Reasonable' assurance.</p> <p>3.20. It was reiterated that this was not a change of opinion, as it had originally been an estimated interim opinion until more information was known.</p> <p>3.21. The line management of the Events Team has now been moved from the Principal to the Executive Director of Finance and IT, to ensure that commercial activities are financially beneficial.</p> <p>3.22. The Committee agreed with the updated opinion and Governors also noted, due to more explanation and discussion of the revised audit opinions, that this meeting had felt more transparent and welcomed the more open approach.</p> <p>3.23. The following recommendations were accepted:</p> <p><u>Medium risk recommendations (previously low risk)</u></p> <ol style="list-style-type: none"> <li>1) The Commercial Activities Strategy to be updated to reflect the new delivery timelines.</li> <li>2) The new timeline to be appropriately tracked with regular progress reporting.</li> </ol> <p><u>Low risk recommendations</u></p> <ol style="list-style-type: none"> <li>1) The Development Plan to be expanded to include commercial opportunities for each key focus area, along with individual accountabilities</li> <li>2) Key Performance Indicators have been agreed and will be reported on a monthly basis.</li> </ol> <p><b>Resolved to</b></p> <p>3.24. <b>Receive and agree the above Internal Audit reports.</b></p>	<p><b>Clerk (Completed)</b></p>
---	-------------------------------------

<p>3.25. A new rag-rated rolling report of the status of auditors' recommendations has been added as a new agenda item for all future Audit Committee meetings.</p>	
<p><b>4. Internal Audit Reports (Decision)</b></p> <p><b><u>Risk and Assurance Progress Report</u></b></p> <p>4.1. The four remaining audits were progressing as planned.</p> <p>4.2. Lecturer Deployment, Curriculum Planning and Follow-up on Previous Recommendations are due to be presented at the June 2022 meeting.</p> <p>4.3. Student Records (Classroom based ESFA and GLA and Apprenticeships) is due to be completed during June 2022 and presented in November 2022.</p> <p><b><u>IT Infrastructure: Reasonable assurance</u></b></p> <p>4.4. The College's cyber security framework was found to be of a high quality, with appropriate controls in place, resulting in a 'Reasonable' assurance opinion.</p> <p>4.5. The following recommendations were accepted and had now been completed:</p> <p><b><u>High risk recommendation</u></b></p> <p>1) To implement a cyber security awareness programme for staff awareness of phishing attacks, malicious cyber assaults and related cyber security risks.</p> <p>Mandatory training was now in place and formed part of the recent CPD training day in May 2022. It was also recommended to be featured in the staff induction process.</p> <p><b><u>Low risk recommendations</u></b></p> <p>1) To periodically review the Password Protection Policy and settings. This could include the use of software that tracks when passwords are changed.</p> <p>2) A new Third Party Access Policy to be developed to ensure against unauthorised third party access.</p> <p>3) Audit functions to be enabled on IT system's critical folders to ensure accountability and traceability.</p> <p>4.6. The Chair of Audit to provide a cyber security contact to MIS, via Finance, who can demonstrate further controls and best practice protocols.</p> <p>4.7. Governors suggested that staff can be tested at the end of completing their course, by receiving a phishing email with a link to ensure that they do not click on it.</p> <p>4.8. It was clarified that additional tasks may be a further burden on an already stretched IT Department. However, as this was deemed high priority, Management agreed to additional test measures and to report back to the Committee when these would be expected to be in place, along with the current status of training completion.</p> <p><b><u>Learner Recruitment: Significant assurance</u></b></p>	<p><b>IT (via Finance) (June 2022)</b></p> <p><b>IT (via Finance) (16 June 2022)</b></p>

<p>4.9. Scrutton Bland considered that the College has a robust framework regarding learner recruitment and gave a 'Significant' assurance.</p> <p>4.10. Through completion of a mystery shopping exercise, where the auditors applied to enrol on a course, they found that the communication and information received was of a good quality and timeframe, which motivated them to continue with the application.</p> <p>4.11. The following recommendations were accepted:</p> <p><u>Low risk recommendations</u></p> <ol style="list-style-type: none"><li>1) To change the oversight and delivery of Keep Warm activities and information, advice and guidance support from the responsibility of Heads of School to the Marketing and Communications team, for consistency.</li><li>2) To identify, agree and implement key performance indications for the application-to-enrolment expected timeframe. This will standardise the process further, to assist with reporting and monitoring.</li><li>3) To expand communication options for applicants beyond email, to include telephone, webchat and in person meetings.</li></ol> <p>4.12. It was noted that, apart from the communications challenges, the new enrolments system had significantly improved the process, with a higher amount of enrolments for 2022-23 compared to the previous year.</p> <p><b><u>Income and Debtor: Reasonable assurance</u></b></p> <p>4.13. The Income and Debtor audit received a 'Reasonable' assurance opinion.</p> <p>4.14. The College's paper-based system had restricted the Finance team in recovering debt in a timely manner. Automation, through existing or new software, or electronic solutions, would help improve efficiency and effectiveness.</p> <p>4.15. The following recommendations were accepted:</p> <p><u>Medium risk recommendation</u></p> <ol style="list-style-type: none"><li>1) Regular meetings to be re-established with Student Admissions regarding aged debt.  Meetings had been established and software was being put in place to automatically generate invoices, statements and letters.</li></ol> <p><u>Low risk recommendation</u></p> <ol style="list-style-type: none"><li>1) To ensure that credit notes are not actioned prior to receiving authorisation, and are then raised in a timely manner.</li></ol> <p>4.16. It was acknowledged that the current processes had also been impeded by the Finance Department's stretched workload and that the staffing structure was being reviewed.</p>	
---	--

<p>4.17. Debt recovery was being prioritised and bad debts required further traction, although this did not account for the majority of debt.</p> <p>4.18. Measures to ensure that students are not in College without a fee waiver document are being tightened up.</p> <p><b>Resolved to</b></p> <p>4.19. <b>Receive and agree the above Internal Audit reports.</b></p>	
<p><b>5. AOB</b></p> <p>5.1. None.</p>	
<p><b>6. Date of next meeting</b></p> <p>6.1. The next Audit Committee meeting will take place on Thursday 16 June 2022 at 0900.</p>	

APPROVED MINUTES			
<b>CHAIR:</b>	Robert Howard	<b>DATE:</b>	16 June 2022
<b>APPROVAL:</b>	<p><b>Remote confirmation:</b> Approved.</p> <p><b>Or signed:</b></p>		