



## Minutes of the Meeting of the Audit and Assurance Committee 15 June 2021

Present	In Attendance
Sundeeep Bhandari (Chair) (SB)	Sarbdip Noonan (Principal) (SN)
Jean Lammiman (JL)	Bob Pattni (Deputy Principal) (BP)
Simon Radford (SR)	Robert Heal (Director of Governance) (RoH)
Shameem Rahman (ShR)	Mark Cheetham (MC)- RSM Internal Auditors

### 1. Chairs Opening Remarks

SB welcomed everyone to the meeting and in particular RoH who had recently been appointed as the Director of Governance and has been very efficient and helpful.

SB also congratulated the Executive on recently attaining ESFA Financial Outstanding grading. Both SB & JL reflected on the previous financial situation and commended SN and BP for their excellent work in developing the financial position of the College since appointment; which was modestly accepted on behalf of their respective teams as a collective responsibility.

SB also reflected on recent cyber security concerns following ransomware attacks on education establishments and that it had therefore been raised as a late agenda item to the audit committee. Whilst proactive, it was understood by all, that College cyber security was well managed, constantly under review and on the audit plan. It is best that Audit Committee challenge the management before making any further observations.

### 2. Apologies for Absence

None

### 3. Declarations of Interest

None

### 4. Minutes of the Meeting of 02 March 2021

These were accepted as a true record.

### 5. Matters Arising Not on the Agenda

SB reiterated why item 13iii cybers security had been added as a late agenda item and explained that the matter was previously raised 18 months before and responded to. The management team had updated that report and it was included in this meeting.

SB asked if there were any other matters arising and there were none.

### 6. Terms of Reference (ToR) Annual Review

RoH overviewed proposed changes and explained reasoning was to meet latest Post 16 Audit Code of Practice changes and current College Governance practices.

JL confirmed Audit Committee Training was previously discussed and agreed as required.

SB confirmed he had shared a Pricewaterhouse cyber training presentation with the Chair of the Board and this could be used to train the Committee and could be shared.

SB suggested we have a separate skills assessment for the Audit Committee to demonstrate to a third party that we have looked at skills and have a diverse range of skills across the committee members. SN challenged why there needed to be a separate assessment when there is a Board Assessment. SR asked how often we conduct the skills assessment. RoH advised that the board skills assessment is annual and would take place in September. JL challenged that their needed to be a separate training plan for Audit Committee members to ensure compliance with Post 16 Code of Practice. SN suggested that the Board skills assessment was sufficient. SB agreed. SB question the current situation regarding External Auditors Tender as it related to a ToR change. BP confirmed this was due to happen next year. JL confirmed that the committee had deferred the tender due to Covid and prevention of unnecessary change at this time; but that the proposed change was the healthy approach. SB questioned the proposed timeline and RoH confirmed that the rules were to develop Value for Money in External Audit costs. SB noted that our Audit costs had reduced through fee negotiation. Terms of Reference changes were approved.

**RECOMMENDATION**

**APPROVED TERMS OF REFERENCE**

**ACTION SHARE CYBER TRAINING PRESENTATION**

**ACTION – UPDATE ACTION POINT TABLE ON EXTERNAL AUDIT TENDER**

**7. Update on Action Point Table**

SB confirmed this had been considered and resolved in the previous item

**RECOMMENDATION**

**NOTED**

**ACTION TABLE UPDATE**

**8. Annual Election of the Chair / Vice Chair**

RoH called for candidates from within the committee. SB reconfirmed his candidacy as Chair, JL reconfirmed her candidacy as Vice Chair, no other candidates were forthcoming. RoH declared the election in favour of the respective candidates.

**APPOINTMENT**

**NOTED**

**CHAIR ELECTED FOR THE FORTHECOMING YEAR WILL BE SUNDEEP BHANDARI**

**VICE CHAIR ELECTED FOR THE FORTHECOMING YEAR WILL BE JEAN LAMMIMAN**

**9. Post 16 Audit Code of Practice Changes**

SB noted that many of the changes had been discussed in the terms of Reference discussion. Committee members had read and understood the changes; and that these had to be noted and accepted by the committee. SB highlighted the sub-contracting and outsourcing arrangement changes. SB confirmed that the committee noted and accepted the changes.

Extract from later conversation pertinent to this item:

MC added a comment regarding External Audit change in Post 16 Code of Practice Page 13. External Audit funding claim has changed to remove reliance on External Auditors confirming ESFA funding; leaving external audit firms having to appreciate how they will audit ESFA earned income. BP confirmed this had been discussed in the External audit strategy meeting. Auditors will review their opinion, overall risk whether allocations were met or not met, financial performance and quality performance. Auditors will do their own sampling based on their outcomes and determine a way forward.

**RECOMMENDATION****NOTED****POST 16 AUDIT CODE OF PRACTICE CHANGES****10. Covid 19 Business Continuity Update**

SN highlighted that the Business Continuity Plan had been developed to take us through this difficult period and has sustained the College over the last academic year. It is reviewed by the management team weekly. Key points of note were:

- From June 28<sup>th</sup> New student taster days will go ahead with all Covid safety regulations in place, to allow new students to meet their peers, get to know the College and to meet the Academic staff.
- Preparation for 21/22 is underway, with biggest change being Teacher Assessment Grades (TAGs) submitted to exams and uploaded by 18<sup>th</sup> June. We will meet the deadline, the early results look positive and we are confident of hitting target.
- With Covid test home testing being an unknown activity, we have sent out a Covid test questionnaire to identify whether staff and students are completing tests and we will continue to monitor regularly, particularly with Delta variant becoming of concern locally.

JL challenged to ensure that the College gets the weekly update from the Harrow Director of Health, which was confirmed; as well as noting that Delta variant mass testing was recently undertaken in support of Harrow.

- For those students continuing next year, Laptops given out to support them during the pandemic will be continued to be loaned to them over the summer and into next year.

ShR challenged the cyber security risk of laptops on loan over the summer and whether access is sufficiently restricted. SN replied these are student laptops that support learning and have no access to College systems. BP added these are study space and are on a different domain to College admin systems.

- Safeguarding updates following Sexual Abuse guidance released by Ofsted.

JL challenged that she had not seen this. SN replied that the changes go to SLT this week and it will be released to Governors when approved at SLT.

- Health & Safety Executive (HSE) are undertaking spot checks on FE providers regarding Covid testing and Safety. We were checked on the 7<sup>th</sup> June and had no concerns.

SB congratulated College on Covid testing program and questioned whether an insurance payment of £250,000 had been received by the College relating to the Covid pandemic additional costs. SN confirmed it had been received and covered what had been spent in additional pandemic related costs. SB also challenged the 65% Summer term pupils onsite target and asked what the plans were to attain 100% back onsite. SN replied we are guided by Government restrictions and when removed will work towards all students back onsite; however noted that going forward the College has to work in a different way to get the best out of the new technology and opportunities that have been placed before us. We may be able to have students working more online and better preparing them for the way that the world is now working. We may have students onsite 1, 2 or 3 days per week depending on the complexity or stage of their course from next year.

**RECOMMENDATION****NOTED****THE COVID 19 BUSINESS CONTINUITY UPDATE****11. Internal Audit Reports:**

SB called on Mike Cheetham (RSM) Internal Auditor to explain Audit Reports and asked that we do not go through detailed reports where they are very good but concentrate on concerns.

**i. Key Financial Controls**

SB commented that this is the second report in three years that there has been no low, medium, high issues and congratulated the Executive. MC echoed the comment and said it is rare that the auditors issue a report with nothing in and offered his congratulations also.

**ii. H&S Report**

MC noted that there was one issue arising relating to Fire Risk assessments, however it was a minor one. SB challenged that Fire Risk Assessments not fully completed in 3 x buildings; SN confirmed the College has overarching registers in place. JL challenged that Fire Risk Assessments are important and should be individually completed. BP clarified that all Fire Risk Assessments were in place, however the number of learner occupancy rates were incomplete on 3 of them and this would be addressed.

SN asked MC whether Staff wellbeing was required in the Health and Safety(H&S) Policy. MC confirmed it should be available and could be a separate policy or within the H&S Policy.

**iii. Staff Utilisation**

SB challenged staff utilisation figure of 136% as being over utilised. BP confirmed this was part time or fractional staff undertaking additional hours in support of covid or absence cover. SB asked what the College utilisation target was; and SN confirmed this was 102%. MC confirmed this was the single biggest area of expense in any College and highlighted that the monitoring systems we have in place is needed to maximise utilisation and control cost.

**iv. Learner Number Systems**

MC highlighted this as a first for him, in that there are no recommendations and congratulated the College executive. SB offered his congratulations also.

**v. Sub Contracting Controls**

MC identified that we are only just over the financial threshold to require this audit and suggested we investigate the savings from lowering the income versus cost of audit. BP identified that next year the addition of 16-18 subcontract delivery will be included. Currently this is audited separately. SN added we targeted a 10% reduction in sub contract and have migrated to direct delivery where possible. SN also highlighted this area remains the biggest risk for the College as it has a significant impact on student achievement. BP confirmed this was a good report and we are required to submit a certificate to ESFA. **Action – Certificate to ESFA**

**vi. Curriculum Audit 19/20**

SN challenged the Auditors report that we do not use local Market Intelligence Report or report information consistently. SN suggested this was an incorrect finding as all reports that come through the Academic Management Group (AMG) to SLT have consistent templates which address those issues and that the impact at the senior level is being considered. MC confirmed the report had been through the due internal process and the College had had the opportunity to respond to findings and present additional evidence. The report is based on findings. The College management had accepted findings, agreed actions and had named individuals to complete. If there is additional evidence this can be reviewed again. BP explained this was for the previous academic year and related to a previous Vice Principal. SN suggested she will revisit with management team and auditor. SB noted all comments on behalf of Committee

**vii. FE Emerging Issues – Spring 2021**

MC provided for information. SN stated this has been embraced in 5v Year strategic plan. SB suggested this be shared with the Governors.

**Action – Share report FE Emerging Issues – Spring 2021**

MC added a comment regarding External Audit change in Post 16 Code of Practice Page 13. External Audit funding claim has changed to remove reliance on External Auditors confirming ESFA funding; leaving external audit firms having to appreciate how they will audit ESFA earned income. BP confirmed this had been discussed in the External audit strategy meeting. Auditors will review their opinion, overall risk whether allocations were met or not met, financial performance and quality performance. Auditors will do their own sampling based on their outcomes and determine a way forward.

## **RECOMMENDATION**

### **NOTED**

#### **THE INTERNAL AUDIT REPORTS**

##### **ACTION – SUB CONTRACT CERTIFICATE TO ESFA**

##### **ACTION – SHARE REPORT FE EMERGING ISSUES – SPRING 2021**

### **12i. Management Accounts up to 30 April 2021 and ii. Monthly Monitoring reports**

SB suggested these two items were combined for discussion. Bp noted there were a more recent set issued yesterday and distributed and confirmed all had seen. BP stated it is a positive picture but there was a minor balance sheet error identified relating to the £250,000 insurance claim that was processed to show a £430,000 surplus forecast to Governors for year end. However this was not journaled to balance. This will be re-issued.

BP confirmed likely surplus of £430,000. Best case , better than that with additional mass testing funding from DfE pending, LGPS pension provision should be sufficient , but it does depend on actuarial valuation. We are discussing how we are planning to use this surplus to benefit students and will raise with Governors. Worst case is £200,000 surplus.

SB noted that since his tenure, this is the first time that the worst case was a positive figure.

ShR challenged cash held at bank and is this being invested as part of the Treasury Policy?

BP responded that this is undertaken through Barclays and we operate Treasury deposits of 3 months, 6 month and an investment account; however interest rates are low and returns are small. We also have a reserves policy managed by Resources committee and are strategically saving to support capital investment, student IT and strategic plans.

### **iii. ESFA Financial Assessment**

BP identified that this is a pleasing report that the ESFA have finally concluded, giving us an Outstanding financial assessment. Historically the College went into administered status for due cause for related party transactions, EBITDAR going below zero and Apprenticeship delivery below standard. BP explained these were cleared a number of years ago through restructuring and other actions. We have now clearly bounced back, have good student numbers and we are now at the top of the ESFA scale.

SB challenged that we use ESFA charts in our MI particularly the Adjusted Current Ratio to clearly show the Board the College trends. BP agreed it could go to Resources Committee. SN suggested it was not for wider publication. It was noted that the College published the Annual Financial statement and will not publish management accounts or the ESFA report directly.

## **RECOMMENDATION**

### **NOTED**

## THE MANAGEMENT ACCOUNTS UP TO 30 APRIL 2021 AND MONTHLY MONITORING REPORTS

### THE ESFA FINANCIAL ASSESSMENT

#### 13 i. Risk Register as at May 2021

BP identified the review process and highlighted the key points on the summary, but offered to discuss any points raised in depth. BP specifically noted attendance moved from amber to green despite Covid >85% consistently. Student engagement >93%.

BP noted a risk of the actuarial Local Government Pension Scheme (LGPS) valuation and the process that Harrow LGPS follows. Last year we had a hit of £2.3m. We have asked for a valuation for this year's finances and as with all investments it may go up or down; but is forecast to dip down further due to Covid. It was noted that SR has volunteered to join the Harrow LGPS Committee as a local employer representative on behalf of the College, effective from September.

SB challenged cyber security, particularly following recent ransomware event in education establishments, regarding malware as a risk item and its mitigating controls. It was agreed to take item 13iii

#### 13iii. Cyber Security Review

BP stated that we actively monitor and conducted a full review in 2019; there is an ongoing audit plan for cyber security and it is referenced in the risk register. We have produced a report to allay any fears at the present time. There are two concerns. One is a legacy system now only available offline and the other has been turned off completely to prevent access. Both to be replaced in 21/22. Funding was considered better utilised for learners previously. We are looking at additional security methods that better support staff working from home and these have been approved by SLT.

We have regular updates from GISK, AoC, Insurers and Barclays Bank to drive our understanding of threats and mitigation of cyber risk. Our policies processes and procedures are all in place, tested and reviewed on a regular basis. Staff are trained on looking out for phishing emails. Our IT monitor and report all incidents. We also have cloud based data recovery for all our systems and have a good proactive Head of IT.

ShR challenged whether there had been any attacks recently and whether software versions were up to date. BP replied there have been no attacks, and all software is up to date and is undertaken at weekends to prevent outages.

JL felt this was very reassuring and credited the team.

BP added that there will be an independent audit report in 21/22 by internal auditors.

SB lost connection and left the meeting  
JL as Vice Chair continued the meeting

#### 13 ii. KPIs as at May 2021

SN presented the KPI Report and explained its process. There was excellent progress in April, however May shows a few Red items, which are fully expected. Noted was: Attendance 86.5% and Student Engagement is at 93% demonstrating a positive picture.

SB rejoined the meeting at this point.

SN continued that it was expected that attendance would drop as the year ends and students complete work and assessments and this explains the red changes. But work has been completed

and outcomes will not be affected. Applications are expected to be Red at this time and these are improving and will improve further over the summer. The ESFA/GLA funding target is red, as there is still money coming in. 19+ will be met at the end of the year. In summary, very positive picture with expected red areas that will not impact academic performance.

JL challenged 19+ reasoning. SN highlighted the number of students taking loans at this time is low due to Covid situation. This is expected to pick up as we reach application deadlines and it has been seen in June figures (yet to be published) that both 16-18 and 19+ have increased.

## **RECOMMENDATION**

### **NOTED**

#### **THE KPIS AS AT MAY 2021**

#### **14. Internal Audit Strategy for 2021/22 – for approval**

SB explained that the audit strategy had been discussed with management and two areas identified for committee consideration. 1. Cybersecurity and 2. BCP Governance and lessons learned. It was discussed whether we also include awarding body validation process to examine grade inflation, however we have extremely robust processes and these have been externally validated by awarding bodies who would like to use our processes as they are so robust.

MC the audits are the choice of the College and recommend we choose an area that the College see as a risk area. As the audits are not until Spring 2022 then it may be worth reviewing nearer that time and see what national picture guides.

SN challenged MC on Key Financial Controls (KFC) audit. MC replied this supports the annual auditors opinion and also they tend to highlight basic errors and ensure the basics are being done. ShR challenged what areas the KFC will be looking at and are they the same as the current outstanding audit areas. MC confirmed they area broad sweep across all areas and deep dive where concerns or changes are noted. Eg New finance system spoken about for 2022, transfer from old to new would be looked at. JL agreed this was good.

SB raised cyber attack experience and suggested this was shared with the committee. SB questioned whether Internal auditors have the experience to audit cyber security. MC confirmed they have a specialist IT audit team to do this. Inc. preparation for cyber essentials, plus penetration testing, ethical hacking etc. It is such a broad subject that you need to scope what you want. Ethical hacking is something we have been doing a lot of in the last 12 - 18 months; particularly focused around remote working, because when people are reporting reference of VPN's and that laptops being out and students and staff, it's opened up an awful lot more portals into core system. We do the basic controls, testing, patch testing or that sort of thing so the exact scope is something we normally firm up near a time. Depending on where exactly you may have concerns. And where you want that assurance, because if you did a complete cyber security review, you're talking with significant amounts of money and it's just not going to be helpful. SB If you narrow it down, most vulnerable would probably be a malware phishing email. MC could run mock phishing and use it as a training option. MC common themes are denial of service or malware.

SB Best approach is the executives do a piece of work as they have done, discuss with internal auditors and scope an audit accordingly. SN requested common themes from MC. JL raised awareness training as a priority. SN recommended a staff checklist tool.

SN explained about a phishing attack in 2016 using her name that was avoided by vigilant staff. SB explained similar banking industry example.

SB recommended the committee have a cyber security audit and decide specific areas with auditors. ShR commented that we need a cybersecurity risk assessment through management and identify gaps and focus on these areas.

BP – This has been a good debate and it is good we are being proactive in bringing these events to our attention. We have a cyber security risk assessment and gap analysis. It would be good to test a mock phishing attack.

SB Reminded us that the GDPR audit previously was very good and privileged access and access reviews were clean. SB proposed that we do not bring in a specialist firm to do a full cyber audit, but have management engage with internal auditors to identify gaps and plan a suitable internal audit to focus on these areas.

**Action – prioritise cyber security gap analysis with internal audit**

It was agreed that this would be the priority for internal audit strategy

MC questioned the awarding body audit and SB suggested this went to the bottom of the list. This was also agreed.

**RECOMMENDATION**

**NOTED**

**THE**

**ACTION \_ SHARE CYBER EXPERIENCE FEEDBACK**

**ACTION – PRIORITISE CYBER SECURITY GAP ANALYSIS INTERNAL AUDIT**

**15. External Audit Strategy – for approval**

BP The auditor was due to attend but had nothing to bring to the committees attention

SB Challenged, the strategy documents haven't changed since the last one.

BP They focus on significant change in risk eg deterioration of finances; otherwise they remain very much the same as previous. They see all audit packs and audit reports throughout the year and we have interim management meetings with external auditors. We are pleased to see there are no current issues in KFC or Learner systems; and they are content. To confirm they still go to granular level when reviewing areas. They have not raised their level of materiality, which is a level of assurance for the audit committee and the Board.

SN Importantly, it is a clean audit.

ShR this is an old template , very similar to one I used in 2016. They highlight the change in approach by the ESFA discussed earlier. ShR challenged whether they still provide benchmarking data customer Colleges. BP answer yes, they do compare us to their client list. ShR challenged how collaboration between internal and external audit was managed. MC explained they are not allowed to rely on internal audit work leading to many tripartite conversations. This is currently pending with the Colleges provider. This is with Macintyre. Its worth noting that Macintyre is not proposing any increase in costs whereas other providers are.

The strategy was approved.

**RECOMMENDATION**

**APPROVED**

**THE EXTERNAL AUDIT STRATEGY**

**16. Any Other Business**

None

**17. Meeting Review, Learning and Reflection**

JL thanked RoH for resolving papers issue



SB thanked RoH for work and positive approach

### 18. Date of next meeting

4.00 pm Tuesday 23 November 2021

**Meeting ended at 5.44pm**

**Signed**

**Chair**

**Date**

### Action points:

<b>Item</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timescale</b>	<b>Status</b>
<b>6</b>	<b>SHARE CYBER TRAINING GOVERNORS</b>	RoH	June 2021	
<b>6</b>	<b>EXTERNAL AUDITOR TENDER PREVIOUSLY DEFERRED FOR 12 MONTHS TO BE UNDERTAKEN AS PER POST 16 CODE OF PRACTICE GUIDANCE</b>	BP	March 2022	
<b>11v</b>	<b>SUB CONTRACT REPORT CERTIFICATE TO ESFA</b>	BP	July 2021	
<b>11vii</b>	<b>SHARE REPORT FE EMERGING ISSUES – SPRING 2021</b>	RoH	June 2021	
<b>14</b>	<b>SHARE CYBER EXPERIENCE WITH COMMITTEE</b>	RoH	June 2021	
<b>14</b>	<b>CYBER SECURITY GAP ANALYSIS AND INTERNAL AUDIT</b>	BP	Spring 2022	