

Wakefield College Corporation

Board of Governors Audit Committee

Minutes of the Meeting held on 12 March 2019

1 Present: Emma Elvin, Dmitry Fedotov, Karen Hands,
Ian Parsons (**'Chair'**)

Clerk to the Corporation

In attendance: Executive Director Finance and Resources, Jonathan Creed
(Head of Internal Audit, ICCA-ETS) (until minute 11)

Apologies:

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Minutes of the Meeting held on 20 November 2018

Resolved

That the minutes of the meeting held on 20 November 2018 be approved.

4 Matters Arising

4.1 On minute 6.1(Matters Arising), the Chair noted that the Executive Director Finance and Resources would address the previously overdue recommendation relating to the Higher Education (**'HE'**) Growth Delivery Strategy, being the development of an appropriate set of management information reports at agenda Item 5.

4.2 On minute 6.2 (Matters Arising), the Chair noted that Governors had requested the inclusion of actual outturns against identified performance measures in the Board Assurance Framework (**'BAF'**) and that the Executive Director Finance and Resources would address this at Agenda Item 7.

4.3 On minute 7.2(i) (Status of Outstanding Audit Recommendations), the Chair noted that Governors had requested that estimated completion dates be added to the Status of Outstanding Audit Recommendations report and that the Executive Director Finance and Resources would address this at Agenda Item 5.

4.4 On minute 7.2(ii) (Status of Outstanding Audit Recommendations), the Chair noted that Governors had asked when the Apprenticeship Growth and Delivery Strategy would be considered by the Board. He noted that, due to the publication of the Ofsted report, this was not considered at the Board Meeting of 12 February 2019 but would be considered at the Board Meeting of 2 April 2019.

4.5 On minute 9.2(iii) (Amended Internal Audit Plan 2018/19), the Chair noted that Governors had asked whether work experience and work placements should be re-

audited given the limited assurance given by the Internal Audit Service and Ofsted's findings at the last inspection. He noted that, in the latest Ofsted report, there was a small weakness around High Needs students. The Executive Director Finance and Resources noted that work was underway in relation to this and that the College was looking to bid for ESFA grant support in relation to the introduction of T levels which have a significant work placement element. He noted that the College continues to strive to improve work placement activity in a financially sustainable way.

- 4.6 On minute 15.2(ii) (Report and Financial Statements for the Year Ended 31 July 2018), the Chair noted that the Executive Director Finance and Resources had agreed to investigate whether discounting should be applied to Thornes Park which is to be sold over five years. The Executive Director Finance and Resources noted that he had talked to Grant Thornton and each had concluded that the impact of any discounting would be immaterial, and so was unnecessary.
- 4.7 On minute 15.2 (iv) (Report and Financial Statements for the Year Ended 31 July 2018), the Chair noted that it was agreed that he and the Executive Director Finance and Resources would discuss the adjustment relating to the reversal of the Crofton loan write off and disposal. The Executive Director Finance and Resources noted that the disposal did not occur until after the financial statements went to Board and it was agreed by Governors that the accounting treatment adopted was appropriate.
- 4.8 On minute 15.2(v) (Report and Financial Statements for the Year Ended 31 July 2018), Governors asked what the General Data Protection Regulation implications were of keeping zero-hour contracts when no longer needed. It was noted that the matter should be addressed but that no reporting was required.
- 4.9 On minute 15.5 (Report and Financial Statements for the Year Ended 31 July 2018), the Chair noted that Governors requested minor changes be made to the Draft Report and Financial Statements which were carried out and approved at the Board meeting of 11 December 2018.
- 4.10 On minute, 15.7 (Report and Financial Statements for the Year Ended 31 July 2018), the Chair noted that Governors queried whether a reported cheque fraud should be included in the Regularity Self-Assessment Questionnaire. He noted that, having carried out the necessary investigations, the Executive Director Finance and Resources concluded that this was not required, and the document was approved at the Board meeting of 11 December 2018.

5 Status of Outstanding Audit Recommendations

- 5.1 The Executive Director Finance and Resources reported the following:
- (i) that 96% (89 out of 93) of recommendations had been implemented and only 4% (4 out of 93) were overdue;
 - (ii) that the oldest overdue item related to the completion and approval of the Employer Engagement and Apprenticeship Strategy. He noted that the strategy had been scheduled for consideration at the Board meeting due to be held on 2 April 2019;

- (iii) that the remaining three other overdue items were identified the previous term and that the originally agreed deadlines were with hindsight somewhat optimistic;
- (iv) that, work was ongoing in relation to the recommendation made regarding Learner Support Funding. He noted that the Executive Director Employer Engagement and Apprenticeships was aiming to get the data on the Individual Learner Record by 30 April 2019;
- (v) that work was being done in relation to the recommendations relating to the Funding Assurance Review. He noted that, in relation to the recommendation regarding negotiating a price breakdown, the ESFA were still clarifying this. Therefore, 30 June was the anticipated completion date; and
- (vi) that relevant managers would aim to have all currently overdue items cleared off the report by the June meeting.

5.2 Governors considered whether the consideration of the Employer Engagement and Apprenticeship Strategy at the Board Meeting scheduled for 2 April 2019 would adequately address the outstanding recommendation. The Executive Director Finance and Resources noted it would and that Governors simply needed to understand and approve the strategy. He noted that the strategy had been in use for some time and that it had delivered great success for the College from which Governors could take comfort.

6 Risk Management, Control and Governance

This minute is confidential as it contains commercially sensitive information.

7 Board Assurance Framework

7.1 The Executive Director Finance and Resources reported that the updated BAF was originally approved by Audit Committee on 26 June 2018. This was subsequently updated to include details of the College's 2017/18 outturn position, as requested by Audit Committee on 20 November 2018.

7.2 Governors were satisfied with the change.

8 College Policies

(i) Anti-Fraud Policy and Fraud Response Plan

8.1 The Clerk to the Corporation reported that several changes had been made to the policy including the following:

- (i) all reports of fraud are to be reported to the Executive Director Finance and Resources;
- (ii) that a procedure had been added in the event that the Executive Director Finance and Resources and/or the Principal were involved in fraudulent behaviour; and
- (iii) that changes had been made to reflect the Post-16 Audit Code of Practice 2018 to 2019.

8.2 Issues considered by Governors included:

- (i) whether the policy is circulated amongst staff. The Clerk to the Corporation noted that the policies were available on the College's intranet. The Executive Director Finance and Resources noted that it had been used recently and that it had been proven to be effective;
- (ii) whether it covers the Post-16 Audit Code of Practice 2018 to 2019. The Clerk to the Corporation confirmed. The Executive Director Finance and Resources confirmed that the Financial Regulations 2019/20 were due to be considered at the Board Meeting scheduled for 2 April 2019, as part of which budget holders would be required to confirm that they had read and accepted the updated policies.

(ii) Anti-Bribery Policy

- 8.3 The Clerk to the Corporation reported that the policy had been updated to dovetail with the Anti-Fraud Policy and Fraud Response Plan and several minor changes had been made.
- 8.4 Governors asked whether there had ever been an instance of fraud in College history. The Executive Director Finance and Resources confirmed that he was not aware of such an event during his time with the College.

9 Internal Audit Reports

(i) Business Systems Development Strategy

9.1 ICCA-ETS reported the following points:

- (i) that its review was of the draft version of the Business Systems Development Strategy;
- (ii) that there was found to be a lack of capacity and capability for reporting on HR data coming out of the College's HR system which required a review of the HR reporting approach;
- (iii) that consideration was given to whether the Business Systems Team's Infrastructure Strategy could cope with the overarching Business Systems Development Strategy and that changes had been suggested;
- (iv) that the structure of the teams should be reviewed to ensure it is well resourced and supports achievement of the strategy; and
- (v) that the strategy needed to be finalised, resourcing decisions needed to be made and the strategy needed to be implemented.

9.2 Governors considered the following issues:

- (i) whether HR needed to be trained or whether technical resources were required. ICCA-ETS confirmed both were required and noted that HR staff cannot be expected to acquire the skills to write the reports but that the end user must be able to specify their reporting requirements;
- (ii) whether management are clear as to how to tackle the reporting issue. The Executive Director Finance and Resources noted that a member of the Business Systems Team had been seconded to train staff and to support report writing who would continue to support the team, albeit not exclusively. He noted that it would be necessary to be clear regarding the allocation of resources going forward. The Executive Director Finance and Resources

- noted that a dashboard had been created which used HR information and flagged issues like staff training completion which would help ease the issue;
- (iii) the type of information which is not filtered through to the dashboard. The Executive Director Finance and Resources noted that this related to ad-hoc HR reports. ICCA-ETS confirmed that it was necessary to create a suit of standard reports and business services would be required for ad-hoc reports;
 - (iv) whether it was beyond the expectation of the HR team to create the necessary reports. The Executive Director Finance and Resources noted that Business Systems were being utilised but the level of system knowledge in HR was too low to deal with this independently; and
 - (v) whether the problem was with the HR system only. ICCA-ETS and the Executive Director Finance and Resources confirmed it was only HR that had been identified.

9.3 Governors agreed that, if issues remain at the time of the Audit Committee meeting scheduled for 25 June 2019, they would revisit this issue.

(ii) HR and Payroll System – Post Implementation Review

9.4 ICCA-ETS reported the following points:

- (i) that ICCA-ETS had given ‘substantial assurance’ and no recommendations were made; and
- (ii) that it had taken longer than expected to get from implementation to full use of functionality.

9.5 The Executive Director Finance and Resources noted that staffing issues had contributed to the length of time it had taken to implement the system. Governors noted that they were not concerned by the time taken.

(iii) Security of IT and Disaster Recovery

9.6 ICCA-ETS reported the following points:

- (i) that it had given ‘reasonable assurance’ in terms of design but overall ‘substantial assurance’;
- (ii) that end users should be required to reaffirm their understanding of the Acceptable Use Policy during the course of their employment;
- (iii) that more significant firewall testing was to be undertaken;
- (iv) that the IT Disaster Recovery Plan should be updated to consider cyber-attacks; and
- (v) that, the College’s data recovery systems should be tested to include staff and the restoration of business services to ensure that data recovery meets business requirements.

9.7 Governors challenged the College’s firewall testing, asking whether the firewall had ever been tested. The Executive Director Finance and Resources noted that IT security is included in the Audit Plan every year and that the College is on the Janet

Network which includes the checking of the integrity of firewalls and network security. He noted that the College had not taken steps to test the system, but IT were looking at getting Cyber Essentials later in the academic year, following which it would look to get Cyber Essential Plus.

- 9.8 Governors considered whether the College had a plan in place in the event that its system had to be backed up on to new hardware in the case of a catastrophic system failure. The Executive Director Finance and Resources agreed to discuss the issue with the Head of IT. He noted that the problem was somewhat alleviated by the College's move to cloud-based storage but that the issue should be considered in any event.

(iv) Key Financial Controls

- 9.9 ICCA-ETS reported that it had recommended that the College should review the management accounts and create a detailed report on debtors to help review and action issues.
- 9.10 Governors considered the level of detail which they required in the Governor report relating to debtors. The Executive Director Finance and Resources noted that he would address debtors in internal reports to senior management. Governors noted that they received an annual report regarding debts written off, which it was agreed was low and not a matter for concern. Governors agreed with the Executive Director Finance and Resource's approach.

10 Individual Learner Record (ILR) Audit

- 10.1 The Executive Director Finance and Resources reported the following points:
- (i) that the College's Registry Management and Information team should be praised for their efforts in pulling together the necessary information on a tight deadline;
 - (ii) that the cumulative value of errors identified in this report was only £741, from a total funding claim of £14.3m; and
 - (iii) that due to the recent 'Good' OFSTED grade, the College's risk profile had reduced and he was hopeful that the College would not need to go through another audit for some time.
- 10.2 Governors praised the College for the result of the audit. It was noted that regular funding audits had proved valuable.

11 Verbal Update – Fraud

- 11.1 The Executive Director Finance and Resources reported the following points:
- (i) that the College had identified and dealt with a case of fraud since the last audit committee. He then set out the details of the fraud;

- (ii) the fraud policy was successfully implemented and within 24 hours the staff member had been suspended and an investigation initiated;
- (iii) a disclosure had been made, immediately, to the awarding body. The awarding body asked that the College carry out an investigation in accordance with their fraud policy and give the staff member the right to reply. The staff member had since resigned; and
- (iv) a report had been sent to the awarding body who had yet to reply. He noted that he did not anticipate major negative repercussions with the awarding body.

11.2 Governors considered the following issues:

- (i) who had been made aware of the fraud. The Executive Director Finance and Resources noted that the information had been shared on a 'need to know' basis; and
- (ii) whether any learning points had arisen. The Executive Director Finance and Resources noted that he would wait for recommendations from the awarding body but that he was happy with the way the process had worked.

11.3 Jonathan Creed left the meeting.

12 Re-tendering of Audit Services

12.1 The Executive Director Finance and Resources reported the following points:

- (i) that he proposed to use Crescent Purchasing Consortium ('CPC') to identify audit service providers;
- (ii) that CPC were costs effective;
- (iii) that the College would run a mini-competition, following which a shortlist of providers would be invited to attend a selection panel to be dovetailed with the audit committee meeting scheduled for 25 June 2019; and
- (iv) that a recommendation would be made to the Board on 9 July 2019.

12.2 Governors Considered the following issues:

- (i) how long the selection panel would take. The Executive Director Finance and Resources noted that this would depend on the number of bidders, but he estimated an afternoon. The Executive Director Finance and Resources agreed that he would present Governors with a top 3 for each service and that he would circulate the criteria for the mini-competitions; and
- (ii) whether the full committee needed to be involved. It was agreed that Governors would be given the option to attend.

13 Proposed Subcontract with the Youth Association

13.1 The Executive Director Finance and Resources noted that the College was due to begin working with the Youth Association and that he would like to note this due to the potential that it may be disclosed as a related party transaction when the financial statements come back to Governors. He noted that he was happy that there was no conflict of interest in respect of Dmitry Fedotov. He noted that there were no tendering considerations due to its value.

14 Review of Effectiveness of Meeting

14.1 It was noted that the meeting had run to time and had been effective.

14.2 The date of the next scheduled meeting is Tuesday 25 June 2019 at 5.30pm.

Signed..... Date.....

Actions

No.	Minute	Details	Deadline	Responsibility
1.	4.4 (Matters Arising)	The Apprenticeship Growth and Delivery Strategy is to be considered at the Board Meeting scheduled for 2 April 2019.	The Board Meeting of 2 April 2019.	The Executive Director Employer Engagement and Apprenticeships.
2.	Please see the confidential minutes.			
3.	Please see the confidential minutes.			
4.	Please see the confidential minutes.			
5.	8.2(ii) (College Policies)	Budget holders are required to confirm that they have read and accepted the updated Anti-Fraud Policy and Fraud Response Plan and Anti-Bribery Policy.	The Audit Committee Meeting of 25 June 2019.	The Executive Director Finance and Resources.
6.	9.3 (Internal Audit Reports)	Governors agreed that if the issues relating to HR reporting remain at the time of the Audit Committee meeting scheduled for 25	The Audit Committee Meeting of 25 June 2019.	The Executive Director Finance and Resources.

		June 2019 they will be revisited.		
7.	9.8 (Internal Audit Reports)	The Executive Director Finance and Resources agreed to speak to the Head of IT regarding the procedure in the event of a catastrophic systems failure which requires backup to new hardware and whether the College's move to cloud based storage influences this.	The Audit Committee Meeting of 25 June 2019.	The Executive Director Finance and Resources.
8.	12.2(i) Re-tendering of Audit Services	The Executive Director Finance and Resources agreed that, in relation to the re-tendering for internal and external auditors, he would present Governors with a top 3 and that he would circulate the criteria for the mini-competitions.	The Audit Committee Meeting of 25 June 2019.	The Executive Director Finance and Resources.
9.	12.2(ii) Re-tendering of Audit Services	The Executive Director Finance and Resources agreed that he would give Governors the option to attend the re-tendering selection panel.	The Audit Committee Meeting of 25 June 2019.	The Executive Director Finance and Resources.