

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: Thursday 15 September 2022 at 16.00 in 4F07 DHB Boardroom

Present	In attendance
John Williams (Chair)	Stephen Pringle (Wylie Bisset) (Via MS Teams)
Steve Roberts (Vice Chair)	Andrew McCulloch (TIAA)
Umar Rafique	Chris Malish (VPF&CS)
Apologies	Marc Gillham (VPD&F)
Richard Lewis (RSM)	Sarah McKenzie (Clerk)
Emmanuel Osei Boateng	Allison McEvoy (Assistant Clerk)
Ann Kendal	

The quorum was two committee members

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

Item		Action/ Report Item
Closed session		
1.	<u>Members to meet with Auditors in the absence of management</u>	
1.1	A closed session took place between the Audit Committee members and the auditors.	
1.2	Wylie Bisset (internal audit) advised that there were no outstanding matters and all their audit work had been finalised, as a result, there was nothing to bring to the committee's attention.	
1.3	The Committee noted from the KPIs in the Annual Internal Audit Report that management responses to some of the audit reports had been slow and suggested that this should be addressed.	
1.4	The Audit Chair advised that he had undertaken a meeting with RSM and would update the committee on that under item 9 of the agenda.	
1.5	There were no other issues to discuss as a part of the closed session.	
Open session		
2.	<u>Introductions, Apologies for Absence and Disclosure of Interest</u>	
2.1	A minute's silence was observed to mourn the passing of Her Majesty Queen Elizabeth II.	
2.2	The Chair welcomed everyone to the meeting.	

2.3	Apologies were noted for Richard Lewis RSM (external audit), Emmanuel Osei Boateng and Ann Kendal.	
2.4	John Williams disclosed an interest in relation to his position on the Askham Bryan College Board, the Committee noted the disclosure but could not foresee any conflicts of interest.	
3.	<u>Chair's action</u>	
3.1	There had been no use of Chair's actions since the last meeting.	
4.	<u>Minutes of the meeting held on 18 May 2022</u>	
4.1	RESOLVED: That the Minutes of 18 May 2022 were approved as an accurate record and can be signed by the Chair.	
5.	<u>Matters arising</u>	
5.1	The Matters Arising Report was reviewed.	
5.2	Q. Has the potential issue of students being unable to complete the online form come up in the recent enrolments? A. We haven't relied on online enrolments this year, we will be looking to refine an online process next for next year. The enrolment process has gone extremely well.	
5.3	Q. Is there an update regarding the whistleblowing concern raised around examination procedures that was being investigated? A. These had been investigated and one closed with the findings not upholding the claims. Whilst the other one will result in a meeting with an employee of the College and may result in disciplinary action if the allegations are upheld.	
5.4	Q. Has the penetration testing taken place? A. Yes, the result is in the Follow Up Review of Business Continuity and Disaster Recovery which was given an overall assurance conclusion of strong.	
5.5	Q. How is penetration testing done? A. It is done externally and will now be part of an annual process. Additionally, multi factor authentication is being rolled out across the College and should be fully implemented by the end of October 2022.	
Internal Audit		
6.	<u>Internal Audit Reports:</u>	

	<p>Wylie Bisset gave presented the Internal Audit Reports:</p>	
6.1	<p><u>6.1 Payroll Review</u></p> <ul style="list-style-type: none"> • The Payroll report had an overall conclusion of STRONG assurance. • There was 1 recommendation graded as low. • There were 10 areas of good practice. 	
6.2	<p>Q. Where it states there are ‘just’ 2 staff dedicated to processing and running the monthly payroll production, are you implying that this is not adequate?</p> <p>A. We are just highlighting that there are only 2 members on the payroll team, we have not raised a recommendation. We can remove the word ‘just’ as we don’t feel it poses any significant risk.</p>	
6.3	<p>Q. Do we now have a Settlement Agreement Policy?</p> <p>A. We have a Settlement Agreement Procedure.</p>	
6.4	<p>Q. What is the process for historic queries now iTrent has been closed down and access has been transferred to the Access XD?</p> <p>A. We can still access historical data.</p> <p>The Committee agreed that the Payroll Review was a good report and asked for thanks to be passed on to the relevant team.</p>	
6.5	<p><u>6.2 Follow Up Review</u></p> <ul style="list-style-type: none"> • The Follow Up Review report had an overall conclusion of SUBSTANTIAL assurance. • From the audit reviews undertaken in 2020-21, there were 18 recommendations to follow up on. • 10 recommendations have been fully implemented. • 6 Partially implemented and 2 not yet implemented. • Where the College has partially implemented recommendations, these recommendations are in progress or are being considered as part of ongoing business developments. 	
6.6	<p>Q. When will the scanning of historical HR documents be completed?</p> <p>A. They are on track to be finalised in December 2022.</p> <p>The Chair noted that the completion dates had been revised for valid reasons and that it was a satisfactory situation for the end of the year.</p>	
6.7	<p><u>6.3 Follow Up Review of Business Continuity and Disaster Recovery</u></p>	

<p>6.8</p> <p>6.9</p> <p>6.10</p>	<ul style="list-style-type: none"> • The Follow Up Review of Business Continuity and Disaster Recovery had an overall conclusion of STRONG assurance. • Originally, there were 6 recommendations, 5 graded as high and 1 graded as low. • The College has endeavoured to implement all the outstanding recommendations and all 6 actions have been completed. <p>Q. There is quite a large gap between the report being issued and the management responses, why is that?</p> <p>A. The summer holidays were a factor in this particular case.</p> <p><u>6.4 Follow Up Review of Inhouse Catering</u></p> <ul style="list-style-type: none"> • The Follow Up Review of Inhouse Catering had an overall conclusion of SUBSTANTIAL assurance. • Originally there were 8 recommendations, 5 graded high, 2 graded medium and 1 graded low. • 5 actions have been fully implemented. • 1 action had been partially implemented, 2 actions had not been implemented, neither of which were graded high. <p><u>6.5 Annual Internal Audit Report</u></p> <p>Wylie Bisset gave an update on the Annual Internal Audit Report, the key points being:</p> <ul style="list-style-type: none"> • Wylie Bisset conduct its activity within the overarching framework of the Chartered Institute of Internal Auditors. • Wylie Bisset are satisfied that sufficient internal audit work has been undertaken to allow a conclusion to be drawn as to the adequacy and effectiveness of the College’s risk management, control and governance processes. • Wylie Bisset’s opinion is that during 2021-22 Bradford College did have adequate and effective risk management, control and governance processes to manage its achievement of the College’s objectives at the time of their audit work. In their opinion, the College has proper arrangements to promote and secure value for money. • During the year, Wylie Bisset undertook an additional investigation into the management and use of College fuel cards. • 60 audit days were planned and 70 days were utilised, owing to the follow up reviews. <p>Management provide responses to draft reports within 15 working days of receipt of draft reports equated to 27%.</p> <ul style="list-style-type: none"> • As a result of the 2021-22 audits, in total, Wylie Bisset identified 2 high priority recommendations, 13 recommendations graded as medium and 12 recommendations graded as low. 	
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	<p>It was noted that management responses graded at 27% was too low. The Committee were advised that the Internal Auditors (TIAA) had been invited to an S.L.T meeting to discuss the Internal Audit process and the importance of management response times.</p> <p>The Committee noted that the Annual Internal Audit Report was a good report overall.</p>	
6.11	<p>ACTION: That the internal audit reports are shared with the Corporation for information and assurance.</p>	Clerk
6.12	<p><u>11. Potential Fraud Investigation - Fuel Cards</u></p> <p>On the 19 May concerns were raised about the potential fraudulent use of College fuels cards, as a result the fraud action plan was deployed. The Chair of Audit committee was notified and an investigation was commissioned and carried out by Wylie Bisset.</p> <ul style="list-style-type: none"> • A fuel card was used for 2 vehicles which did not belong to the College. • The fuel card should not have been used to purchase fuel for these vehicles. • The total financial impact of the unauthorised use of the fuel cards was £1,954 • There were 5 recommendations graded as high. <p>Since May 2022 and the identification of the fuel card being used for a non-College vehicle, the Accounts Payable Team have established a new process for the fuel card invoices.</p>	
6.13	<p>Q. What process picked this up?</p> <p>A. It was a diligent team member who was auditing the number of vehicles the college has and identified one specific vehicle was not on the list. The matter was immediately brought to the attention of the VPF&CS.</p>	
6.14	<p>Q. Do we have a policy that covers staff committing fraud being passed to the police? Does the policy state that the staff member will be reported to the police as this would be a deterrent?</p> <p>A. Depending on the scale of the fraud, the police usually advise a business to deal with the matter internally. Ours does state that any fraudulent activity will be pursued but we will check the wording around any police involvement and come back to you.</p>	
6.15	<p>ACTION: Feedback on the policy wording regarding police involvement in fraudulent staff activity.</p>	VPF&CS
6.16	<p>Q. Do we have any other type of these card systems?</p>	

6.17	<p>A. No this is the only one remaining.</p> <p>The Committee noted the report.</p> <p>On behalf of the Committee, the Chair thanked Wylie Bisset for their service to the committee and the College and noted that good progress had been made over the last few years.</p> <p><i>L/ SP</i></p>	
7.	<p><u>Additional services from Audit service providers</u></p> <p>7.1 The VPF&CS provided a verbal update of the additional services from audit service providers advising that there had been additional costs arising from the fuel card fraud investigation carried out by Wylie Bisset. External Audit (RSM) had provided additional services in relation to the audit of Initial Teaching Training and of Pensions but these are part of the overall audit plan. No other additional services had been commissioned from either internal or external audit.</p>	
8.	<p><u>Internal Audit Plan</u></p> <p>8.1 TIAA (internal audit) provided an overview of the Indicative Audit Strategy 2022/25 and Annual Plan 2022/23.</p> <p>There was a discussion around the key emerging themes in the sector:</p> <ul style="list-style-type: none"> • Cyber Security and Information Governance • COVID-19 • Changes in the Post 16 Audit Code of Practice • Apprenticeships • Staff Shortages • Sustainability <p>8.2 Q. Would you elaborate on the risk that the apprenticeship programme may not be financially sustainable?</p> <p>A. To deliver an outstanding apprenticeship provision you are probably estimating somewhere between 20% to 25% and our current contribution is 21%. The constant burden and lowering of funding rates alongside punitive funding rules is causing problems for Colleges.</p> <p>The Committee was advised that the VPF&CS will be overseeing apprenticeships going forward. There will be a review in to the types of apprenticeships the College offers and the sustainability of those apprenticeships.</p> <p>8.3 Q. When will you be having this discussion with Corporation?</p> <p>A. This project has only just been scheduled in so it will be later this year.</p>	

8.4	TIAA advised that they had met with the Audit Chair, VPF&CS, VPD&F and the Clerk to discuss the proposed Audit Plan, considering need in light of the College Risk Register.	
8.5	Q. Should Cyber Risk be audited annually considering the rise in cases? A. We could do an annual check but it would need to be an additional piece of work to run alongside the assurances we already have in place.	
8.6	Q. Do we have insurance cover for Cyber Risk? A. Yes, we have cyber insurance protection which covers up to £2m, we are aware that the risk appetite on this is averse.	
8.7	The Chair requested that an additional performance measure around management responses be added to the plan.	
8.8	ACTION: Insert an additional performance measure on management response times.	TIAA
8.9	RECOMMENDATION: That the Internal Audit Plan be recommended to Corporation for approval.	
External Audit		
9.	<u>External Audit Progress Update</u>	
9.1	RSM had given apologies for the meeting. The Chair met separately with RSM to obtain an update and confirmed that everything was on schedule and going to plan.	
10.	<u>Regularity Self-Assessment Questionnaire</u>	
10.1	The VPF&CS Provided an overview of the Regulatory Self-Assessment Questionnaire.	
10.2	ACTION: Data on governor and executive expenses will be added in once a discrepancy had been resolved. As will an update to the governance section	Clerk/ VPF&CS
10.3	RECOMMENDATION: With the identified amendments, the completed Regularity Self- Assessment Questionnaire be recommended to the Corporation for approval and subsequent signature by the Chair and Accounting Officer.	
Governance and Strategic Risk		
11.	<u>Report on Whistleblowing, Fraud and Other Irregularities</u>	
11.1	The VPF&CS summarised the Report on Whistleblowing, Fraud and Other Irregularities.	

<p>11.2</p> <p>11.3</p> <p>11.4</p> <p>11.5</p> <p>11.6</p> <p>11.7</p>	<p>Since March 2022 there had been two instances on whistleblowing, both had been around malpractice of assessments. These had been investigated and one closed with the findings not upholding the claims. Whilst the other one will result in a meeting with an employee of the College and may result in disciplinary action if the allegations are upheld.</p> <p>On the 19 May concerns were raised about the potential fraudulent use of College fuels cards, as a result the fraud action plan was deployed. The Chair of Audit committee was notified and an investigation was commissioned (see 6.12). The suspected employed was immediately suspended pending the outcome of the investigation. The suspected employee then resigned before the outcome of the investigation was known. The total financial impact of the unauthorised use of the fuel cards was £1,954. This amount has not been pursued as the associated costs in working to recover those funds would be greater than those recovered.</p> <p>In May there were two direct debits set up against the College bank account, which resulted in £42 being taken from College funds. This was raised immediately with Lloyds who refunded the money in the same month.</p> <p>There are ten open insurance claims with a total potential settlement value of £568,332 which is made up of three employer liability, two public liability and five property related and theft related. The largest potential settlement value is £439,400, which is a claim from a student who was injured whilst undertaking an activity with College in 2018, the insurers have appointed solicitors to defend the case and meetings occur quarterly to review all open claims. One claim value regarding fire damage within the Lister Building is being disputed and may increase by circa. £80k.</p> <p>The IT Disaster recovery follow up internal audit was completed with an outcome of Strong, in addition the College secured Cyber Essential + accreditation in September 2022. Penetration testing was completed in June 2022, with all resulting actions being addressed in the month of June. The College also experienced a phishing attempt for staff bank details, which was reported and resolved.</p> <p>Q. Do whistle blowers receive feedback on any outcomes? A. We will check and come back to you.</p> <p>ACTION: VPF&CS to check if a response is provided to whistle blowers.</p> <p>The Committee noted the report.</p>	<p>VPF&CS</p>
<p>12.</p>	<p><u>Strategic Risk Management</u></p>	

12.1	The Committee reviewed the Strategic Risk Register that had been reviewed and updated accordingly across the Summer term by the various Committees and subsequently updated by the Senior Leadership Team.	
12.2	Q. In relation to SR1, what is the percentage of fixed borrowing? A. £12m is fixed, the remaining £6.7m (approx.) is on a variable rate.	
12.3	Q. How long is the fixed rate valid? A. 10 years.	
12.4	Q. Do we assess the variable rate for risk so we could decide to move it to a fixed rate if we felt there was a risk? A. We look at that as part of the Annual Treasury Management review with F&GP Committee.	
12.5	Q. Regarding the recent ruling around holiday pay for casual contracts, are we looking at reviewing our options for part time employees? A. Yes, we are looking at currently exploring the options.	
12.6	The VPF&CS highlighted the risk around the recruitment of staff. As of the week commencing 5 September 2022 there were 119 vacancies at the College (15% of the workforce). TIAA advised that this is an issue across all sectors.	
12.7	The Committee noted that the risks were being identified and managed appropriately and that the SLT will be carrying out a full review of the Risk Register, including the risk appetite.	
13.	<u>Annual Risk Management Report</u> The VPF&CS presented the Annual Risk Management Report.	
13.1	Throughout 2021-22 risk has been assessed on a regular basis through the college's performance review cycle. Strategic risks have been reviewed regularly by the SLT, relevant Committees, Audit Committee, and also considered at Corporation. The Committee were reminded that all such activity is in accordance with the Risk Management Policy, which is reviewed by Audit Committee and is approved annually by the Corporation.	
13.2	In terms of the strategic risks the College has judged minimal change in risk as in some areas the level of expected improvement has not materialised around quality of teaching (SR7) and student outcomes (SR4). In addition, further pressures on the finances such as inflation meant risk levels have stayed static (SR1).	

13.3	The risk around critical incidents (SR10) was increased due to the increasing national picture of increased levels of cyber-attacks against education providers.	
13.4	The Committee noted the Annual Risk Management Report.	
Policies		
14.	<u>Asset Management Policy</u>	
14.1	The VPF&CS advised that as part of the biennial review, the Asset Management Policy had been updated to reflect changes of job titles and reinforce elements included within the Financial Regulations.	
14.2	ACTION: To replace 'The Finance Team' with 'Head of Finance' in relation to responsibility for the maintenance and accuracy of the college asset registry.	VPF&CS
14.3	RECOMMENDATION: That subject to the identified changes, the Asset Management Policy be recommended to the Corporation for approval.	
Any other business		
15.	<u>Items for report to the Corporation</u>	
15.1	<ul style="list-style-type: none"> • Meeting minutes of 15 September 2022 • Internal Audit Reports- for information • Internal Audit Plan- for approval • RSAQ (updated)- for approval and signature • Asset Management Policy- for approval 	
16.	<u>Any other business</u>	
16.1	Members reflected on any training needs.	
16.2	ACTION: Clerk to pick up training requirements with the Vice Chair.	Clerk
16.3	ACTION: Clerk to ascertain the types of training provision for Governors provided by TIAA and RSM.	Clerk
16.4	The next Audit Committee meeting will take place on the 8 December 2022.	
16.5	The Chair closed the meeting at 17.55.	
17.	<u>Meeting Evaluation</u>	Assistant Clerk
17.1	To be circulated by the Assistant Clerk.	

Approved by the Committee:

Agreed actions

No	Minute	Action	Who?
1	6.11	That the internal audit reports are shared with the Corporation for information and assurance.	Clerk
2	6.15	Feedback on the policy wording regarding police involvement in fraudulent staff activity.	VPF&CS
3	8.8	Insert an additional performance measure on management response times.	TIAA
4	10.2	Data on governor and executive expenses will be added in once a discrepancy had been resolved. As will an update to the governance section.	VPF&CS/ Clerk
5	11.3	VPF&CS to check if a response is provided to whistle-blowers	VPF&CS
6	14.2	To replace 'The Finance Team' with 'Head of Finance' in relation to responsibility for the maintenance and accuracy of the college asset registry.	VPF&CS
7	16.2	Clerk to pick up training requirements with the Vice Chair.	Clerk
8	16.3	Clerk to ascertain the types of training provision for Governors provided by TIAA and RSM.	Clerk
9	17.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk