

**Governing Body**  
**AUDIT AND RISK MANAGEMENT COMMITTEE**

**Minutes of the meeting held at 5.00pm on 7 October 2019**

**Present:**                                **J Gazzard (Chair)**                        **A Maltpress**  
    **J Wakelam**                                    **H Nydam**  
    **S Howard**

**In Attendance:**                        **S Jones, Vice Principal Finance and Resources**  
    **J Raffel, Group Director Finance**  
    **P Goddard, Scrutton Bland**  
    **L Keane, Scrutton Bland**  
    **N Khanna, DPO Centre**  
    **J Bridges, Clerk**

No interests relevant to items on the agenda were declared by members.

**1        Appointment of Chair and Vice Chair**  
 The Corporation reviewed the appointments of Committee Chair and Vice Chairs at the meeting held on 8 July 2019. J Gazzard remains Chair and N Roberts appointed as Vice Chair to the Audit and Risk Management Committee.

**2        Apologies for absence**  
 Apologies for absence were received from N Roberts, C Sutherland and L England of RSM UK.

The Chair rearranged the order of the agenda and item 13 preceded items 3 through to 12 and item 14

**3        Minutes of the meeting held on 24 June 2019**  
 The minutes of the meeting were agreed as a correct record.

**4        Matters Arising from the meeting held on 24 June 2019**  
 The matters arising from the meeting were summarised in the report and all actions reported had been completed or, where appropriate an update had been provided on progress elsewhere on the agenda.

**5        Committee Terms of Reference**  
 Each Committee is asked at its first meeting in the new academic year to review and approve its Terms of Reference.

There were no proposed amendments to the copy since approval by the Committee last year. Subject to replacing the word ‘SFA’ with ‘Funding Bodies’ in bulleted point 9 the Committee resolved to **approve** the Terms of Reference. **Proposed** by J Wakelam and **seconded** by A Maltpress.

**6        Internal Audit Recommendation Tracking Report**  
 The Committee received the report and considered the progress made towards completion of the recommendations arising from the internal audit work undertaken in the 2018/19 academic year. Since the last report in June 2019 13 of the 23 recommendations are completed, 1 is on hold, 1 is partially completed, 7 remain as work in progress and 1 has not progressed at this time.

**7        2018/19 Draft Committee Annual Report**  
 The draft annual report of the Committee has been prepared to meet the requirements of the new ACOP for Post 16 Education enabling the Committee to fulfil its annual reporting requirements.

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The Committee is aware that the performance indicator questionnaire on the performance of both the external and internal auditors that accompanies the Committee's annual report to the Corporation will be issued to Committee members for completion at the meeting to be held in November 2019. The aggregate scores of members are then presented in the final report to the Corporation at the meeting to be held on 13 December 2019.

The report includes the Committee's Terms of Reference appended to the report and sections cover the core elements required under the ACOP such as; recommendation tracking, assurance mapping, fraud, irregularity and whistleblowing cases, value for money, Committee self assessment and section 13 includes reference to adopting the new Code of Good Governance and adoption of the new Remuneration Code.

It was noted under the 'Introduction' section of the Report that reference to the SFA and EFA are to be replaced with the ESFA. In addition in section 9, Fraud, Irregularity and Whistleblowing the Clerk was asked to amend the word 'nut' to 'but' in the final sentence of the first paragraph. In paragraph 2 of the same section the Committee asked that more detail was added to provide assurance that the weaknesses identified by Auditors, during the investigation, have been actioned and resolved.

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The Clerk will make the amendments as requested for consideration again by the Committee at the meeting to be held on 25 November 2019 ahead of seeking the approval of the report of the Corporation at the meeting to be held on 13 December 2019.

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**8 2018/19 Internal Audit Annual Report**

Internal Auditors are satisfied that sufficient internal audit work has been undertaken in the year to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, internal control and governance processes and the processes for securing efficiency and effectiveness.

In the opinion of Scrutton Bland, for the year ended 31 July 2019 the College has adequate and effective risk management, governance, control, efficiency, effectiveness and economy processes and green status has been awarded across all four areas.

Auditors have reported that the College continues to implement a robust framework of internal control and have found that previous recommendations raised are being actioned in an effective and timely manner. In the year they have provided one 'Strong', six 'Significant' and one 'Reasonable' assurance opinions and have not raised any 'Limited' or 'No Assurance' opinions in their audit reports, which supports their overall effective opinion.

In total the number of medium risk recommendations made in the 2018/19 year are lower than the number reported in 2017/18. These recommendations have been raised in relation to the Subcontracting and Work Placements field work. It is not considered that any of these recommendations are of a level significant enough to prevent auditors from providing positive opinions within their Annual Report.

The Committee questioned if the level of recommendations arising from internal audit work was proportionate and reasonable. Auditors confirmed that the College

responds appropriately and timely to the recommendations made confirming that these are being managed and actioned. The College's approach to tracking the progress of recommendations is good practice and should provide the Committee with the assurance that recommendations are being managed, and managed well.

Auditors mentioned that in July 2019 the College experienced a fraud relating to a salary payment. This was identified by the College on 1 August 2019 and subsequently auditors undertook an investigation into the circumstances surrounding the fraud (see agenda item 11.i Payroll Investigation below). It was noted that the investigation took place during the 2019/20 academic year and therefore this falls outside of the audit work covered in the Annual Report; however, the fraud occurred during the 2018/19 academic year. It is the auditors opinion that the actions taken by the College to address the issue were timely and appropriate and they consider that the issue was not of a level significant enough to prevent them from providing positive opinions in their Annual Report. Recommendations have been raised that have been accepted by the College, to help improve the system of internal control.

It was further noted that all performance indicators (section 6 of the report) have been achieved in the year and on average the College has received more significant assurances than other FE clients (shown on Appendix B) and it is positive to note that no high risk recommendations arose from any of the audit areas in the year.

It was noted that all performance indicators (page 6) have been achieved in the year and on average the College has received more strong and significant assurances than other FE clients (shown on graph on page 8) and it is positive to note that no high risk recommendations fell out of any of the audit areas in the year.

## **9 Draft Internal Audit Strategy and 2019/20 Annual Plan**

A planning meeting with the Chair, Vice Principal Finance and Resources, Group Finance Director, Clerk and Internal Auditors was held in September 2019 to discuss and agree the plan for the 2019/20 academic year.

The Committee recognised that under the Post 16 Audit Code of Practice (ACOP) it is their responsibility to assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the economy, efficiency and effectiveness of the use of resources, solvency of the institution and the safeguarding of its assets. The report of the Internal Auditors (see item 8 above) helps inform this opinion together with their own annual report (see item 7 above).

The Committee has the freedom to determine where it wants Internal Audit focus to be and the Committee has taken advantage of this freedom by mapping its audit plan against the entries held in the Risk Register. In summary it is proposed that the audit focus areas for the 2019/20 academic year include Apprenticeships – Post Levy Implementation; Budget Setting and Control; Computer Control Environment (including IT Back up and Document Retention); Estates Management; Financial Controls (Payroll); Financial Controls (Fixed Assets); Governance; Health and Safety; Human Resources; Learner Records – Funding Assurance; Risk Management and Work Placements. It was noted that Culture will also be considered as a part of all audit areas.

The Committee questioned why Auditors felt they needed to dedicate 3 assurance days to the Budget Setting and Control field work as this seemed excessive. Auditors confirmed that the scope of the audit work would provide assurance that the budget setting framework is appropriate and fit for purpose to achieve the objectives of the College and that budgets are adequately controlled and managed in year. Auditors would meet with budget holders and look at how they influence and/or manage their budget lines and if overall the budget is achievable in the year.

The Committee noted that field work of our CRM (Customer Relations Management) system has not been audited for a number of years. However Auditors and management confirmed that the audit back in 2014/15 was looking at the implementation of the software package and this has been in place now for a number of years. The CRM system is used to keep our customer data and of course a number of enhancements have been made to ensure that the data that we hold, control and process is managed in accordance with the Data Protection Act 2018(GDPR). With this in mind the Committee resolved this was not an audit area of focus for this academic year.

Appendix A of the report provides a summary of the scope for each proposed audit area. These were considered and the Committee **approved** the Strategy and Annual Plan for the 2019/20 academic year. **Proposed** by A Maltpress and **seconded** by H Nydam.

## 10 Internal Audit Reports 2018/19

### i. T Level Implementation

The objective of this audit was to ensure that the College is prepared for the introduction of the new T-Level qualifications as part of the broader curriculum offer.

Auditors concluded that they found the College to be preparing well for the advent of T-Levels, notwithstanding the fact that the ESFA is yet to publish more information around examination boards and study content.

The Committee was pleased to receive a Strong assurance opinion arising from this audit and noted that no recommendations have been raised as a result of this audit work. The Clerk was asked to ascertain the areas where the two-year pilot scheme on industry placements have been running.

## 11 Internal Audit Reports 2019/20

### i. Payroll Investigation

This investigation was undertaken in addition to the 2019/20 Internal Audit Plan and was designed to independently review the circumstances surrounding the fraudulent salary payment, made in July 2019.

During the investigation auditors identified some control weaknesses surrounding the processing of bank detail changes and the scrutiny that they are subject to, they also identified some areas where they considered additional controls should be introduced. After discussion it was confirmed that the paper format to change bank account details has been immediately removed and changes now are only permitted through the system Self-Service portal.

It was noted that through discussions with the bank, the College was unable to ascertain the identity of the individual who committed the fraud. However, it was

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pleasing to learn that the monies have been recovered from the fraudulent bank account and have now been returned to the College.

Auditors concluded that the actions taken by the College following the identification of the fraud were found to be appropriate and raised one medium and three low risk recommendations for the College to complete. Progress will be tracked on the Internal Audit Recommendation Tracking Report that the Committee receives at each of its meetings.

**12 Risk Management Update**

The Risk Register has been reviewed by the Senior Management Team for the 2019/20 academic year. At a glance the number of risks with a high likelihood is still 1 in the red zone, there are now 2 in the amber zone (4 in June 2019), 17 yellow (an increase of 5 from 12 in June 2019) and 15 in the green zone (17 in June 2019). It was noted that there are no new risks added to the register and 1 risk has been removed (R063).

The Committee debated the need to add a risk around Brexit and the implications this may have for the College; budgetary constraints and staffing levels for example although there appears to be no immediate risk that the College has not foreseen or factored.

**13 GDPR – DPO Centre Report (Nish Khanna)**

The Committee received an assurance report and presentation from DPO, Nish Khanna of the DPO Centre. He provided an overview of the external factors that may impact the College; provided a progress update on the College's compliance journey; the key areas of concern; and the next steps for the College.

The Committee thanked the DPO for a comprehensive report and assurance that the College is managing and progressing its compliance of the Data Protection Act 2018 (GDPR) well. It was noted that the RoPA (Record of Processing Arrangements) continues to grow in draft and will continue to be populated with our processing arrangements, which over time will be subject to continual review.

The Committee questioned if the College's approach to GDPR and compliance was proportionate and reasonable. The DPO advised that the College is absolutely approaching its responsibilities under the Act appropriately and wisely. Every process that the College has in place or is developing is the evidence needed that the ICO may question in the event of a data breach, thus mitigating against a penalty or significant fine.

Items 3 through to 12 and 14 followed this agenda item.

N Khanna left the meeting at 5.35pm

**14 Any other business**

At the request of that Chair the Clerk will look to change the next meeting of the Committee to Tuesday 26 November 2019 at 5.00pm and will notify members of the change.

**Date of next meeting**

Monday 25 November 2019 at 5.00pm. West Suffolk College - Room TG1.16

The meeting closed at 6.25pm

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