

MINUTES – AGREED 26-09-23

THE CORPORATION OF EALING, HAMMERSMITH & WEST LONDON COLLEGE

Meeting	Audit Committee		
Date	Tuesday 13 June 2023	Time	17.30
Venue	Virtual meeting		
Chair	Rachael Fisher		

Members: Rachael Fisher, Shawez Mir, Mustafa Sami Qazi

In attendance: Anil Nagpal, Chief Operating Officer; Maxine Deslandes, Director of Finance; Matt Fawcett, Deputy Principal, Planning, Partnerships and Projects, Richard Ward, Director of Governance

Internal Auditor: Paul Goddard and Carl Bullen (Scrutton Bland)

External Auditor: Shachi Blakemore (Buzzacott)

	ITEM
1	<p>Attendance</p> <p>Apologies were received from Saad Siddiqui.</p>
2	<p>Declarations of Interest</p> <p>No interests were declared.</p>
3	<p>Minutes</p> <p>Resolved, That the minutes of the meeting held on 20 March 2023 be approved as a correct record and signed by the Chair.</p>
4	<p>Matters arising</p> <p>The Director of Governance drew the Committee's attention to three matters raised at the previous meeting:</p> <ul style="list-style-type: none"> ● Internal Audit reports – three suggestions had been made by the Committee for the improvement of the College's risk management arrangements, all of which were agreed. They related to: training for governors and senior leaders; the addition of target risk scores against sub-risks on the register; and consideration of some risks being allocated to relevant committees for review. ● Implementation of Internal Audit recommendations – the Committee's request for a progress update on the implementation of existing Internal Audit recommendations was on the agenda as item 6.3.i. ● Subcontracting – The Internal Audit review of subcontracting had taken place as planned and would be reported on at the Committee's next meeting.

9 (item taken earlier)

Subcontracting

The Deputy Principal of Planning, Partnerships and Projects explained the background to the subcontracting papers and associated policy listed on the agenda. The College's subcontractors had achieved 64% of the ESFA AEB target of £1.82m for 2022/23, and were on track to complete the target by the end of the academic year.

The Board had approved a GLA AEB subcontracting value of £1.1m for the 2022/23 academic year, with the College setting an internal target of £300,000 in order to support the growth of in-house delivery. However, staffing challenges meant that a further £400,000 had been released to subcontractors to work in areas of high need and demand.

The Deputy Principal informed the Committee that the contract variations approved at the previous Committee meeting had been issued, and the College was meeting subcontractors weekly to monitor delivery against targets. The process of obtaining an Audit certificate was underway and it was expected to be received shortly. The College had a tapering agreement with the ESFA to manage non-devolved subcontracting down to the cap of 25% by 2024/25.

The Deputy Principal updated the Committee on the Pre-Qualification Questionnaire (PQQ) and Invitation to Tender (ITT) processes for ESFA and GLA subcontracting activities for 2023/24, and introduced the Subcontracting delivery, fees and charges policy, which had been revised in consultation with the Directors of Finance and Management Information Systems. The main change related to the management and weighting of financial risk against contractual and legal risks.

The Deputy Principal informed the Committee that a paper would be considered the following week by the Finance & General Purposes Committee on subcontracting arrangements for 2023/24 ahead of the Board meeting on 27 June.

In the discussion that followed, Governors raised the following issues:

- **The feasibility of achieving the subcontracting target set for the next year.** The Deputy Principal explained that a large proportion of the College's subcontracting was non-devolved provision. The challenge of reducing the College's subcontracting provision to ESFA target of 25% was challenging, but was the basis against which plans for 2023/24 were being made.
- **How learner data was shared with subcontractors and governed.** The Deputy Principal noted that as the data controller for the purposes of UK GDPR, the College had legal obligations in respect of learner data which included the way in which it was shared with and held by subcontractors. These obligations were in part controlled through the Service Level Agreements between the College and its subcontractors. The Chief Operating Officer informed the Committee that he was the College's data protection officer and was responsible for GDPR/Data protection.

The Chair asked the Internal Auditor for details of the subcontracting audit timeline. Paul Goddard (Scrutton Bland) explained that the fieldwork for the audit was currently underway and would be reported on at the next Audit Committee meeting.

Resolved, That the Subcontracting delivery, fees and charges policy be recommended to the Board for approval.

<p>5</p>	<p>Risk management</p> <p>The Chief Operating Officer presented two papers giving an overview of the College’s risk management arrangements. The risk register covered 22 College-wide strategic risks, which had recently been reviewed and updated by College leadership; these also took into account recommendations made as part of the recent Internal Audit assignment. An overview of the risk register had been provided to the Committee to aid members’ understanding of the movements in risks at a strategic level. The proportion of strategic risks rated as Red (Significant) or Amber (High) were broadly stable.</p> <p>In the discussion that followed, Governors raised the following issues:</p> <ul style="list-style-type: none"> • How the impact of mitigations was represented on the register, and whether gross risk was adjusted. The Chief Operating Officer explained that gross risk was measured from the start of the year, but that mitigations could fluctuate during the year as they were updated throughout the year. <p>The Chair asked the Internal Auditor what practice looked like in the wider sector. Paul Goddard (Scrutton Bland) said that practice varied and that the approach taken by the College was commonplace, but that it would be possible to show gross risk differently. The Chair suggested that consideration be given to further detail being given on dates and timings to improve the representation of the effect of mitigations throughout the year.</p>
<p>6</p>	<p>Internal Audit</p> <p>Carl Bullen (Scrutton Bland) updated the Committee on the College’s Internal Audit Strategy and the proposed annual plan. Reports on recent Internal Audit visits had been shared with the Committee. The Director of Finance explained that of the original Internal Audit plan approved by the Board, some work had been brought forward, with other work yet to be scheduled.</p> <p><i>Employer and stakeholder engagement</i></p> <p>This report provided significant assurance of the College’s engagement with employers and stakeholders. Fieldwork had taken place in April over three days and a report had been finalised in May. Two medium recommendations had been made in respect of the use of ProSuite and the structure of the Business Development function, both of which had been accepted.</p> <p>Governors asked whether the assurance given in the report mirrored internal assessments, and whether a target of September for both recommendations was feasible. The Director of Finance confirmed that the assessment in the report matched the internal view.</p> <p><i>HR sickness management</i></p> <p>This report provided reasonable assurance of the College’s management of sickness absence. Fieldwork had taken place in May over three days and a report had been finalised shortly after. The report noted that the College had a clear and detailed policy on sickness absence, underpinned by an externally-provided Employee Assistance Programme and occupational health support. Three medium recommendations had been made in respect of document management, consistency of application and the introduction of KPIs.</p>

Governors asked why the absence rate was higher than the national average for the UK labour market. The Director of Finance noted the time period in respect of which data had been reviewed, and that the Director of People and Organisational Development was in the process of creating KPIs which took into account sector comparators. These would be reported internally and to the Finance & General Purposes Committee.

Recommendations follow-up

This report concluded that reasonable progress had been made in respect of recommendations made previously. Two days of fieldwork had taken place in May, with a report finalised shortly after. The review did not consider areas already scheduled for full audits during June. Six recommendations had been fully or partially completed and a further four remained outstanding.

The Director of Finance noted the current work of the Director of People and Organisational Development on the outstanding recommendations; the Chief Operating Officer reminded the Committee that recommendations stayed on the tracker until they were completed or otherwise discharged.

Risk and Assurance progress report

This paper reported on recently concluded and current Internal Audit assignments. Governors asked about the recent audit of cyber security and asked whether headline findings could be shared. The Director of Finance informed the Committee that the exit meeting had taken place earlier that day, and Carl Bullen added that once the report had been drafted there would be a process of moderation after which a report would be brought to the next meeting of the Committee.

Student attendance

This recently concluded report provided reasonable assurance of the effectiveness of the College's work to identify, follow up and record student absence. An overarching policy was in place, but improvements were recommended to help staff understand their responsibilities under it to achieve a greater level of compliance.

Governors asked what account was taken of existing management action to improve student attendance. Carl Bullen explained that existing management action formed part of the baseline for any review. The Director of Finance further explained that a wide range of documentation had been reviewed in preparation

The Chief Operating Officer updated the Committee on progress against outstanding Internal Audit recommendations. Governors asked whether carrying out the actions required within the specified time was feasible. The Director of Finance said that the necessary work was underway and that progress would be reported on at the Committee's next meeting.

The Chair thanked the Internal Auditors for their work and noted the significant effort made by college staff to preparing for and contributing to Internal Audit assignments.

External Audit

Shachi Blakemore (Buzzacott) outlined the role of the External Auditors and presented a paper on the College's External Audit Strategy. She explained that the External Auditors would be focusing in particular on two areas: first, the capital work relating to the exit from Park Royal and the change of use of part of the Southall campus and second, the regularity of the College's finances.

The main change from an External Audit perspective in the next set of accounts was driven by the reclassification of colleges as public sector organisations by the ONS. The consequences of reclassification were significant, particularly where consent from ESFA and limitations now existed on forms of expenditure and borrowing where previously they had not. Audit would be focused on whether relevant policies and procedures had been updated, and whether evidence existed that updated policies and procedures had been complied with.

A further issue that the External Audit would take into account was the robustness of the IT environment in which finance activities took place, as a result of changes to accounting practice ('ISA 315'). External Audit would consider MIS systems, payroll, booking facilities and accounting systems to ensure that accessibility to financial data was properly controlled. The External Auditors did not intend encroach on the activities of Internal Audit.

The Post-16 Audit Code of Practice had been updated to take reclassification into account, and some of the consequences of reclassification remained to be determined. A question had arisen about the treatment of college finances within the Department for Education's accounts. There was no prospect of an immediate change but there was discussion between ESFA and Auditors over the feasibility of a change to the financial year.

More widely within the sector, cyber security was emerging as a major concern, with one college having recently experienced a cyber-attack. Staff retention and recruitment was a challenge, both directly and as a result of the knock-on effects it caused. The impact of rising energy costs across the sector had been mixed as a result of the different length of contracts some colleges were on. Finally, the Committee was reminded of the importance of accurately reporting on median vs CEO pay multiples within the college's financial statements.

Governors asked:

- **Whether college staff had access to any training required to complete actions arising from reclassification.** The Director of Finance confirmed that this was the case. The Chief Operating Officer noted the scale of the ONS decision, particularly given the retrospective nature of it. He informed the Committee that updated financial regulations would be considered by the Finance & General Purposes Committee the following week before going to the Board.
- **Whether the External Auditors were aware of any proposals for UK legislation along the lines of the US Sarbanes-Oxley Act.** Shachi Blakemore informed the Committee that she was not aware of such a proposal but would consult colleagues.

Resolved, That the External Audit Strategy be recommended to the Board for approval.

	<p>The Chief Operating Officer updated the Committee on progress against outstanding External Audit recommendations relating to a fixed asset register and ILR data. The Director of Finance informed the Committee that the intention was to procure a fixed asset module within a new finance system, and that additional staffing resource was being deployed over the summer to conduct preparatory work.</p>
8	<p>Fraud report</p> <p>The Chief Operating Officer informed the Committee that no instances of fraud had been identified since the last report.</p>
10	<p>Policies</p> <p>The Chief Operating Officer presented two policies for approval, both of which had been updated as part of the regular cycle of review. Neither paper contained substantive changes, but had been reviewed and amended to reflect changes to the relevant legislation as appropriate.</p> <p>The Chief Operating Officer noted that detail on the retention schedule would be made available and that the Anti-bribery (etc.) policy was an important part of how the College managed some of its risks.</p> <p>Resolved, That the following policies be recommended to the Board for approval:</p> <ol style="list-style-type: none"> 1. Data protection, freedom of information and environmental information 2. Anti-bribery, corruption and fraud policy
11	<p>Updates</p> <p>Further to the information shared as part of the External Audit Strategy, Shachi Blakemore (Buzzacott) updated the Committee on sector-wide developments including Accounts Directions, the Post-16 Audit Code of Practice and Regularity Audit guidance for 2023/24. Guidance had been received from ESFA on its proposed approach to monitoring compliance during the first year of transition after reclassification. A financial handbook modelled on the handbook for Academy Trusts was expected in 2025, the nature and content of which would be shared as it emerged.</p>
12	<p>Committee evaluation</p> <p>The Chair thanked those present for their contributions and invited comment on the conduct of the meeting:</p> <ul style="list-style-type: none"> ● Governors felt that they had received the information they needed in order to offer constructive challenge to those presenting, and that the Chair had facilitated a good balance of presentation and discussion. The quality of the papers was commented on favourably, given the necessarily technical nature of some of the material concerned. ● Auditors commented on the efficiency with which the meeting had been chaired, which in their experience was not always the case with Audit Committee meetings elsewhere. ● Staff valued the feedback and challenge provided by members of the Committee, which they felt added value to their work.

13	Any other business Nil.
14	Date of next meeting It was agreed that the next meeting of the Committee would take in the Autumn term, subject to the agreement by the Board of a full schedule of meetings for 2023/24.