



Minutes of an electronic Audit Committee meeting held on 24 November 2020 at 1700 hrs

<b>Present</b>	Guy Ainsley	Chris Nicholls	Irina Kendix
	Ben Stapleton (Chair)		
<b>In Attendance</b>	Shachi Blakemore (Buzzacott LLP) (not 16/20)	Ralph Devereux (Clerk)	Cath Gunn (Principal BC)
	Leisyen Keane (Scrutton Bland)(not 16/20)	Eamonn McCarroll (DoF)	Phil Thompson (Corp Chair)
	Gill Worgan (Principal)		

**STANDING ITEMS**

**10/20 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS**

- a. The meeting was quorate, no notice had been received of any Member becoming ineligible to hold office and were no unregistered interests declared.
- b. There would be a closed meeting at the end of business.
- c. Urgent Business. There was no urgent business requested.

**The information was received**

**11/20 MINUTES OF THE LAST MEETING**

- a. The Minutes of the last meeting held on 30 September 2020 were confirmed for electronic signature; action delegated to the Clerk. **(Action 1)**
- b. There were no matters arising from the minutes.
- c. Outstanding Actions. Outstanding actions from the previous meeting had been completed or were in progress, some to be included in this agenda.

	Refer to reference minute for full detail	Status
<b>Action 1</b>	01/20b. BS confirmed as AC Chair.	<b>All complete except item 6 (see below).</b>
<b>Action 2</b>	02/20a. Last minutes (30.06.20) confirmed for signature.	
<b>Action 3</b>	03/20c. IK support for RM offered.	
<b>Action 4</b>	03/20c. RM discussion paper to next AC meeting.	
<b>Action 5</b>	03/20e. IAS to notify committee if virtual working impacts scope of any planned 2020/21 reviews.	
<b>Action 6</b>	04/20b. Whistleblowing procedure to be reviewed.	
<b>Action 7</b>	05/20b. Meeting and Business schedule agreed.	
<b>Action 8</b>	05/20c. Committee ToRs recommended for approval.	

**The information was received.** Item 6 is being actioned and a paper will be presented at the next AC meeting.

**Actions had been identified (Register at 19/20)**

**BUSINESS ITEMS**

**12/20 INTERNAL AUDIT RISK AND ASSURANCE (R&A)**

There were several IAS matters to consider:

- a. 2019.20 Plan, the final Fieldwork Report and the Annual Report:
- b. 2020.21 Plan, the first Fieldwork Report and the Progress Report; and
- c. the Sector Update.

#### 2019.20 Plan.

- d. IT Infrastructure. The scope, approach, risk and significance of the fieldwork assignment was fully explained and informed detailed consideration of the Report; the work had been completed remotely. Green “**significant**” assurance had been given regarding IT Infrastructure, accordingly, the Corporation could take assurance that “governance, risk management and control arrangements provide significant assurance, that the material risks reviewed are managed effectively but there are some areas where the adequacy or operation of controls in practice should be improved further”. Two “low” risk security related recommendations (one re “stealthing” of ports and one re physical access to sensitive areas) had been made and assurances were given that the access issue was an isolated case, which had been instituted for a particular issue and not been made through an oversight; all other access was carefully controlled. Both recommendations were accepted, responsibility allocated and implemented. Following a query on the recent penetration tests, it was explained that the College was aiming for “Cyber Essentials” accreditation, and had recently completed an external penetration test performed by JISC and the 27 recommendations in the report have been implemented. It was noted that frequency of individual password changing had been eased for those working remotely and it was suggested that consideration be given for an associated entry in the Risk Register (RR). **(Action 2)**
- e. Annual Report. The IAS Annual Report for 2019/20 was a stand-alone document, which would inform the Annual Financial Statement (AFS) “Statement of Internal Governance and Internal Control”, and thus the ESFA on internal audit issues; it was a digest of previous information presented to the committee. The Report, which had been circulated for consideration in advance of the meeting was taken as read; the report had also informed the drafting of the annual committee report to the Corporation, which would be considered later in the meeting. The overall opinion, based on the work that had been undertaken through the year, was that the College has “**An adequate and effective framework for risk management, governance, adequate and effective control processes and adequate efficiency and effectiveness processes.**” (**Reasonable Assurance**) this was noted and the reasoning behind the opinion was explained and understood. This was an excellent report and was recommended to the Corporation. **(Action 3)** Thanks were recorded to the IAS for their work throughout the year and to the FD for his excellent oversight and implementation of the recommendations.

#### 2020.21 Plan

- f. Learner Attendance Retention & Satisfaction. The scope, approach, risk and significance of the fieldwork assignment was fully explained and informed detailed consideration of the Report; the work had been completed remotely. Green “**strong**” assurance had been given regarding learner attendance retention and satisfaction at WHC, accordingly, the Corporation could take assurance that “governance, risk management and control arrangements provide significant assurance, that the material risks reviewed are managed effectively.” No recommendations had been made although one “added value” and one “best practice” points, relating to recording of attendance during learning walks were noted. The report was welcomed as a positive start to this year’s plan. During general consideration it was explained that an “induction survey” was not WHC practice, results from the “first impressions” alternative would be reported to the Corporation meeting tbn on 9 December 2020. In light of the report’s positive outcome, the Committee asked that their thank be passed onto the College staff involved **(Action 4)**.
- g. Progress Report. One field report, considered in the previous item, had been completed; dates for the remaining eight elements of the R&A Plan had been identified. Most fieldwork could be remotely completed however some isolated personal visits usually limited to a single day, for example during the “Estates Management” audit may be necessary.

h. Sector Update. The Sector update would be provided by the External Auditor.

**The information was received.**

**Actions had been identified** (Register at 19/20)

**13/20 EXTERNAL AUDIT**

The External Auditors had completed the financial statements and regularity audits of West Herts College (WHC) and Together Training (TT) Ltd; a clean opinion was expected. The necessary documentation was then considered and discussed:

- a. Financial Statements. The Committee remit was to consider the findings of the External Auditor and to scrutinize the WHC and Together Training (TT) Annual Financial Statements (AFS), (the TT documents had been approved at the TT Board Meeting held on the previous day and were included for information) including the Corporate Governance Statements with respect to the systems of financial control, RM and governance processes and to recommend the document(s) for signature; the circulated documents to inform the considerations showed an operational surplus of £1.594m however after mainly pension related adjustments the final number was a Total Comprehensive Income loss of £11.188m. That would not affect the cash position, but it was agreed to include an explanatory note in the annual report that the cash position was high to provide for a forthcoming capital project. **(Action 5)**. It was also agreed that the reference in the annual report to the Ofsted report would be updated to reflect the positive outcome **(Action 6)**. A discussion followed between the Committee and the Auditor regarding any impairment of the Barnfield College Site as part of the upcoming redevelopment, and it was agreed that this was not a matter for the 2019-20 accounts but would be for the 2020-21 accounts. The provisional unqualified opinion on the accounts was noted and welcomed. The AFS were then fully and closely scrutinised. The Chair had already provided comments to the DoF for some minor amendments and all members were asked to forward any typographic, spelling or formatting errors directly to the DoF, and after full and detailed discussion, it was unanimously agreed to recommend the College AFS, after inclusion of the agreed amendments, to the Corporation for acceptance, approval and signature. **(Action 7)**
- b. Regularity Self-Assessment Questionnaire. Nothing had emerged during consideration of the attached Regularity Audit Questionnaire, which detailed governance, RM and internal financial processes. The Questionnaire was recommended to the Corporation for signature. **(Action 8)**
- c. Fraud Assessment. A full review of fraud associated matters had been included this year, to inform considerations of the AFS, and for cross reference to the Regularity Audit, the WHC Risk Register and Financial Regulations. The detail was discussed, and it was confirmed that individually held Credit Cards were checked each month by the Line Manager concerned and a sample by the DoF on the same basis. The lockdown or working from home arrangements has had no negative impact on these reviews. The "Gifts and Hospitality Register" was administered by the DoF department, and Governors and Senior Manager's personal and business interests are administered by the Clerk. The information was received.
- d. Letter of Representation. the Letter of Representation was also recommended for signature. **(Action 9)**
- e. Draft Post Audit Management (PAM) Report. The external auditor's PAM Report (Management letter) to the Committee was then considered, page by page with reference to the AFS; audit work was complete. The audit was completed remotely, and included increased sampling which was post March biased in order to test financial controls during the pandemic. An unqualified opinion had been given to both the AFS and the Regularity Report. Outstanding Items had been listed on Page 3, these included an increased sector wide focus on "going concern" matters but it was agreed that they all could be completed in time for finalisation of the accounts and thus no delay in sign off was anticipated; the "going concern" matter was further considered on P4, reflecting ESFA focus on that particular issue. Many colleges are now forecasting deficits, which presents a bank covenant and going concern

issue for them, however that is not an issue for WHC. A sample of Related Party Transactions had been independently verified during the audit process. Key Audit Risks had been identified and notified in advance of the fieldwork and the outcomes were explained and detailed. Further information was contained in the appendices:

- (i) appendix 1 detailed and compared financial ratios, which evidenced the “Health Scores” and consequent “Outstanding” financial health, a general discussion on the effect locally then followed.
- (ii) appendix 2 explained sector developments, including the advisability of individual colleges having a reserves policy, (which WHC does), the possibility of forming a “quick reaction” Corporation working group, the reduction of the volume of sub-contracting (low and reducing at WHC) and the increasing sophistication of fraud, which were all interactively discussed.

The External Auditors were thanked for their professional manner throughout the process and they responded similarly; the PAM was then recommended to the Corporation. **(Action 10)**

**The information was received.**

**Actions had been identified (Register at 19/20)**

**14/20 REPORTS**

a. Risk Management RM Policy. The attached Policy, which had last received Corporation approval on 11 December 2019 had been reviewed and included only 2 changes: to para 7.2, which added the Covid Risk Register as a discrete risk category and deleted the Hemel Hempstead (HH) Phase 2 redevelopment as a special project. The policy was then discussed, and the following changes were agreed:

- (i) On page 7, the reference to the combined code to be updated;
- (ii) On page 10, at para 7.3.2, change “score = 5” to “score = 4”
- (iii) On page 15, table 3, scores “4” should be coloured green.

With these minor amendments the Policy was recommended to the Corporation. **(Action 11)**

b. RM Register. The Risk Registers (RR) had been comprehensively refreshed and updated in line with the discussion at the last Audit Committee, and the agreed Policy, and included:

- (i) the WHC Risk Register (attached), which included a summary of High Level Risks and a detailed Register; and
- (ii) two “special/specific” Registers, the HH and Barnfield College (BC) redevelopments respectively.

The updated and clearly marked up WHC Register, attached at Appendix 1 was considered and all changes described in the accompanying document, tabulated and compared against the original, were individually considered and noted. The HH Phase 2 redevelopment RR (Appendix 2) would now be discontinued as the project had been completed, 3 minor remaining risks would be monitored. The latest version of the BC Redevelopment (Appendix 3) was noted.

c. Whistleblowing. There had been no “Whistleblowing” incidents since the last meeting. A Policy review was in progress and a report would be brought to the next meeting.

d. General Data Protection Regulation (GDPR). There had been one “Access Request” received: a student seeking information on personal records. There had been 2 “non-reportable” genuine inadvertent breaches of the GDPR, which had been promptly reported internally and treated properly according to due process, both post-incident actions agreed as appropriate.

e. Fraud. There had been no incidents of attempted or actual fraud, members were reassured that staff awareness of possible attempts was high and was regularly checked and updated.

Details of Covid related increased number of incidents in the sector were widely shared online.

**The information was received.**

**Actions had been identified (Register at 19/20)**

**15/20 COMMITTEE**

- a. Self-Assessment. The Committee business schedule included a self-assessment of the Committee at this meeting; however, the last meeting had included a close consideration of the Committee Function (Minute 05/20) and the Annual Report to the Corporation (below) had prompted further analysis. It was suggested that the combination provided sufficient evidence that the Committee was functioning to a “good” standard and that was unanimously agreed. **(Action 12)**
- b. Annual Report to the Corporation. The annual report to the corporation report was discussed. The IAS annual report indicated that response to previous audit recommendations was “that the College had taken or planned appropriate and timely action to implement recommendations”. The Committee opinion in the report had been formed after due deliberation of the IAS annual report, together with the External Audit information; the Committee Annual Report was recommended to the Corporation (subject to the deletion of a duplicated reference to an ESFA funding audit outcome) **(Action 13)**

**The information was received.**

**Actions had been identified (Register at 19/20)**

**The Buzzacott LLP and Scrutton Bland representatives left the meeting**

**16/20 REVIEW OF IAS PERFORMANCE**

Assessment of audit performance had been rationalised in the committee business schedule; IAS would be considered at this meeting; External Audit performance would be completed in the new year. The assessment template (Attached) had informed the provisional assessment arrived at jointly by the Committee Chair and the DoF and was now presented to the Committee for comment. The IAS had provided an extremely good, thorough and relevant service throughout the year and it was unanimously agreed that Scrutton Bland should continue as the IAS for 2021-22. **(Action 14)**

**The information was received.**

**Actions had been identified (Register at 19/20)**

**17/20 URGENT BUSINESS**

There had been no urgent business agreed.

**18/20 DATES OF NEXT MEETINGS**

The next meeting would be at 1700 on 23 February venue tbc.

**19/20 ACTION TABLE**

Refer to reference minute for full detail		Resp	Date
<b>Action 1</b>	11/20a. Last minutes (30.09.20) confirmed for signature.	Clerk	wie
<b>Action 2</b>	12/20d. Individual password easing may be a risk?	DoF	
<b>Action 3</b>	12/20e. IAS Annual Report recommended to Corporation.	Chair	09.12.20
<b>Action 4</b>	12/20f Thank staff involved in the Learner Attendance Audit	DoF	wie
<b>Action 5</b>	13/20a. Healthy cash position to be clarified in Accounts.	DoF	wie
<b>Action 6</b>	13/20a Reference to Ofsted Report to be more positive.	DoF	wie
<b>Action 7</b>	13/20a. AFS recommended to Corporation for signature.	Chair	09.12.20
<b>Action 8</b>	13/20b.Regularity Self-Assessment recommended to Corporation for signature.		
<b>Action 9</b>	13/20d.Letter of Representation recommended to Corporation for signature.		
<b>Action 10</b>	13/20e. PAM Report recommended to the Corporation.		

<b>Action 11</b>	14/20a. RM Policy conditionally recommended to Corporation for approval.		
<b>Action 12</b>	15/20a. Committee self-assessed as "Good"		wie
<b>Action 13</b>	15/20b. ACAR recommended to the Corporation.		09.12.20
<b>Action 14</b>	16/20. Scrutton Bland recommended to Corporation as IAS for 21-22.	Chair	wie

Ralph Deveraux (Chair) for Ben Segalsten (Chair)

# FINALAuditMins24.11.20RDEMcbS

Final Audit Report

2021-02-24

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Status:	Signed
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