

Minutes of the Meeting of the Audit Committee
held on Monday 12 June 2023

Present: - Jennette Arnold OBE (Chair)
Joe Hedges
Judy Balderson (Co-opted Member)
Kay Sandford-Beal (Co-opted Member)

In attendance: - Tim Williams (Finance Director)
Jane Simons (College Accountant)
Linda Watkins (Clerk to the Governors)
Abigail Appleton (Principal)
Jonathan Maddock (TIAA)
Carol Davey (Mazars)
Mary Malcolm (AoC consultant)

The meeting was quorate as four members of the Audit Committee were present. The Chair explained that one paper had been received earlier in the day which was a draft and could not be recommended to the Board for approval at such short notice.

1. Apologies for Absence

There were no apologies.

2. Declarations of Interest

There were no declarations.

3. Minutes of the Last Meeting

The Committee agreed that the Chair should sign the minutes of the meeting held on 27 March 2023 as a true record subject to a minor change which was agreed.

Matters arising from the Minutes

- I. It was confirmed that the College had completed a cyber security and phishing exercise.
- II. The recommendation tracker has been updated following discussion at the last meeting.
- III. Multi factor authentication (MFA) is more complex to instigate and remains a work in progress.
- IV. Structured feedback from students about Station Approach accommodation is being considered as part of the general student survey feedback and not as a bespoke survey as CityHeart manage student accommodation. The marketing team are taking note of conversations with student about accommodation which can be used in future marketing.

- V. The risk register had been updated for the last Board meeting.

The Committee agreed: -

- To approve the minutes

4. Internal Auditor's Reports

TIAA, presented the following reports.

- I. The progress report and briefings included AI and implications on internal audit. The latest audit report was provided on key financial controls which had no priority 1 fundamental recommendations. The risk management audit had commenced; the follow up audit will be completed by the start of the next academic year. Fraud and cyber security briefings were provided for information.
- II. Key Financial Controls audited payroll and creditor payments showing adequate controls with two priority 2 recommendations. The sample of invoices tested showed one did not comply with the delegated authorities within the financial regulations. TIAA had proposed increasing the limit to sole authority to the Principal or Finance Director in the financial regulations for expected invoices. Credit card payments should be signed by the card holder and College Accountant; one statement showed that there had not been a segregation of duties regarding approval of a payment. A Governor commented about the implementation dates of September 2023 suggesting this should be addressed immediately; it was confirmed that this had been implemented. There are approximately ten cardholders with spend reviewed each month. There was a question about purchasing an electronic purchasing system and the timing proposed. This would be cost driven and take account of the small size of the College. A Governor asked about holding digital records instead of paper copies noting that a number of documents would need to be scanned and that there would be a cost implication to implement a system and changes to working practices. The College is aiming to be net zero by 2030 which includes both its paper and digital footprint.
- III. The audit strategy 2023/26 and audit plan 2023/24 had been tabled. TIAA and the Finance Director would discuss, revise and re-issue the plan which will be linked to the College's key risks and be flexible.

The Committee agreed: -

- To note the reports
- The audit strategy 2023/26 and plan for 2023/24 will be emailed to Governors for comments with a view to recommending to the Board for approval in July **ACTION: FINANCE DIRECTOR**

5. Data Returns Schedule 2022/23

This had been implemented in response to a recommendation by the previous internal auditors. The data returns schedule is a work in progress and live document.

A Governor raised last year's management letter from Mazars regarding part time employees potentially being entitled to holiday pay asking if there was any progress. Mazars confirmed that there has not been any further progress to date.

The Committee agreed: -

- To note the data returns schedule

6. Recommendation Tracker

The Finance Director explained that item 8 on the tracker had been completed with the data returns schedule presented to the Committee; this recommendation would be removed. **ACTION: FINANCE DIRECTOR**

High level risks were discussed individually.

An estates strategy had not been prepared to date which is a substantial task and being progressed to synchronise with the College's overall strategic plan. The draft strategic plan will be presented to the Board in July. A Governor is supporting SLT to prepare the high-level principles as the basis for an estates strategy; the principles will also be prepared as a draft in July with the draft estates strategy to follow in the autumn following discussion by the F&GP Committee. The Auditor reminded Governors that the government directive 'Managing Public Money' requires colleges to have an estates strategy; this will be tested as part of the College's regularity self assessment which will be discussed by the Committee in November, and signed off by the Board in December as part of the financial statements audit. A Governor asked how granular the estates strategy needed to be with a suggestion from the auditor to make this a high-level strategy covering information about the campus, rolling maintenance, social value and community benefits, and sustainability and net zero targets over the next 5-10 years.

In discussion, it was noted that Herefordshire Council have offered an extension of the CRC lease for another year until August 2024. The College has been allocated c£1M capital grant from ESFA which will require detailed reporting on spend to ESFA.

Recommendation 13 regarding IT penetration testing and subscribing to Cyber Essentials is under way.

Controls have been implemented for recommendations 14 and 15 to implement an access management policy and procedure. The IT continuity plan requires significant work to update which is being rewritten. Several IT policy drafts have been prepared which SLT will sign off. The risk management audit has commenced and identified that an IT risk register is required; this will be reported to the next meeting. **ACTION: FINANCE DIRECTOR**

Governors questioned if dates are realistic particularly as the Operations Manager has a wider remit and a high number of recommendations to

address. The Finance Director will ascertain if dates are realistic for completion. There would be a specific update on recommendations overseen by the Operations Manager with a written progress report in November including progress and dates for achievement. **ACTION: FINANCE DIRECTOR**

The Committee agreed: -

- To note the tracker and progress, requesting an addition column for revised dates and to remove recommendations as indicated **ACTION: FINANCE DIRECTOR**

7. Mazars Audit Strategy Memorandum to 31 July 2023

Mazars presented the strategy outlining the approach to the audit, significant audit risks, going concern, fraud and regularity and areas of key judgements. The audit framework has increased scrutiny which is also incorporated in the regularity self assessment and financial statements audit. There are six additional requirements in the checklist following the ONS decision regarding classification of colleges and Managing Public Money directive; examples include senior postholders' pay controls, requirements for special payments and novel, contentious and repercussive transactions. This has increased the auditor's fee for the regularity audit. A new ISA 315 auditing standard has been introduced measuring each step of the data flow from initial student recruitment; controls will be tested for the data flow and mechanisms embedded. The audit will be more onerous covering additional aspects to meet the new regulations. DfE have issued additional guidance as bite sized guides which are useful which would be shared with Governors.

The audit will focus on learner number data compared to income. The net pension position of asset and liability of the pension will be reported separately. There is an enhanced risk regarding assumptions for the pension liability. The pension fund will make decisions on the assumptions of actuaries and assets. Mazars work with their own actuaries to test the financial value and difference of the pension valuation. LGPS write to the College with proposals which are forwarded to Mazars for advice.

In the future financial reporting exposure may be introduced as an accounting standard to bring the UK in line with international standards. This could affect operating leases to be reported as an asset and liability from July 2026. 1 August 2024 opening position will need to be monitored for leases, this would include student accommodation.

The Committee agreed: -

- To recommend that the Board approve Mazars Audit Strategy Memorandum to 31 July 2023

8. Risk Management Register and Report

Questions were invited about the risk register. A Governor asked about the College's relationship with UWTSD. The risk regarding the relationship with UWTSD's deteriorating had increased in response to receipt of a proposal to increase fees in the financial annex. In response to this the Principal had

discussions with the Pro-Vice Chancellor. A proposal is awaited anticipating an increase in fees with the value to be determined. This remains a risk particularly in the longer term; however, there is a positive working relationship between the institutions and the College is seeking to control fee increases in the short term.

The F&GP Committee will discuss budget assumptions based on firm acceptances to date. Utility costs have reduced compared with initial expectations with the risk of a major utility outage decreasing. The College procures utilities via West Mercia Energy with stable contracts and costs reducing below the planned budget.

The risk relating to changes to senior staff or staff undertaking critical or unique role leaving the College had been updated. An additional Vice Principal commences in July and a Digital Course Leader has been recruited. The Clerk to the Governors has resigned with discussion arranged with HLNSC to discuss the possibility of a joint appointment.

Payroll as a percentage of income is likely to increase to c70% if income does not increase.

The Committee agreed: -

- To note the risk register

9. Counter Fraud Risk Assessment

The Clerk and Finance Director had completed the assessment providing evidence of measures to prevent fraud. Questions and comments were invited from Governors with a comment that it is crucial to have robust procedures to prevent fraud. The Clerk would include a summary of the counter fraud risk assessment in the Audit Committee's Annual Report.

The Committee agreed: -

- To note the annual counter fraud risk assessment which showed robust measures to prevent fraud

10. Annual Items for Committee

The Committee agreed: -

- To appoint Jennette Arnold as Chair of the Committee for 2023/24
- The Committee self assessed its performance concluding that it was effective and adequately met the requirements of its terms of reference. Governors agreed informative papers are presented to the Committee and that there have been useful briefings from TIAA and Mazars which are appreciated.
- The Clerk will review the terms of reference

ACTION: CLERK TO THE GOVERNORS

11. Any Other Business

There were no items.

12. Date and Time of the Next Meeting

The next meeting was arranged for Monday 27 November 2023 commencing at 1.30pm.

Signed as a true record of proceedings:

Chair: **Date:**