

Date	Thursday 26 September 2019
Time	4.30pm
Location	Board Room, Peterborough Regional College
Present	Mark Haydon, Alan Crawford, Mark Jackson (External Member), Lee Kilby (External Member) and Rachel Nicholls (Acting Principal)
In attendance	Peter Walker (Vice Principal, Corporate Services) Lee Glover (Haines Watts) – Internal Audit Service Paul Goddard (Scrutton Bland) Joanne Ulyatt (Director of Governance)

Apologies

Decisions taken at the Audit Committee meeting held on 26 September 2019

Ref	Decisions
A3/19 Para 3	Minutes of the meeting held on 24 June 2019 were agreed and signed
A11/19 Para 22	The Committee approved plans to undertake audits of PRC Ventures and Merger Risk Management and Governance
A13/19 Para 25	The Risk Management Annual Report 2018/19 was approved.
A14/19 Para 27	The Committee approved the recommendation to try to negotiate an early end to the Galaxkey encryption system.
A16/19 Para 30	Audit Committee Terms of Reference were recommended to the Corporation Board for approval.

Actions arising from the Audit Committee on 26 September 2019

Ref	Actions
A8/19 Para 15	PW to arrange a two-day Funding Assurance follow up review in February with Paul Goddard of Scrutton Bland.
A11/19 Para 21	iMET Planning Brief to be circulated to Committee members
A11/19 Para 22	LH to scope planning briefs for PRC Ventures and Merger Risk Management and Governance; to be circulated to Committee members for approval.

A1/19 Welcome and Apologies

1. None received.

A2/19 Declarations of Interest

2. Declarations of Interest were as noted on the agenda.

A3/19 Minutes of the previous meeting (24 June 2019)

3. The minutes of the meeting held on 24 June 2019 were **agreed** and signed.

A4/19 Matters arising from minutes of previous meeting

4. All actions confirmed complete.
5. Software package purchased and available for staff to use but not made mandatory. Copy of IT Security policies signed by new members and online training offered at induction. Training across both organisations is being reviewed as part of merger workstreams to ensure that training that meets needs going forward.
6. Risk Register reviewed and updated regarding subsidiary risks and regularly reviewed by RMG.
7. Eversheds to be in touch imminently regarding a half day training session in November for directors; all Directors should attend and all governors will be invited for information.
8. Disclosure of PSA; draft accounts have just been prepared which will be presented in November so this is in hand.
9. JU has discussed the grievance and disciplinary policies with Executive Director of HR and wording is being reviewed to ensure fit for purpose.

A5/19 Training Undertaken and Meetings Attended

10. MH attended an RSM Board Assurance Workshop run in conjunction with the Eastern Region AoC on 4 July 2019.
11. MJ attended a full day Academies Conference on 8 July 2019 and a Baldwins' internal half day academies workshop on 18 September 2019, both of which had content that overlapped with governance/College business.

A6/19 Value for Money Annual Report 2018/19

12. The main point of discussion last year was in relation to how savings are calculated, so an addition of comparisons to real contracts to show actual savings has been implemented. £57k of savings were identified, mainly relating to buses and contract to contract savings for insurances. The buses could not be compared contract to contract since routes were changed so it was not a like for like comparison.
 - **Governors noted that the method using difference between winner and next best option proves the process is working and the added column where it is available is helpful for comparison. It is felt that the figure of £57k is far more realistic than the £100k+ as would have been reported previously using the old method of reporting.**
 - **Governors asked if the retirement of the previous and very experienced Procurement Director has impacted on savings that could be made; the College tries to ensure that tender processes are followed and where tenders are not made approval is sought from RN.**

A7/19 College Progress Report on Internal Audit Recommendations

13. Of the priority recommendations outstanding as at the date of last meeting, all those due to be complete by this meeting have been done and of those not yet due, one has already been completed.
 - **Governors queried the action already recorded as complete but with a deadline of 31/12/19 in terms of how many times the control has been seen to work; this was recorded as complete fairly recently so probably just once so far. Governors noted therefore that it is usual to see the action completed two or three times before it is considered closed. It was confirmed that the Internal Auditors follow up one year later to ensure actions are embedded. It was agreed**

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this could be recorded as signed off but not yet embedded and to be followed up by Internal Auditors.

A8/19 Funding Assurance Review 2018/19

14. Two reports were presented covering the same scope, one for PRCV and one for APT. The planning documents were shared at a previous meeting where it was agreed that apprenticeship provision would be the core of the audit. Good implementation on previous recommendations was reported.
15. The College was given Reasonable assurance and PG noted that almost all clients have amber assurance for Apprenticeships for 18/19 since the rules changed more than once in year relating to the requirement for 20% of the working week in off the job training. It is important to be able to monitor this in year so that there are opportunities to rectify it if it becomes a problem, but it is noted that evidencing it is the challenge. A more robust process is now in place. There is currently no clawback element to be implemented for 2018/19 but discussions are expected between funding auditors and the ESFA about this.
 - Governors noted that the level of non-compliance was more significant than found in other audits with double the number of recommendations but the score was still amber; PG advised that there were only three significant recommendations, one high and two medium, but there are also areas where compliance is strong. The off the job training element is of significance because this is where a clawback element could be introduced. A sample of only 20 was used but PRC are in the upper quartile for volume of delivery compared to other colleges. Some of the issue is just a question of the recording of the off the job element rather than it not happening necessarily. Also, the calculation basis changed in-year which not only affected calculating it correctly, but then also knocked on to planning and delivery which was a challenge. If the calculation was incorrect then colleges started off with an expectation of those hours being lower than actually required.
 - It was noted that Ofsted also looked at off the job training extensively too; one inspector looked at apprenticeships for 4 days and recognised that historical learners did have some gaps but that for the ones that were current they were getting the necessary hours. Whilst this is a recognised risk that is being monitored, there is confidence that the team have controls in place. Governors asked who is monitoring the control; the Apprenticeship Academy has an Operations Director who oversees reviews. GH will receive a quarterly report from the Operations Director and it would also be picked up through Curriculum Area Reviews (CARS) and C&Q Committee will be concerned with the quality of experience side.
 - Governors asked if this needed to form part of the Internal Audit plan or whether it would be appropriate to commission a health check piece in 6 months to do a two day follow up review with random sampling; PG advised he would be happy to complete a follow up exercise and suggested February might be sensible so that there is then time to put things right if any other problems were to be flagged; *PW to arrange a two-day follow up review with PG.*
 - PW commended Scrutton Bland for their skills and experience in funding which he believes are second to none.

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- Governors queried whether any follow up work would include both PRC and APT since the exception rate is higher in APT; there are different systems and personnel involved at PRC and APT so follow up would need to include both.
- Governors noted one previous recommendation not yet implemented on page 12 and asked if this is an issue; it is a low risk issue and does not involve significant numbers so is not of concern. PW commented that he felt it a little unfair that it was recorded as Not Implemented since the College did adopt the recommendation and did what was asked but just failed to get 100% due to one exception slipping through when another sample was taken; it was agreed that a report of Part Implemented but an exception still found would have been preferable.
- Governors asked in relation to recommendation 2 on page 5 around Skills Scan forms where 16 of the 20 records looked at were not in place, whilst the management response is really full and a process now in place and also acknowledging that there are some legacy apprenticeships where they were signed up before it was a requirement, should the College go back retrospectively to cover the position or not in practice; PG advised that recommendations have been made and some clients have tried to go back retrospectively but that is a choice for the College.

A9/19 External Assurance Review of Sub-Contractor Controls

16. The review was undertaken by BDO but they were unable to attend the meeting to report. The audit was carried out in accordance with strict ESFA guidance. Only one rule was found to be not fully complied with and only partially met due to out of date fees on the website which related to 2017/18 rather than 2018/19 – whilst it was approved at Board, the website was not updated; this has now been corrected.
- Governors noted that this was a good piece of work and a good result.

A10/19 Draft Internal Audit Annual Report 2018/19

17. An annual report in the same format as usual was presented. Haines Watts noted that overall they are happy to report that controls are in place and actions are being taken. Recommendations have been taken on board and are being acted on and there is therefore nothing of concern to not give assurance.
18. An additional review of CTS was carried out and actions that were equally applicable elsewhere in other subsidiary activities have been shared, showing the College learning and moving forward from it.
- Governors noted that following the audit on Corporate Governance the amount of actions driven from it and progress made is very positive.
 - Governors asked if the report is submitted to the ESFA; it will not be as Internal Audit is no longer mandatory, but the College will have to report the Audit Annual Report which summarises all of the audit work for the year. LG noted that whilst no longer mandatory, they are starting to see that in some colleges that have not had Internal Audit for a year or two are starting to reinstate it as problems are beginning to emerge, and that the better organisations have maintained Internal Audit throughout the years.

A11/19 Internal Audit 2019/20 – Review of Planning Briefs – Block 1

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19. The annual plan for the 2019/20 year started to be written in March 2019 and was approved prior to the merger decision being made, so in some senses is now a little out of date. The two areas originally scheduled for October are both areas of change if merger goes ahead and workstreams are in progress looking at the systems. It was therefore suggested that the plan be updated to take account of merger.
- Governors were in agreement that there is little point in focusing on areas likely to change and therefore the two areas could be replaced, but acknowledged there could be a business as usual argument if merger does not go ahead. Since it is felt to be more likely than not there is probably greater value in looking at other areas that are not affected in the same way. It was also suggested that some areas around the merger process could be considered.
 - Since subsidiaries have been a problem area it was felt that further work around PRCV and UCP would be beneficial and present good opportunities for the resource to be used elsewhere.
 - To switch focus to merger activity an audit could start to look at areas such as the way functions could be brought together and whether controls will be brought across without weakening the control environment.
20. It was agreed that rather than follow the original audit plan, the resource should be reallocated to review merger activity and workstreams to ensure it is robust and fit for purpose, and that it would be prudent to also do further work on PRC Ventures due to the financial challenges. The PRCV scope ought to include cashflow, but also broaden out to include governance of the Board as well. In terms of expectation setting RN advised that there have been positive steps around controls and knowing where problems lie, but that there are some fundamental problems in terms of the commercial aspect of the business.
21. LH advised that they will be auditing iMET before Christmas as part of a joint audit with CRC, and the report will be brought back to this Committee as it is jointly commissioned. *Planning brief to be circulated to Audit Committee members.*
22. The Committee **approved** plans to undertake audits of PRC Ventures and Merger Risk Management and Governance. *LH to scope with management for review by the Audit Committee by circulation outside of the meeting.*

A12/19 Review of Primary Risks

23. Both the Board and Committee asked that primary risks be reviewed again as it was felt that there were some risks where the likelihood could be lowered. Consequently five primary risks were downgraded to contingency risks and two risks were also combined. An updated copy of primary risks was provided, noting that RMG met today so a further review has been undertaken resulting in some further updates to be made.
- Governors asked if RN draws on her experience from other colleges; RN confirmed that she does and whilst different systems are used, most of the risks are similar. At RMG today it was discussed that a Brexit risk should be added, which NCS already have but PRC did not. On merger the Risk Registers will be combined.
 - A discussion was had regarding adding on an apprenticeship funding risk following the audit recommendations from Scrutton Bland; this is already on the register as a contingency risk but not primary. It was agreed to wait until after the two-day review visit and then decide if it is considered high risk.

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- Risk 254 relating to iMET was discussed at RMG today and controls are being added to as the risk has increased in recent weeks. This will be a substantial item at FGP Committee next week.
- It was noted that RMG meetings are now regularly scheduled so risks are updated regularly; this is then reported via the Risk Register to Audit Committee and at least annually to the Corporation Board.

A13/19 Risk Management Annual Report 2018/19

24. A summary of risk management activities and processes for the year was presented. CTS was noted as a significant risk which crystallised during the year and highlighted some weakness in the system, however an additional internal audit review was carried out to ensure lessons learned and further controls have been added to the Risk Register to reduce the risk of similar losses. The audit recommendations have been fully taken on board and are being applied across all subsidiaries as appropriate. The report concludes that the College has complied with guidance and current accounting standards for corporate governance.
25. The Committee **approved** the Risk Management Annual Report 2018/19.

A14/19 Use of email encryption

26. A recommendation was put forward to terminate the Galaxkey encryption service contract which is not widely used across college. The contract is due to expire in April 2021 but PW would like to try to negotiate an early end to that subject to Committee approval.
- Governors queried controls in place to restrict access to HR data; HR use a software package, HR Select, which is a secure system; the HR office is locked during the day with only managers allowed access; managers only have access to data on their own staff on the system; all staff are trained in data protection and are well aware of the need for confidentiality.
 - Governors noted that if this contract is to be terminated then there must be adequate controls in place, for example around sharing, printing and destruction of reports, to manage the risks.
 - Governors asked if terminating the contract would go against what other colleges are doing generally; PW reported that some colleges do have an encryption systems but many do not.
27. The Committee **approved** the recommendation to try to negotiate an early end to the Galaxkey encryption system.

A15/19 Fraud – Verbal Report

28. None reported since the last meeting.

A16/19 Review of Committee Terms of Reference

29. There were no proposed changes to the Terms of Reference for this academic year.
30. The Committee agreed the Audit Committee Terms of Reference and **recommend** to the Corporation Board for approval.

A17/19 Date of Next Meeting: Monday 25th November 2019

31. There being no other business, the meeting was declared closed at 6.27pm.