

**Minutes of the
Audit Committee
Thursday 17 November 2022
Hybrid Tresham room Keug60 and by Zoom
3pm**

Present: Luke Ferebee (Chair)
Dennis Buckley
Matthew Glass

In attendance: Jonathan Creed (JC) ICCA
Pat Jones (PJ) Deputy CEO - Finance
Saeed Keynejad (SK) Director of College Information Services
Rakesh Shaunak (RS) (Macintyre Hudson)
Stephen Walker (SW) Deputy Director Finance - Control
Rachel Nicol (RN) Group Director of Governance (Minutes)

AC/25/22 Apologies for absence

Apologies for absence were received from Raj Randhawa.

AC/26/22 Declarations of Interest

There were no declarations of interest relevant to the matters on the agenda.

AC/27/22 Matters arising not covered elsewhere on the agenda

The Committee welcomed Matthew Glass to his first meeting of the Committee as a co-opted member.

The Group Director of Governance referenced a report included in the pack relating to the office for Students, fraud monitoring and compliance which had been presented to the QSA Committee. As matters of fraud and irregularity sit within the Committee's terms of reference it was agreed that members would review the report and discuss it at a future meeting.

AC/28/22 Internal audit annual report

Jonathan Creed from ICCA introduced the report. It was explained that the report forms part of the assurance framework and is available to funding agencies and other financial stakeholders. The report will be provided to the Corporation as part of the assurance

from the Committee and concludes that the college has an adequate and effective governance framework for risk management and systems of internal control.

The Committee noted the report

AC/29/22 Follow up on recommendations 2021-2022

The report was presented by the Deputy CEO – Finance who confirmed completion of the internal audit programme for 2021-2022 with the two remaining reports being presented in the current meeting.

Implementation of recommendations was noted to support management of financial risk.

Jonathan Creed from ICCA confirmed there is only one medium recommendation outstanding with a planned completion date of summer 2023.

The Committee was particularly pleased to note substantial progress on GDPR.

The report was noted

AC/30/22 Internal audits

The two outstanding internal audit reports for 2021-2022 were presented for consideration by the Committee.

5a. ESFA Mock funding audit

Jonathan Creed from ICCA introduced the report and confirmed the substantial level of assurance provided with good design and adequate compliance levels. The methodology for the audit was confirmed and follows the ESFA funding audit methodology and zero tolerance approach.

The Committee focused in particular on the medium recommendation around the adult Education Budget (“AEB”) and apprenticeships attendance and noted potential funding implications.

It was recognised that the approach taken in respect of apprenticeships and functional skills has been changed and that assurance was received in terms of the full ESFA funding audit last year.

The Committee asked:

-Is the planned implementation date soon enough if there is a risk of funding implications? The date had been set based on the new academic year as a point at

which to test implementation, but it was recognised that there are benefits in earlier implementation.

-What drives the sample size and are they statistically valid? JC confirmed that the ESFA use standard samples rather than monetary units and samples have been picked to be adequate for the identification of issues and to take account of the proportionate use of management time.

The report was noted

5b. Data security infrastructure

JC presented the report and confirmed reasonable assurance with adequate design and good compliance. Although it was recognised that the number of recommendations outlined in the report was high for Bedford it was not unusual for the sector. There was a mix of implementation dates.

The Executive Director of Digital Transformation attended the meeting to update the Committee on progress made and work carried out since he joined the department in May. ***The slides presented showing the summary of progress will be added to the meeting pack.***

The Committee noted that cyber essentials had been achieved with work now focusing on the criteria to achieve ISO27001.

Questions centered around:

-Whether implementation dates can be brought forward? Areas where progress had been made ahead of schedule were outlined and other areas are monitored to ensure priorities are assessed.

-What is the level of confidence around avoidance of serious incidents? The College is prioritising cyber security processes, has strengthened security with the introduction of phishing detection tools, cyber security training and dark web monitoring.

-How firewalls are managed and the move to next generation technology? The preference is to move to next generation solutions for the firewall and these are being investigated but at the same time the 3 different firewalls across the college are being managed.

-Will the College go for Cyber essentials plus before going for ISO27001? The College is reviewing current processes in the context of both sets of criteria but is mindful of the volume of paperwork involved and need to manage priorities.

The report was noted

AC/31/22 Financial out-turn 2021-2022 financial management letter

RS from MHA Macintyre Hudson attended to present the audit findings and the Deputy Director of Finance- Control presented the indicative out-turn position for 2021-2022.

The financial out-turn is confirmed to be the consolidated position for the College and 3 subsidiary companies with the final surplus being much lower than the original budget. BCS had made a surplus which it was noted will be gift aided to the College. Aston had made a small loss.

It was confirmed that no changes are expected to the numbers but that post balance sheet work is to be completed.

Assurance was given that the cash position has been managed and no banking covenants breached.

Subject to completion of the audit work the financial health grade based on ESFA ratios was confirmed to the Committee as outstanding. There are not considered to be any risks to the going concern status but this will be reviewed again once the post balance sheet work has been carried out.

RS outlined key areas, assumptions, work carried out and conclusions including pension assumptions, accounting policies, controls, related party transactions, work around fraud and regularity audit work.

The Committee raised and discussed:

-What is the estimate of uncertainty around the pension adjustments? Uncertainty has been reduced by use of a qualified actuary to assess assumptions, consider benchmarks and review estimates for appropriateness.

-How have auditors challenged disclosures around going concern? It was confirmed that the auditors are provided with a forward 3 year plan and auditors compare this to the cash position. Twice a year the College submits a detailed financial plan to the funding agency. The auditors confirmed they carry out their own estimates on the sustainability of modelling and assumptions.

-Will a potential change in the categorisation of colleges by the Office for National Statistics have an impact on the going concern judgement? This will be reviewed in more detail when a decision is reached. It was acknowledged that a re categorisation to public sector will have an impact on the current insolvency regime for colleges.

-How the auditors implement ISA (UK) 315 (International Standard on Auditing) around identifying and assessing the risks of material misstatement? This is managed through a combination of reference to internal audit and sector frameworks, implementation of a robust control environment and reference to independent actuarial reviews.

-Is there likely to be an adjustment following completion of the ESFA funding audit? The Deputy CEO – Finance will update the auditors when further information is known.

-What are the significant factors contributing to the surplus being under the budget? This was attributed to pension movement and inflation

-What is the position on the banking covenants? Assurance was given that no banking covenants have been breached and that the cash position has been carefully managed. The cash position is modelled on a rolling 5 year plan and covenants are reviewed monthly.

-Has any further thought been given to potential changes in the capital expenditure programme and a review of previous decisions given the financial challenges? At the current time there is no intention to revisit previous decisions but the College is closely monitoring utilisation of different sites to inform future decisions.

On the basis of the assurance provided, and subject to any amendments required following the post balance sheet event review, the Committee was content to recommend the management letter to the Board.

AC/32/22 Statement of Corporate Governance and Internal control

The Committee considered the draft Statement of Corporate Governance and Internal Control.

The statement had been reviewed by the Governance Committee.

The Committee confirmed that, subject to any final amendments required by the auditors and changes in membership, the Statement of Corporate Governance and Internal Control will be recommended to the Board for approval.

AC/33/22 Regularity Self-Assessment

The Regularity Self-Assessment report was presented by the Deputy CEO-Finance and was confirmed as read by the auditors.

The Committee questioned the response to the question on page 4 about the fulfilment of charity trustee duties by the Corporation, in particular with regard to overseas investment. The question centred around whether the response should deal more generically with charity trustee duties. ***SW and RN will review.***

Subject to clarification of the point above the Committee recommended approval of the Regularity Self-Assessment to the Board.

AC/34/22 Audit Committee annual report

The Group Director of Governance presented the report which summarised the work of the Committee in 2021-2022. The report had been approved by the outgoing Committee chair.

The Committee considered that the report accurately reflected 2021-2022 and approved the report for the submission to the Corporation.

AC/35/22 Key risks

The Deputy CEO-Finance presented the report and provided assurance on the work carried out by the Executive to review and update the risk and opportunity register.

3 Risks where inherent risk scores had increased were outlined:

- Technology (both equipment supplies shortages and staff resource following a benchmarking exercise)
- Student outcomes and ability to improve post pandemic
- Loss of financial control, impact of climate on financial position and risk of banks pulling out across the sector

The Committee discussed:

- Risk of power outages and how these will be managed?* The Estates team are looking at generators and other planning to minimize the impact on learning.
- Likelihood of issues with banks?* It was confirmed that the College financial management is considered strong within the sector, that although cash is low for the College it is still above other colleges. The potential designation of colleges as public sector may have an impact and this will be monitored.
- Risk 16 around staffing and how this is managed?* This is managed through the People Strategy. Competition for teaching staff is considered to be between FE colleges with more competition from the private sector impacting on the ability to recruit and retain professional services staff.

The report was noted

AC/36/22 Update Data Protection Officer

The Director of CIS attended to present the report on behalf of the DPO who was unavailable.

The report outlined activity over the year and progress made in respect of actions identified following the gap analysis. Processes and systems have been developed for recording and reporting. It was acknowledged that current processes can be cumbersome and digital solutions are being considered to allow more time to look at deep dives and accountability frameworks.

The operational group composition is being reviewed to facilitate more ownership and new measures established to ensure attendance and participation.

The Committee questioned the action not started and received assurance that actions are being managed in order of priority and taking into account risks and resource required.

The update was noted

AC/37/22 Minutes 22.06.22

Subject to including the attendance of Jonathan Creed the minutes of the meeting on 22 June 2022 were agreed as an accurate record of the meeting.

AC/38/22 Next meeting

The next meeting will take place on Thursday 2 March at 4pm