

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: TUESDAY 22 SEPTEMBER 2020 AT 1600 VIA MICROSOFT TEAMS

| Present            | In Attendance                    |
|--------------------|----------------------------------|
| Geoff Alvy (Chair) | Graham Gillespie (WB)            |
| Ann Kendal         | Stephen Pringle (WB)             |
| Richard Woods      | Richard Lewis (RSM)              |
| <b>Apologies</b>   | Chris Malish (DCEO)              |
| Andy Naylor        | Sarah Cooper (DPS)               |
|                    | Craig Tupling (VPQSE)            |
|                    | Sarah McKenzie (Clerk)           |
|                    | Allison McEvoy (Assistant Clerk) |
|                    |                                  |

The quorum was two committee members

*L/J* Denotes the time any individual left/ re-joined the meeting.

| Item |   | Action/<br>Report<br>Item |
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| 1    | <b><u>Members to meet with Auditors in the absence of management</u></b>  |                           |
| 1.1  | Wyllie Bisset confirmed that there were no additional issues to report in addition to the reports being discussed on the agenda.  |                           |
| 1.2  | It was noted that equality and diversity had not been considered as part of the internal audit on succession planning. Wyllie Bisset advised that equality and diversity had been as part of the scope. The Chair recommended the scope be raised later in the meeting. |                           |
| 1.3  | It was agreed that the opportunity for the Audit Committee to meet with the auditors should be a feature of all future meeting agendas.   | <b>Clerk</b>              |
| 2    | <b><u>Introductions, Apologies for Absence and Disclosure of Interest</u></b>   |                           |
| 2.1  | The Chair noted that the meeting was quorate with three members in attendance.  |                           |
| 2.2  | All were welcomed to the meeting, apologies were made for the need to reschedule the meeting from 17 September to 22 September.   |                           |
| 2.3  | Apologies were made for Andy Naylor.  |                           |
| 2.4  | There were no disclosures of interest.  |                           |
| 3    | <b><u>Minutes of the meeting held on 14 May 2020 and Matters Arising</u></b>  |                           |
| 3.1  | <b>RESOLVED:</b> That the minutes of the Audit Committee held on 14 May 2020 be approved and signed by the Chair as a correct record of the meeting.  |                           |

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| 3.2 | The Matters Arising Report was reviewed. It was noted that Governor training on ESFA funding rules needs to be scheduled.   |  |
| 4   | <b><u>Chair's Actions</u></b>   |  |
| 4.1 | The Chair updated that he has had discussions with Wylie Bisset and the Clerk in relation to the Human Resources Internal Audit Report and the Internal Audit Annual Report.  |  |
| 5   | <p data-bbox="264 551 571 573"><b><u>Internal Audit Reports</u></b></p> <p data-bbox="264 595 1174 663">5.1 Graham Gillespie (Wylie Bisset) updated the meeting on Internal Audit Reports.</p> <p data-bbox="264 696 576 730">5.2 <u>Subcontracting Controls</u></p> <ul data-bbox="312 763 1289 1167" style="list-style-type: none"> <li>- An overview, work undertaken, potential improvements and conclusion was provided.</li> <li>- A review was undertaken where contracts with subcontractors exceed £100k in the funding year.</li> <li>- The college has appropriate subcontracting controls in place and these have been embedded throughout the whole college.</li> <li>- From the 11 points raised last year, 6 have been implemented.</li> <li>- There were 6 areas found that were not adhering to the ESFA guidance in relation to delivery subcontracting and 6 low recommendations were made</li> <li>- All the recommendations have been accepted by management and have implementation dates.</li> </ul> <p data-bbox="264 1200 1289 1301">5.3 <b>Q. Have the certificates to be signed off and sent to the ESFA been completed as part of this audit?</b><br/>A. Yes, it has been signed off and sent out.</p> <p data-bbox="264 1368 903 1402">5.4 <u>Subsidiary Companies Overall Financial Controls</u></p> <ul data-bbox="312 1435 1289 1939" style="list-style-type: none"> <li>- The overall conclusion is 'Substantial'.</li> <li>- The subsidiary companies covered by the review were City Training Services Limited and Beacon Recruitment Limited.</li> <li>- Background, scope and work undertaken were summarised.</li> <li>- Areas of good practice are included in the report.</li> <li>- There were 3 recommendations (2 medium and 1 low) for improvement; <ul style="list-style-type: none"> <li>o Purchase orders</li> <li>o Invoice authorisation</li> <li>o Overtime.</li> </ul> </li> <li>- This audit was a result of a recommendation as part of the 2018-19 external audit.</li> <li>- The Committee accepted that as indicated by the management responses, the recommendations are no longer applicable due to the impending closure of the subsidiaries and therefore having been implemented.</li> </ul> <p data-bbox="264 2007 432 2040">5.5 <u>Procurement</u></p> |  |

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|      | <ul style="list-style-type: none"> <li>- The overall conclusion is 'Weak'.</li> <li>- The overview, scope, background and work undertaken.</li> <li>- There has been a review of the Procurement strategy, training, how it is being undertaken, the controls and how performance is being monitored.</li> <li>- There are 6 areas of good practice.</li> <li>- 4 recommendations were made. 1 high, 1 medium and 2 low grade recommendations: <ul style="list-style-type: none"> <li>o Fully update and Review of the Bradford College Contract Register (high)</li> <li>o Monitoring of Supplier Performance is formally recorded and monitored on a regular basis (medium)</li> <li>o Updating College Procurement Policy and aligning to College Financial Recommendations (low)</li> <li>o Inclusion of Procurement information on the College Website (low).</li> </ul> </li> </ul> |  |
| 5.6  | <p>The DCEO highlighted a difference of opinion with the auditors relating to the high-risk recommendation. He explained that the accountability model adopted by the College means that Heads of Department are responsible for monitoring contracts in their own area. Whilst a central register would be useful, it could be seen as bureaucratic and management would view the recommendation as medium not high.</p>   |  |
| 5.7  | <p><b>Q. We are in line with other audits of this state and they are also graded as 'high' Are you finding that on average in comparison with other audits that there are a lot of 'high' recommendations regarding Procurement?</b></p> <p>A. We have compared you to similar audits from other colleges and are having similar results. There are other colleges with a similar recommendation to Bradford College around Central Contract Registers.</p>   |  |
| 5.8  | <p>The DCEO gave an overview on the areas of good practice and advised that there were some administrative issues that needed resolving.</p>  |  |
| 5.9  | <p><b>Q. What values are associated with 'high' risk?</b></p> <p>A. That would depend on the nature of the recommendation, there was a level of uncertainty on how many contracts were in place. That in itself would create a 'high' grade point.</p>  |  |
| 5.10 | <p><b>Q. Do we have a new Procurement manager?</b></p> <p>A. We have got a new Procurement team.</p>  |  |
| 5.11 | <p>The Chair welcomed the report and the recommendations, noting that there will need to be careful consideration of how value for money will be reflected in the Audit Committee Annual Report to the Corporation.</p>   |  |
| 5.12 | <p><u>Governance- Succession Planning</u></p> <ul style="list-style-type: none"> <li>- The overall conclusion is 'Substantial'.</li> <li>- The purpose and objectives for the review were provided.</li> <li>- Performance management, Remuneration award levels, workforce planning, knowledge sharing across departments and faculties.</li> </ul>  |  |

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| <p>5.13</p> <p>5.14</p>                   | <ul style="list-style-type: none"> <li>- 8 good practice points were raised.</li> <li>- 2 'medium' recommendations were made and have been accepted by management: <ul style="list-style-type: none"> <li>o Succession Planning Policies and Procedures for College Staff</li> <li>o Succession Planning for College Staff: Annual Action Plan.</li> </ul> </li> </ul> <p><b>ACTION:</b> To ensure that Equality and Diversity is a key consideration in considering Succession Planning going forward.</p> <p><u>Payroll, Expenses, Credit Cards</u></p> <ul style="list-style-type: none"> <li>- The overall conclusion is 'Substantial'.</li> <li>- 10 areas of good practice.</li> <li>- 7 recommendations were made, 1 medium, 6 low: <ul style="list-style-type: none"> <li>o Credit Card- User No Longer Employed (medium)</li> <li>o Severance Schemes- Policies and Procedures (low)</li> <li>o Policies and Procedures- Credit Cards (low)</li> <li>o Payroll Policy and Procedures (low)</li> <li>o New Employee- Contracts (low)</li> <li>o Overtime Authorisation (low)</li> <li>o HR Record Keeping (low)</li> </ul> </li> </ul> | <p>Clerk</p> |
| <p>6</p> <p>6.1</p> <p>6.2</p> <p>6.3</p> | <p><b>HR progress report</b></p> <p>The DPS updated the meeting on actions against the HR Internal Audit recommendations.</p> <p>It was noted that overall good progress was being made but that Covid19 and the need to work off-site had impacted the ability to complete some of the recommendations. The Committee was reassured that the College had prioritised implementation of the recommendation relating to the single central record. An independent review of safeguarding has been carried in the interim period and provided additional assurance.</p> <p>The Committee considered the timing of a re-audit and agreed that this should take place in November.</p> <p><b>Q. The Internal Audit Report has 10 'high' recommendations and this report only shows 9.</b></p> <p>A. Two points relating to ITrent have been combined on this report.</p>   |              |
| <p>7</p> <p>7.1</p>                       | <p><b><u>Annual Internal Audit Report</u></b></p> <p>Wylie Bisset provided an overview on the Annual Internal Audit Report, the key points being:</p> <ul style="list-style-type: none"> <li>• Due to the 'No assurance' audit in HR, we are unable to give an overall opinion for this year. It is not a common occurrence to provide 'no opinion'. A second partner review has been conducted and this approach has also been validated by the Chartered Institute of Internal Auditors</li> <li>• We are also unable to provide an overall opinion in relation to value for money due to the 'weak assurance' conclusion reached in the Procurement</li> </ul>  |              |

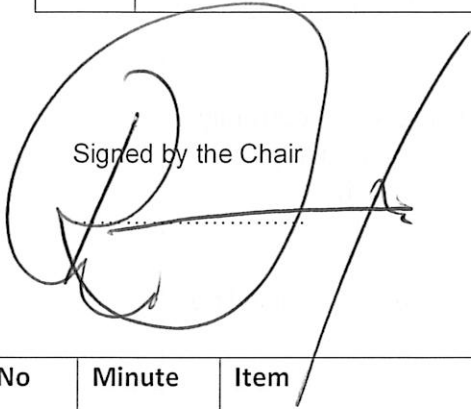
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|     | <p>review. We also raised a 'weak' assurance report in the year for Health &amp; Safety but subsequently resulted in a strong assurance report.</p> <ul style="list-style-type: none"> <li>Planned activity for the year was 50 days against 67 days delivered.</li> <li>44 recommendations raised compared to an average benchmark of 30.</li> <li>Across the year there have been 14 high, 16 medium and 14 low grade recommendations made.</li> <li>The KPI's relating to Internal Audit performance have been met in full.</li> </ul> |          |
| 7.2 | <p><b>Q. Why is it graded at 'no opinion' when you are tasked with giving an opinion?</b></p> <p>A. HR is a key compliance area, without assurance in that area we are unable to give an opinion.</p>   |          |
| 7.3 | <p><b>Q. Regarding the 'no comment' on the value for money aspect in procurement, you say there is evidence of us using frameworks and delivering value for money and best practice so it seems somewhat contradictory.</b></p> <p>A. As part of the procurement review, there were 74 contracts listed but there may have been upwards of 200 contracts which may or may not be 'live'. From that perspective it is difficult to conclude the value for money aspect.</p>  |          |
| 7.4 | <p><b>Q. Why did we not increase the sample testing to offer more reassurance on value for money?</b></p> <p>A. Due to an incomplete contracts register, there was a lack of clarity as to whether contracts are live or not. Without that clarity it would have been difficult to increase the sample testing.</p>   |          |
| 7.5 | <p>Wylie Bisset confirmed that the overall opinion of no opinion cannot be altered as this relates to 2019/20. The Committee concluded that they could look to additional sources of assurance and incorporate any progress made since the year end in the Committee's Annual Report to the Corporation.</p>  |          |
| 7.6 | <p><b>ACTION:</b> The DPS and DCEO to consider what additional assurances can be obtained in the absence of re-audit.</p>   | DPS/DCEO |
| 7.7 | <p><b>Q. Can we validate the progress as a board of Governors?</b></p> <p>A. Yes, you need the assurance over three lines of defence from your management, checking up on progress yourselves and an internal audit. You can then validate that the implementations throughout the journey are being met.</p>   |          |
| 7.8 | <p><b>ACTION:</b> Wylie Bisset will conduct a follow up Audit on HR in November 2020.</p>   | WB       |
| 8   | <p><b><u>Internal Audit Plan 2020-21</u></b></p>  |          |
| 8.1 | <p>Wylie Bisset gave an overview of the Internal Audit Plan 2020-21 covering each Audit area;</p> <ul style="list-style-type: none"> <li>Key financial controls</li> </ul>  |          |

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| <p>8.2</p> <p>8.3</p>             | <ul style="list-style-type: none"> <li>• Business plan monitoring</li> <li>• Learner number systems</li> <li>• Estates strategy</li> <li>• HR re-audit</li> <li>• Staff utilisation</li> <li>• Safeguarding</li> <li>• Follow up review</li> </ul> <p>There are three site visits planned throughout the year. It was agreed that the internal audit plan should remain a live document and be adjusted according to need. It was agreed that the proposed Estates Strategy audit should be discussed with the DCEO and Wylie Bisset outside of the meeting.</p> <p><b>RESOLVED:</b> That the Internal Audit Plan 2020-21 is agreed subject to the HR re-audit being moved to November 2020 and that the plan to be shared with the Corporation.</p> | <p>Clerk</p> |
| <p>9</p> <p>9.1</p>               | <p><b><u>Additional services from Audit service providers</u></b></p> <p>The DCEO explained this was to inform of any additional work undertaken by our external or internal auditors and advised that there had been a report from the internal auditors. In terms of the external auditors RSM provided the Certificate of Expenditure which was an ESFA requirement as part of the RF agreement, dating back to 2018/19.</p>  |              |
| <p>10</p> <p>10.1</p> <p>10.2</p> | <p><b><u>External Audit Strategy and Plan</u></b></p> <p>RSM provided an overview of the external Audit Strategy and Plan, it was highlighted that there are some additional areas required as part of the audit specifically relating to Covid19 (PPN and Furlough). RSM reports relating to the Ney Review and the navigating Covid19 were also shared with the Committee.</p> <p><b>RECOMMENDATION:</b> To recommend to the Corporation that the external audit strategy and plan for the year end 31 July 2020 is approved.</p>  |              |
| <p>11</p> <p>11.1</p> <p>11.2</p> | <p><b><u>Regulatory Self-Assessment Questionnaire</u></b></p> <p>It was noted that the Regulatory Self-Assessment Questionnaire had been updated to reflect additional questions relating to management and governance throughout the pandemic.</p> <p><b>RECOMMENDATION:</b> That the Committee Self- Assessment Questionnaire be recommended to the Corporation for approval and subsequent signature by the Chair and the Accounting Officer.</p>   |              |
| <p>12</p> <p>12.1</p>             | <p><b><u>Strategic Risk Management</u></b></p> <p>The Committee reviewed the Strategic Risk Register as updated by the DCEO and considered that it accurately reflected the current situation.</p>   |              |
| <p>13</p>                         | <p><b><u>Report on Whistleblowing, Fraud and Other Irregularities</u></b></p>  |              |

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| 13.1 | <p>The DCEO summarised the Report on Whistleblowing, Fraud and Other Irregularities:</p> <ul style="list-style-type: none"> <li>• There have been no reports of whistleblowing or fraud since the last report on 15 May 2020.</li> <li>• Attempted email phishing attack- this was reported to IT and a warning email sent out to all staff.</li> <li>• IT are alert to any potential ransomware attacks.</li> <li>• An amendment to the report provided was highlighted. There are currently 13 live claims with the College insurers none of which are new. They are broken down as 4 property damage/thefts (this is reflected in the Regulatory statement) 4 public liability and 5 employer liability.</li> </ul>  |  |
| 13.2 | <p>It was confirmed that reporting of insurance claims had been carried out in line with the expectations of the ESFA,</p>  |  |
| 14   | <p><b><u>Annual Risk Management Report</u></b></p> <p>The DCEO summarised the 2019/20 Annual Risk Management Report. In line with the Risk Management Policy which was approved by Corporation in May 2020, it was confirmed that risk has been assessed on a quarterly basis through the college's performance review cycle and the strategic risks have been reviewed and reported regularly to Audit Committee and considered at Corporation.</p> <p>Training was provided to the Corporation on the risk management and the process at the college, reiterating the roles and responsibilities of Audit Committee and Corporation. This also included significant dialogue about risk appetite and how a view is formed for each risk.</p> <p>It was reported that in terms of the strategic risks the College overall has seen the scorings reduce as the College has continued to deliver slightly ahead of budget, government policy toward funding and quality has become more favourable and the output from the FE commissioner's team has been positive, despite the situation with Covid19.</p> <p>However, quality and achievement remain the highest risk which is driven from the changes as a result of Covid19 and the situation has not enabled time to gather evidence to justify a reduction.</p> |  |
| 15   | <p><b><u>Committee Terms of Reference</u></b></p> <p>The Clerk had reviewed the Committee Terms of Reference in line current regulatory and funding body requirements and recommended no changes.</p> <p>It was suggested that the requirements of the OfS could be incorporated into the Terms of Reference but it was agreed that this was covered by section 4.3 relating to requirements of the college accounts direction.</p> <p><b>RECOMMENDATION:</b> To recommend to the Corporation that the Audit Committee Terms of Reference are approved.</p>   |  |
| 16   | <p><b><u>Any other business</u></b></p>   |  |

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| 16.1 | None  |                        |
| 17   | <b><u>Meeting Evaluation</u></b>                    | <b>Assistant Clerk</b> |
| 17.1 | Meeting evaluation form to be circulated via email. |                        |

Signed by the Chair



Date

06 March 2021

| No | Minute | Item                            | Action   | Who?       |
|----|--------|---------------------------------|--|------------|
| 1. | 1.3    | Meeting of members and auditors | It was agreed that the opportunity for the Audit Committee to meet with the auditors should be a feature of all future meeting agendas.            | Clerk      |
| 2. | 5.13   | Governance-Succession Planning  | To ensure that Equality and Diversity is a key consideration in considering Succession Planning going forward.                                     | Clerk      |
| 3. | 7.6    | Annual Internal Audit Report    | The DPS and DCEO to consider what additional assurances can be obtained in the absence of re-audit.  | DPS/DCEO   |
| 4. | 7.8    | Annual Internal Audit Report    | Wylie Bisset will conduct a follow up Audit on HR in November 2020   | WB         |
| 5. | 8.3    | Internal Audit Plan 2020-21     | Internal Audit Plan 2020-21 is agreed subject to the HR re-audit being moved to November 2020 and that the plan to be shared with the Corporation. | Clerk      |
| 6. | 17.1   | Meeting Evaluation              | Meeting evaluation form to be circulated by email.   | Asst Clerk |