



**North Warwickshire  
& Hinckley College**

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Part of North Warwickshire and South Leicestershire College

# **Audit Committee Annual Report 2017/18**

North Warwickshire and South Leicestershire  
College

Clerk to the Corporation

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# **Audit Committee Annual Report 2017/18**

## **1. Introduction**

- 1.1 The Post-16 Audit Code of Practice (ACoP) requires the Audit Committees (the Committee) to submit an Annual Report to the Corporation. The report should summarise the Committee's activities relating to the financial year under review, including any significant:
  - i. issues arising up to the date of the preparation of the report; and
  - ii. matters of internal control included in management letters and auditor's reports.
- 1.2 This Annual Report therefore covers the financial period 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 and summarises the activities of the Audit Committee for that period of time.
- 1.3 The Report is addressed to the Corporation and the Principal and Accounting Officer who will be asked to sign off the College's financial statements.

## **2. Audit Committees' Constitution and Terms of Reference**

- 2.1 The remit and responsibilities of the Committee for 2017/18 are set out in Appendix 1 to this Report.
- 2.2 The terms of reference for the Audit Committee include the minimum requirements for further education college audit committees, as set out in the ACoP and the College's respective Financial Memorandum.

## **3. Audit Committee Membership and Meetings**

- 3.1 The membership of the Committee for 2017/18 was determined by the Corporation at its meeting on 27<sup>th</sup> October 2016.
- 3.2 Members of the Committee were:
  - i. Dr P Cashian;
  - ii. Mr M Cooke (co-opted member);
  - iii. Ms I Horton - Deputy Chair (co-opted member);
  - iv. Mrs M Proffitt - Chair (1<sup>st</sup> August 2017 - 13<sup>th</sup> March 2018);
  - v. Mr A Majithia - (13<sup>th</sup> August 2018 - 31<sup>st</sup> July 2018)
- 3.3 Committee membership underwent the following changes during the year:
  - i. Ms Horton resigned from the Committee on 4<sup>th</sup> January 2018.
  - ii. Ms Proffitt resigned as an external Member on 13<sup>th</sup> March 2018 and was co-opted to the Audit Committee until 31<sup>st</sup> July 2018.
- 3.4 Attendance levels overall, fell slightly below the Corporation target of 80%.
- 3.5 The Audit Committee met on five occasions during the year. All four formal meetings were quorate, with the following levels of attendance.

Members	2.10.17	20.11.17	5.3.18	14.5.18 *	11.6.18	Individual Total
Dr Cashian	✓	-	✓	✓	-	3/5 60%
Mr Cooke	✓	✓	✓	✓	✓	5/5 100%
Ms Horton	✓	-	Resigned			1/2 50%
Mr Majithia	✓	✓	✓	✓	✓	5/5 100%
Mrs Proffitt	✓	✓	-	-	✓	3/5 60%
<b>Committee Total</b>	<b>5/5 100%</b>	<b>3/5 60%</b>	<b>3/4 75%</b>	<b>3/4 75%</b>	<b>3/4 75%</b>	<b>17/22 77%</b>

\* Internal Audit Strategy Session

- 3.6 The College's Executive Director Finance and Risk was in attendance for each meeting, together with representatives from the external audit services and internal audit services.
- 3.7 The meetings were clerked by the Clerk to the Corporation.

#### 4. Audit Services Provided During 2017/18

- 4.1 The College's internal audit service (IAS) throughout the year was Moore Stephens, who were appointed for a period of period three years, starting from 1<sup>st</sup> November 2016. This contract is now in its third year of operation.
- 4.2 The College's external audit service (EAS), who carry out the role of financial statements and regularity auditor, was Grant Thornton, who were appointed for a period three years, starting from 1<sup>st</sup> August 2018, with an option to extend the contract by one year, up to a maximum of five years. The contract is currently in its first year of operation.
- 4.3 A data analytics deep dive audit was undertaken by Moore Stephens Consulting Limited, a separate legal entity to Moore Stephens.
- 4.4 Additional audit services for 2017/18:
- i. The College engaged in one commission with Moore Stephens Consulting (which is independent of Moore Stephens) to undertake the data analytics deep dive, in addition to the usual internal audit services with Moore Stephens.
  - ii. The College engaged in two commissions from Grant Thornton in 2017-18, additional to their normal external audit service. This was for VAT advice with regards to the MIRA Technology Institute centre and for an assurance mapping exercise.

On all occasions, the independence of Moore Stephens, as the internal audit service, and Grant Thornton, as the external audit service, was assured.

#### 5. Internal Audit

##### 5.1 Internal Audit Plan for 2017/18-2018/19

The College has determined that its internal audit approach will be delivered in two parts:

- i. compliance auditing to be provided by the College's internal audit service; and

- ii. a single ‘deep dive’ audit which focuses on an area of key strategic risk and / or priority, to be provided by a specialist in the relevant area.

The Committee held its annual audit planning session on 22<sup>nd</sup> May 2017, together with the IAS, EAS and Management to consider the internal audit approach, key issues of risk and priority and any other advisory work required for 2017/18, taking a risk based approach.

The resulting internal plan (see Appendix 2) was presented to the Board at its meeting on 13<sup>th</sup> July 2017 and approved.

The Committee reviewed progress against the internal audit plan throughout the year. All audits were completed.

## 5.2 Internal Audits Undertaken in 2017/18 and Internal Audit Opinion

The objective of the internal audit service is to give the Committee a formal opinion as to the adequacy of the internal controls, for the systems audited during the period of audit. This opinion will support the Committee in giving its opinion to the Board, upon which the Board may base its judgement as to whether it is carrying out its statutory duties.

Four internal audits were conducted during the year, of which three were new audits and one was a follow-up of a previous review. The audit areas and outcomes, in terms of assurance ratings and numbers and types of recommendations, are shown in table below.

Internal Audit Undertaken in 2017/18	Assurance Rating*	Recommendations Priority Rating*		
		1	2	3
1. Core Financial Controls Audit		-	1	3
2. Curriculum Efficiency and Planning Process Audit		-	3	-
3. Safeguarding and Prevent Audit		-	-	1
4. IT General Controls Audit		-	12	-
5. Compliance Audit Recommendation Follow Up		-	-	-
<b>Total Recommendations for 2017/18</b>		<b>-</b>	<b>16</b>	<b>4</b>

\* Definitions are provided in Appendix 3

Moore Stephens presented its Annual Internal Audit Report for 2017/18 to the Committee on 12<sup>th</sup> November 2018 (see Appendix 4). In that report, Moore Stephens gave the following opinion for the period September 2017 to August 2018:

*“The audit opinion takes together the assurance ratings and recommendations of individual Internal Audit assignments conducted in 2017, management’s responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management.*

*There is an adequate and effective system of governance, risk management and internal control to address the risk that management’s objectives are not fully achieved.”*

*The audit plan assignments completed in 2017-18 confirmed no significant findings affecting the opinion were identified, as no Priority 1 recommendations were raised.*

## 5.3 Internal Audit Recommendations

Management monitor the implementation of recommendations and reports the outcome of the implementation process to the Audit Committee. The IAS then reviews the implementation of

recommendations as part of the work conducted for individual assignments, where the assignment covers areas of work subject to previous internal audit recommendations. The IAS, will where relevant selects a sample of higher priority recommendations for specific evidenced confirmation or retesting. The purpose of the reviews is to validate the progress the College has made towards implementing recommendations and actions raised in the 8 audits listed below.

Of the 20 recommendations reviewed, the IAS was able to verify that 15 had been fully implemented, 4 were on-going and 1 was not to be implemented as other controls put in place are deemed adequate by the College for to the level of risk. Overall, we consider that appropriate steps have been taken to implement previously raised recommendations.

The Committee was pleased to note that all but one recommendations were accepted by Management. The reasons for Management not accepting the one recommendation was supported by the Committee.

<b>Audit</b>	<b>Fully Implemented</b>	<b>On-going</b>	<b>Outstanding</b>	<b>Not to be implemented</b>	<b>Totals</b>
<b>Human Resources:</b> January 2014	-	1	-	-	<b>1</b>
<b>General IT Review:</b> August 2014	1	-	-	-	<b>1</b>
<b>Payroll &amp; HR:</b> December 2017	1	1	-	-	<b>2</b>
<b>IT Controls:</b> December 2017	8	2	-	<b>2</b>	<b>12</b>
<b>Safeguarding &amp; Prevent:</b> January 2018	1	-	-	-	<b>1</b>
<b>Curriculum Planning:</b> January 2018	3	-	-	-	<b>3</b>
<b>Core Financial Systems:</b> March 2018	3	1	-	-	<b>4</b>
<b>Total</b>	<b>17</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>24</b>

## 6. Deep Dive Audit - Data Analytics Review

6.1 The scope of the College's first deep dive audit, was to:

- i. review the Trust's existing data processing / operations, technologies and systems; and
- ii. for Moore Stephens Consulting (MSCL) to provide guidance and direction to support the Trust' future data analytics solutions.

6.2 The audit found that:

*"With relatively limited resources, the College has already laid the ground work to develop a data analytics capability, in the form of a high quality consolidated repository of data that supports the Box Portal solution. Sourcing data that is fit for purpose and in a format that can be readily consumed can be a considerable challenge (and cost) when developing data analytics solutions. The current Box Portal solution gives the College a considerable head start, and, supplemented by other sources as required, could go a long way to delivering reporting and analytics capabilities to the organisation at relatively low effort/cost/risk. The organisation's goal of extending the Box Portal to act as a central "hub" of functionality, into which data from the Trust is consolidated, places the Box Portal long term at the core of future data analytics solutions."*

- 6.3 A total of 8 recommendations were made under the following headings:
- i. Solutions (Data Analytics);
  - ii. Infrastructure;
  - iii. Development Practice.
- 6.4 The Audit Committee found the resulting report read very well and felt that the deep dive approach undertaken to be very helpful.
- 6.5 The Committee agreed that an action plan, with dates and costings would be drawn up for the Committee to review on an ongoing basis. The audit recommendation tracker would also provide an update on progress relating to the recommendations arising from the audit.

## 7. Additional External and Internal Sources of Assurance

- 7.1 The Corporation, either directly or through its Committees received the following reports on its systems of internal control, governance processes and securing economy, efficiency and effectiveness:
- i. Annual Sub-Contracting Provision Audit: nothing had come to the attention of Moore Stephens that caused it to believe that North Warwickshire and South Leicestershire College has not complied with the requirements of the Education Skills Funding Agency (ESFA) for the design, operation and maintenance of systems and controls to manage subcontractors delivering education and training funded by the ESFA. Moore Stephens confirmed that the two recommendations arising from the audit in 2016/17 report had been implemented and there were no recommendations arising from the 2017/18 audit. Consequently, the College was able to issue to the ESFA, a certificate of external assurance on sub-contracting controls
  - ii. Regularity Self-Assessment Questionnaire for 2017/18 as required by the ACoP and presented to the Committee on 1<sup>st</sup> October 2018. (Appendix 5).
  - iii. External Audit Risk Self-Assessment Questionnaire 2017/18 (Appendix 6).
  - iv. Report arising from an Ofsted monitoring visit on 9<sup>th</sup>-10<sup>th</sup> October 2018.
  - v. An external governance effectiveness review was conducted in autumn term 2017 which indicated:
 

*“Most of the processes of governance at North Warwickshire and South Leicestershire College are generally sound. The College is generally compliant with the most important aspects of the FE Code of Governance, and its operational practice of governance is typical of many colleges of its kind. Governance also appears to conform to the Nolan principles. There is evidence of substantial good practice in the conduct of governance.”*

The report makes 19 specific recommendations and a number of other discussions points were identified. An action plan was developed to implement the majority of the recommendations accepted by the Corporation and progress against the action plan was overseen by the Remuneration and Search Committee at each of its meetings. The Committee signed the action plan off at its meeting on 20<sup>th</sup> September 2018, with a small number of actions being transferred to the Corporation Quality Improvement Plan for 2018/19 for completion.
  - vi. Annual Staff Survey for 2018 achieved a final response rate of 66.37% which was an increase of 11.5% in comparison to the previous year’s survey. Overall, an improvement in the majority of categories was seen in comparison to the previous year.
  - vii. Annual pensions review undertaken by the external auditors on behalf of the Teachers’ Pension Scheme, which is a review of payments made from 1 April 2017 to 31 March 2018, and is signed off and reported on by them. No errors or exceptions were found.
  - viii. Monthly returns to Warwickshire and Leicestershire County Councils, validating the College’s pension data for the Local Government Pension scheme.

- ix. Whole College Self-Assessment Report for 2017/18 with a grade of 'good.'
- x. Quarterly VAT returns undertaken successfully.
- xi. Monthly management accounts and capital development reports.
- xii. The College's three year statutory return to the ESFA which is a key measure of its ability to continue as a going concern.
- xiii. Annual and termly human resource, safeguarding and health and safety reports.
- xiv. Equality and diversity annual report.
- xv. Regular updates on College strategic objectives achievement for 2017/18.
- xvi. College Policy review and approval.

## 8. Assurance Mapping

- 8.1 Given the nature of the opinion that the Audit Committee is asked to give, one of the Audit Committee's key roles is to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework, such that the Committee is able to provide the necessary opinion in the accounts. Consequently, the Committee determined that during 2017/18 it would establish an assurance framework within which the Corporation would be able to:
- i. identify the principal risks of not delivering on its vision and values and not achieving its strategic goals; and
  - ii. establish the systems and controls necessary to manage and mitigate those risks; and receive adequate assurances about the effectiveness of those systems and controls.
- 8.2 Grant Thornton, was commissioned to undertake an assurance mapping exercise to identify and record the key sources of assurance that inform management and the Committee about the effectiveness of the key controls/processes that are relied upon to manage risk and achieve the Corporation's objectives.
- 8.3 The aim of this assurance mapping activity was to provide a comprehensive picture of where the Corporation received assurance, and whether it has sufficient and appropriate assurance set at the right level to meet the Corporation's needs, on a risk basis. Consideration as to the independence of assurance received, in terms of how much reliance or comfort could be taken from it also took place with a view to Management being able to undertake assurance improvement / strengthening activity.
- 8.4 The Audit Committee received a written report from Grant Thornton at its meeting on 5<sup>th</sup> March 2018, together with an assurance map which had been developed, based on the College risk report for 2017/18.
- 8.5 The report highlighted the following points:
- i. In the main, there were a variety of assurance activities in place over the key risks facing the College; these assurance activities, however, were mainly provided through first line of defence activity.
  - ii. Assurance from second line of defence providers, such as Corporation committees, or other corporate functions, was observed to be in place.
  - iii. Third line of defence activity, including internal audit and other independent assurance, was considered to be light; however this was not unusual based on experience.
- 8.6 The following recommendations were made:
- i. There was an opportunity for Management to review whether further assurance could be provided from second line sources, to provide an enhanced level of oversight over some of the key risks facing the College.

- ii. There was an opportunity for Management to consider whether additional independent scrutiny would enhance the overall approach to risk management.
  - iii. The Risk Register should be reviewed to determine where the content can be strengthened, including enhancing narrative for mitigating actions and consolidation of risks, where deemed appropriate.
- 8.7 The Committee highlighted that the assurance map was a very useful tool for risk and control assurance and would support the development of the annual internal audit plan and agreed that:
- i. an action plan, relating to the implementation of the recommendations, should also be established for the Committee to monitor progress during 2018/19; and
  - ii. the assurance map should be updated to reflect the College risk report for 2018/19 and presented to the Committee on a regular basis.

## **9. Regularity and External Audit**

- 9.1 The regularity and external audit review was carried out for the College, as required by funding body guidance, by Grant Thornton which was appointed as the College's regularity and external auditor in 2013 for a period three years, starting from 1<sup>st</sup> August 2013, with an option to extend the contract by one year, up to a maximum of five years. The contract is now in its final year of operation with options to extend the contract up to a maximum of five years, having been exercised.
- 9.2 Grant Thornton conducted the external audit of the College's financial statements and provided relevant reports to the College and also provided a regularity opinion to the College and the Education and Skills Funding Agency (ESFA).
- 9.3 The Audit Committee received the Audit Findings Report at its meeting on 12<sup>th</sup> November 2018. The purpose of that document was to highlight the key issues affecting the results of the College and the preparation of the College's financial statements for the period to 31st July 2018.
- 9.4 Grant Thornton confirmed at that meeting that its audit was substantially complete and that there were no areas it was aware of which would require modification of its audit opinion, subject to receipt of the final funding confirmations.
- 9.5 Grant Thornton's intention was therefore to issue an unqualified audit opinion, both for the regularity and external financial statements audit on the basis that there were no significant findings for the College.
- 9.6 In respect of its review of the key accounting policies, Grant Thornton had no matters to bring to the Committee's attention.
- 9.7 One adjustment has been made to reclassify an amount due from the ESFA, which was originally shown as a negative creditor in Note 14, by moving it to the debtors balance in Note 13. This has had the effect of increasing the College's short term creditors by £174k and increasing the College's debtors by £174k. This has not impacted on the deficit as reported in the draft accounts of £2,921k.
- 9.8 In respect of 'Going Concern' issues, Grant Thornton did not identify any reason to challenge the decision to prepare the financial statements on a going concern basis.

## **10. Funding Audits**

- 10.1 No funding body audits took place in 2017/18.

## **11. Risk Management**

- 11.1 The following risk management activity was undertaken during 2017/18.
- 11.2 The Committee received a risk management activity update report and scrutinised the whole College risk report at each of its four meetings.
- 11.3 A risk owner was invited to attend a Committee meeting to brief members on the risks they were responsible for. Invitees were:
- i. Group Director E-Service - Mr Evans on risks relating to the E-Services Team (2<sup>nd</sup> October 2017);
  - ii. Executive Director Business Development & Marketing - Mrs Coe on risks relating to sub-contracting (5<sup>th</sup> March 2017);
  - iii. Group Director E-Service - Mr Evans on risks relating to General Data Protection Regulation (GDPR) implementation (11<sup>th</sup> June 2018).
- 11.4 The Committee reviewed the Risk Management Policy on 2<sup>nd</sup> October 2017 and recommended it to the Corporation, which subsequently approved the Policy at its meeting on 30<sup>th</sup> October 2017.
- 11.5 The Corporation received a strategic risk report, containing a number of risks, as recommended by the Audit Committee, which it scrutinised and challenged at each of its four meetings. The Corporation also regularly considered risks relating to a number of high priority areas (including student achievement and progress, implementation of the GDPR, short term solvency and achieving the medium term business plan) and strategic projects (the development of the MIRA Technology Institute, the sale of the Spa Lane campus and the development of the College estate) which took place during the year.

## **12. Value for Money**

- 12.1 The College, as part of the Learning Group with The Midland Academies Trust, operates a procurement process led by the procurement officer. The Colleges obtain value for money by delivering procurement via appropriate strategies, ensuring compliance with internal financial regulations and external regulations including the Public Contracts Regulations and OJEU. Procuring collaboratively across the Group brings increased buying power and results in better terms and conditions for the Group
- 12.2 The Financial Statements also contain examples illustrating how the College has demonstrated value for money during the year.

## **13. Fraud, Bribery and Whistleblowing**

- 13.1 The Colleges had policies and procedures in place which relate to areas of fraud, bribery and whistleblowing; these had been approved by the Corporation. The processes are, in the opinion of College management, suitably designed and appropriate to the College's needs. The relevant documents are available on the College's extranet and employees are reminded of their existence from time to time.
- 13.2 All staff now required to undertake mandatory on-line Anti-Bribery and Fraud training.
- 13.3 During the year there have been no reported instances of fraud or bribery and no instances of whistleblowing disclosures being made.

## **14. Other Matters**

### **14.1 Financial Regulations**

The Financial Regulations for 2017/18 were reviewed by the Committee on 2<sup>nd</sup> October 2017 and recommended to the Corporation, which subsequently approved the Regulations on 30<sup>th</sup> October 2017.

### **14.2 Disaster Recovery and Business Continuity Plan**

The Disaster Recovery and Business Continuity Plan was reviewed by the Committee and recommended to the Corporation, which subsequently approved the Plan on 16<sup>th</sup> September 2016. The Policy is subject to review in September 2019.

### **14.3 Public Interest Disclosure (Whistleblowing) Policy**

The Public Interest Disclosure (Whistleblowing) Policy was reviewed by the Board, which approved the Policy on 27<sup>th</sup> October 2016. The Plan is subject to review in October 2019.

## **15. Audit Committee Conclusion**

### **15.1 Internal Control and Risk Management**

The Audit Committee's conclusion as to the adequacy and effectiveness of the Colleges' systems of internal control and their arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness is as follows:

*The Audit Committee is able to reassure the Corporation that the College had an adequate and effective framework for governance, risk management and control, and had fulfilled its statutory responsibilities for "the effective and efficient use of resources, the solvency of the institution and the bodies and the safeguarding of its assets. It can also reassure the Corporation that progress is being made on the strengthening of systems and the implementation of new systems where necessary.*

### **15.2 Regularity and External Audit**

In respect of the Regularity and External Audit, the Audit Committee is satisfied that all of the issues raised in connection with the Audit Findings Report were being progressed and is satisfied with the responses of Management.

Signed:

Date: 30<sup>th</sup> November 2018



**Anil Majithia**

**Chair of the Audit Committee**

## **Appendix 1**

### **Audit Committee Constitution and Terms of Reference**

#### **1. Constitution**

- 1.1 The Committee shall comprise between four and seven members, appointed by the Corporation.
- 1.2 The Corporation Chair, Principal and Student Members are ineligible to be Committee members.
- 1.3 Staff Members are eligible to be Committee members provided they do not have significant executive, management, financial or budgetary responsibilities, which could allow them to influence the Committee's considerations.
- 1.4 The Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, Committee members should have recent, relevant experience in risk management, finance and audit and assurance.
- 1.5 The clerk of the Committee will be the Clerk to the Corporation.
- 1.6 Access to meetings will be limited to Committee members, the Clerk, the Executive Director Finance and Risk and any persons expressly invited to attend all or part of a meeting.
- 1.7 The Committee may invite members of staff to attend, to discuss matters for which they have relevant responsibility.
- 1.8 Representatives of the external and internal auditors will be invited to attend meetings.
- 1.9 Quorum:
  - 1.9.1 The Committee shall be quorate when there are three members present.
  - 1.9.2 If, during a Committee meeting, there ceases to be a quorum, the meeting shall be terminated forthwith.
  - 1.9.3 In this eventuality the Chair shall, if he/she thinks fit, cause a special meeting to be summoned as soon as practicable.
- 1.10 Appointment of Chair and Deputy Chair:
  - 2.10.1 A chair and deputy chair will be appointed by the Corporation.
  - 2.10.2 If the chair is unavailable, the deputy chair will chair the meeting.
  - 2.10.3 A chair / deputy chair may at any time resign their respective office by notice in writing to the Clerk.
- 1.11 Committee meetings will be held as and when appropriate, in accordance with the Corporation's annual calendar of meetings, and as a minimum, one meeting per term.
- 1.12 Minutes of Meetings
  - 2.12.1 Minutes of the meeting will be drafted by the Clerk.
  - 2.12.2 Minutes (regardless of whether they have been confirmed as being a true record) will be presented to the subsequent Corporation meeting.

#### **2. Terms of Reference**

- 2.1 The Committee has the authority to investigate any activity within its terms of reference and must have the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
- 2.2 External professional advice will be available from the appointed auditors. Any proposal to seek advice from any other professional organisations or individuals will be referred to the Corporation if there are any financial implications associated with seeking such advice.
- 2.3 The Committee must:

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- 2.3.1 not adopt an executive role;
  - 2.3.2 assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's:
    - i. assurance arrangements;
    - ii. framework of governance;
    - iii. risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of its assets.
  - 2.3.3 advise the Corporation of the appointment, re-appointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers and establish that all such assurance providers adhere to relevant professional standards;
  - 2.3.4 inform the Corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers and explain how independence and objectivity were safeguarded;
  - 2.3.5 monitor within agreed timescales, the implementation of recommendations arising from the audit and assurance provider reports;
  - 2.3.6 oversee the Corporation's policies on fraud, irregularity and whistleblowing and ensure:
    - i. the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity;
    - ii. that investigation outcomes are reported to the Committee;
    - iii. that the external auditor (and internal auditor where appointed) has been informed;
    - iv. that appropriate follow-up action has been planned / actioned; and
    - v. that all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body;
  - 2.3.7 consider and advise the Corporation on the internal audit strategy and annual internal audit plans;
  - 2.3.8 advise the Corporation on internal audit assignment reports and annual reports and on control issues included within internal audit findings reports and management's responses to these;
  - 2.3.9 produce an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:
    - i. a summary of the work undertaken by the committee during the year;
    - ii. any significant issues arising up to the date of preparation of the report;
    - iii. any significant matters of internal control included in the reports of audit and assurance providers;
    - iv. the Committee's view of its own effectiveness and how it has fulfilled its terms of reference;
    - v. the Committee's opinion on the adequacy and effectiveness of the Corporation's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness.
  - 2.3.10 submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed.
- 2.4 In respect of risk management:
- 2.4.1 the Committee will ensure the College's policies:
    - i. provide for the development and implementation of a robust and embedded risk management strategy;
    - ii. comply with the Code of Good Governance for English Colleges and subsequent requirements set by the ESFA;
  - 2.4.2 the Committee will:
    - i. undertake a regular review of strategic risks including receiving reports on actions taken;

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- ii. make recommendations for further action to the Corporation;
- iii. provide adequate information in a timely manner to the Corporation on the status of risks and controls;
- iv. undertake an annual review of the effectiveness of the risk management system and provide a report to the Corporation.

### **3. Post-16 Audit Code of Practice 2016-2017 and Financial Memorandum Requirements**

- 3.1 The constitution and terms of reference for the Committee include the minimum requirements for further education college audit committees, as set out in the Audit Code of Practice and the Financial Memorandum.

## Appendix 2

### Internal Audit Plan 2017/18

Assignment	Days	Scope	Budget	Completion status
1. Core Financial Controls Audit	4	Test controls adequacy and efficiency in respect of key financial systems (accounts payable & receivable, general ledger, payroll (follow up of prior year review), cash/bank and budget management). The review will also consider the College's treasury management processes.	£1,960	Finalised
2. Curriculum Efficiency and Planning Process Audit	8	Management arrangements exercise to review: effectiveness of planning procedures, both strategic plan and day to day operational management of curriculum; and assess arrangements over student recruitment.	£3,920	Finalised
3. Safeguarding and Prevent Audit	5	Review management arrangements over development and implementation of strategy; ongoing review/refresh of policies; and systems underpinning these to ensure compliance and continued understanding (e.g. training, reporting arrangements, awareness raising)	£2,450	Finalised
4. IT Controls audit	6	Overall assessment of IT controls within business critical systems (financial and operational), including access controls, password policies and its application in practice.	£2,940	Finalised
5. Compliance Audit Recommendation Follow Up	1.25	Overall assessment of IT controls within business critical systems (financial and operational), including access controls, password policies and its application in practice.	£613	Finalised
<b>TOTAL</b>	<b>24.25</b>		<b>£11,883</b>	

## Appendix 3

### Internal Audit Service - Definition of Assurance Recommendation Ratings

Assurance Rating	Assurance Rating Definition
	Generally, a good control framework is in place. Some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.

Definition of Recommendation Ratings	
<b>Priority Ranking 1</b>	There is potential for financial loss, damage to the organisation's reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately.
<b>Priority Ranking 2</b>	There is a need to strengthen internal control or enhance business efficiency.
<b>Priority Ranking 3</b>	Internal control should be strengthened, but there is little risk of material loss or recommendation is of a housekeeping nature.

## Appendix 4

### NWSLC - Regularity Self-Assessment Questionnaire 2017/18

Colleges must complete this self-assessment and pass to their external auditor to inform the regularity assurance engagement.

Requirements	Questions	College Response	Evidence
Compliance with any specific terms and conditions of revenue grants, income and/or donations (from whatever source), including where the college acts in the capacity as agent.	Has the corporation approved policies and procedures operating during the year for each funding stream that has specific terms attached?	The North Warwickshire and South Leicestershire College Corporation approved its annual Sub-Contracting Policy at its meeting in July 2017 (for 2017-2018) in line with sub-contracting guidance.  The Corporation approved its annual Sub-Contracting Policy at its meeting in July 2018 (for 2018/19) in line with sub-contracting guidance.	Agenda, papers and minutes from meetings in July 2017 and 2018  Sub-Contracting Policies
Compliance with any specific terms and conditions of capital grants, income and/or donations (from whatever source).	Do the policies and procedures comply with the terms and conditions for the application of such funds?	The Sub-Contracting Policies comply with all relevant requirements and have been uploaded to the college website.	Sub-Contracting policies NWSLC website
	Has the college completed and returned any related funding claims/returns and reconciled this to specific eligible costs incurred and/or activities delivered?	Funding returns have been submitted on time. No issues regarding content have been raised.	College funding claims / returns
	Does the college have processes in place to ensure it is aware of funding rules and the evidence required to demonstrate learner eligibility, including but not limited to: <ul style="list-style-type: none"> <li>- evidence of the date on which learning activity begins</li> <li>- evidence of learning activity taking place</li> <li>- evidence of learning support being delivered in accordance with the planned programme, where applicable</li> </ul>	Changes to funding rules are notified directly to the college by the Funding Body. Individualised Learner Record (ILR) returns are made each month by the college to the Funding Body. These are assessed for completeness and rejected if any errors are present. There were no issues with any return in 2017/18. All relevant learner data is included in this monthly return. Furthermore the ILR returns are subject to periodic audit from the Funding Body.	Monthly ILR returns. Funding Body audit reports.
	Has the college complied with subcontracting requirements?	The Corporation received a paper outlining proposed sub-contracting provisions for 2017/18 for approval in July 2017. The Corporation also approved an extension to the agreed sub-contracting provision at its meeting in July 2018.	Corporation minutes from meetings in July 2017 and 2018  Audit Committee paper and minutes from a

## Appendix 4

Requirements	Questions	College Response	Evidence
		<p>An audit of the college's sub-contracting arrangements was undertaken by Moore Stephens in May 2017 in accordance with ESFA regulations.</p> <p>Moore Stephens provided an independent assurance report to the college stating "Based on our procedures, nothing has come to our attention causing us to believe that NWSLC has not complied with the requirements of the ESFA for the design, operation and maintenance of systems and controls to manage subcontractors delivering education and training funded by the ESFA".</p> <p>Moore Stephens also issued a "providing external assurance on subcontracting controls certificate" signed on the 26<sup>th</sup> May 2017.</p> <p>The report issued two recommendations which management accepted. This was reported to the Audit Committee.</p> <p>An annual sub-contracting audit was undertaken by Moore Stephens and reported to the Audit Committee at its meeting 1<sup>st</sup> October 2018. The audit report indicated that nothing had come to the attention of Moore Stephens that caused it to believe that the College had not complied with the requirements of the Education Skills Funding Agency (ESFA) for the design, operation and maintenance of systems and controls to manage subcontractors delivering education and training funded by the ESFA. Moore Stephens confirmed that the two recommendations arising from the audit in 2016/17 report had been implemented and there were no recommendations arising from the 2017/18 audit. Consequently, the College was able to issue to the ESFA, a certificate of external assurance on sub-contracting controls</p>	<p>meeting on Monday 12th June 2017</p> <p>A 'providing external assurance on sub-contracting controls' certificate, issued by Moore Stephens</p> <p>Audit Committee paper and minutes from a meeting on 1<sup>st</sup> October 2018</p>
<p><a href="#">Financial memorandum / funding agreement.</a></p> <p>The corporation is free to spend its funding as it sees fit, provided it fulfils the</p>	<p>Can the corporation demonstrate that:</p> <ul style="list-style-type: none"> <li>- it is discharging its responsibilities to safeguard the college's assets?</li> </ul>	<p>The Corporation operated Committees which scrutinised activity relating to the safeguarding of college assets. The terms of reference of these Committees included scrutiny and monitoring of matters relating to the safeguarding of college assets.</p>	<p>Corporation, Resource and Audit Committees minutes throughout 2017/18 and into 2018/19</p>

## Appendix 4

Requirements	Questions	College Response	Evidence
<p>conditions of funding imposed.</p> <p>Additional terms may be applied through a <a href="#">Notice of Concern/Financial Notice to Improve</a> that should be considered as part of this review.</p> <p>Extract from <a href="#">Education Act 2011</a>, specifically relating to 'Part 2 of Schedule 4' as revised from the Further and Higher Education Act 1992:</p> <ul style="list-style-type: none"> <li>- effective and efficient use of resources, solvency of the institution and safeguarding of assets</li> <li>- an instrument must prohibit the body from making changes to the instrument of government or articles of government that would result in the body ceasing to be a charity</li> </ul>	<ul style="list-style-type: none"> <li>- due consideration of decisions made over the operation and direction of a college's activities in the context of risk to the college's financial health?</li> </ul>	<p>The Corporation receive the minutes of these Committees and has also considered papers outlining activity relating to the safeguarding of college assets.</p> <p>Health and Safety Policies and Disaster Recovery and Business Continuity Plans are in place.</p> <p>Risk reports are in place which are regularly scrutinised by the Audit Committees and the Corporation. The reports include risks associated with safeguarding assets - mitigating actions are in place.</p> <p>An Estates Task and Finish Group was establish to oversee, scrutinise and challenge developments relating to the college's estates strategy.</p> <p>The Corporation is fully aware of potential risk to the college's financial health and all decisions made which have implications on financial health are considered appropriately, particularly in respect of approval of the medium term business plan and budgets for 2017/18 and 2018/19.</p> <p>The Corporation and Resource Committee received monthly management accounts which include relevant variance analysis and a capital spend analysis. Two re-forecasts were undertaken during the year.</p> <p>Regular updates on the college's financial health were presented to the Corporation throughout 2017/18 and into 2018/19 particularly in the management accounts. The Resource Committee convened an extraordinary meeting on 21.5.18 to interrogate and challenge issues relating to forecasting and income challenges. This position was monitored through the rest of the academic year with the Resource Committee Chair meeting regularly with the EDFR. The Corporation was also kept appraised and updated on the situation.</p> <p>The Chair of the Resource Committee and other nominated Members regularly attended meetings between management, the ESFA and the college banks. The Corporation was updated on the outcomes from these meetings.</p>	<p>Financial Regulations 2017/18 and 2018/19</p> <p>Internal Audit compliance reports throughout 2017/18 and 2018/19.</p> <p>Induction Programme Information</p> <p>Risk Reports</p> <p>Estates Task and Finish Group meeting notes</p> <p>Monthly performance report containing the management accounts</p> <p>Medium term business plans</p> <p>Corporation Strategy Day May 2018</p> <p>Estates Strategy</p>

## Appendix 4

Requirements	Questions	College Response	Evidence
		<p>The Audit Committee and the Corporation were informed and kept updated following a sub-contracting review of historic sub-contracting provision. The Chair and the Chair of the Resource committee also attended a meeting with the ESFA and management to discuss the college's appeal arising from the outcomes of the review.</p> <p>Risk reports are in place which are regularly scrutinised by the Audit Committee and the Corporation. The reports and include risk associated with financial health - mitigating actions are in place.</p> <p>The Audit Committee has asked to receive a "lessons learnt" paper relating to financial risk management in 2017/18 at its meeting on 12.11.18.</p>	
	<ul style="list-style-type: none"> <li>- policies and procedures are in place that set powers of authorisation and situations where corporation approval is required?</li> </ul>	<p>The Financial Regulations are reviewed and approved annually and set out key delegations, authorisations and requirements for Corporation approval.</p> <p>The Financial Regulations ensure that assets are safeguarded and that delegated thresholds are set. No instances of loss or thresholds being abused have been identified during normal audit processes.</p> <p>The Corporation has established procedures where the financial implications of all proposals are considered before decisions are made.</p>	
	<ul style="list-style-type: none"> <li>- Members of the corporation are discharging their responsibilities as charitable trustees?</li> </ul>	<p>Members are aware of their duties as charitable trustees. New Members receive an induction which includes an overview of their duties as charitable trustees.</p> <p>No instances of failure to discharge these responsibilities have been identified within normal auditing processes or by the Clerk. Where necessary, advice is sought from the Clerk and legal advisers as to the powers of the Corporation.</p>	
	<ul style="list-style-type: none"> <li>- It periodically reviews the profile of its activities to ensure they are within its powers?</li> </ul>	<p>The Corporation considers the educational character of the college and its activities, at its Strategy Days and when reviewing its three year strategy and strategic objectives, to ensure that they are within its powers.</p>	

## Appendix 4

Requirements	Questions	College Response	Evidence
	<ul style="list-style-type: none"> <li>- It is satisfied in monitoring the financial performance of any non-core activities that they are not being materially subsidised from public funding?</li> </ul>	<p>All college activities, core and non-core are monitored through regular monthly management accounts, and discussed at executive meetings.</p> <p>Where necessary, advice is sought from the Clerk and external legal advisers as to the powers of the Corporations.</p>	
	<ul style="list-style-type: none"> <li>- It has established appropriate arrangements for each subsidiary, associate and/or joint venture to enable it to discharge its accountability responsibilities? Where such operations are loss-making there is an expectation that the corporation would consider the continued support of such operations in view of the overall objective of the organisation</li> </ul>	<p>Following merger, NWSLC operates three subsidiaries (all of which are dormant company). It is the college's intention to dissolve the three companies during 2018/19.</p> <p>Following Corporation approval on 22<sup>nd</sup> March 2018, the College established a joint venture company (WM Digital) with two other colleges. Legal advice was taken on the establishment of this company. The Resource Committee monitors the financial activity of this company within the College financial performance report.</p> <p>The accounts for each subsidiary will be prepared and audited.</p>	
	Has the college undertaken an annual assessment of the Clerk's performance to support the governance function?	The Principal undertakes an annual assessment of the Clerk's performance and reports the outcomes to the Remuneration and Search Committee.	Remuneration & Search Committee agenda, papers and minutes
	Has ESFA been informed as soon as is reasonable practicable of any transactions that could jeopardise financial viability?	<p>No transactions at have arisen which could jeopardise financial viability.</p> <p>The ESFA meets regularly with college management and the college's banks and is aware of the college's financial position and the activities it is undertaking.</p>	N/A
The corporation shall demonstrate that payments in respect of termination are regular, value for money and avoid spending funds on settlements where disciplinary action would have been more appropriate.	<p>Where the corporation has considered entering into an agreement to settle any employment claims brought by any employee (including but not limited to key management personnel), has it:</p> <ul style="list-style-type: none"> <li>- taken appropriate professional advice?</li> <li>- approved the terms of any final agreement?</li> </ul>	There were seven settlement agreements which had appropriate legal advice and Executive approvals.	Settlement agreements.

## Appendix 4

Requirements	Questions	College Response	Evidence
	- brought all settlements to the attention of the reporting accountant?		
<p>Clear protocols to mitigate against corruption (in addition to register of interests) for example policies on acceptance of gifts and/or hospitality, including compliance with the <a href="#">Bribery Act 2010</a> and <a href="#">Proceeds of Crime Act 2002</a>.</p> <p>Basic charitable principle to act in good faith for the benefit of the college – see <a href="#">The Essential Trustee</a>.</p>	Does the college have a policy for personal gifts and/or hospitality?	The Gifts and Hospitality Policy is contained within the Financial Regulations.	Gifts and hospitality policy within the Financial Regulations
	Does the college have a register of personal interests that extends to staff in relevant position of trust?	The Clerk to the Corporation holds the register of personal interest which includes senior post holders and members of staff with substantial budget holding responsibilities.	Register of interests Financial Regulations Procurement procedures
	Is the procurement process clearly documented in college financial regulations or financial procedures?	The process is clearly documented within the Financial Regulations and procurement procedures.	
	Have staff been appropriately and regularly trained in the requirements of the Bribery Act 2010?	All staff now required to undertake mandatory on-line Anti-Bribery and Fraud training.	Staff records
<p>Conflicts of interest and related parties. Clear framework and monitoring of such transactions must extend to all staff in significant procurement positions.</p>	Does the Clerk maintain a register of personal interests in accordance with the instrument of government, and is this register available to any person wishing to inspect it?	<p>Corporation Members and the Clerk to the Corporation, senior post holders and members of staff with substantial budget holding responsibilities are all required to declare personal interests as required by the Instrument and Articles of Government on an annual basis. They are aware that these should be updated in-year in light of any changing circumstances.</p> <p>Members are reminded to declare any new interests or conflicts of interest with matters on a meeting agenda at the start of each meeting.</p> <p>The register of interest is published on the college website.</p> <p>Checks are made of Company House and the Charity Commission.</p>	<p>Register of interests on the website and in paper form.</p> <p>Standing Orders provisions</p> <p>Annual declarations</p> <p>HR policies and procedures.</p> <p>Annual Equality And Diversity Report 2016-2017.</p> <p>Termly HR reports to Resource Committee.</p>
	Does it cover all governors and key staff with significant financial and decision-making responsibility, including all key management personnel?	Yes - see above	

## Appendix 4

Requirements	Questions	College Response	Evidence
	Can the corporation demonstrate even-handedness on appointment of staff?	All relevant HR policies and procedures are complied with and diversity and inclusions requirements / obligations are complied with.	
Clear whistleblowing procedures.	Has the corporation approved a whistleblowing policy and procedures that enable concerns to be raised confidentially inside and outside the college?	<p>The Corporation has approved a Public Interest Disclosure (Whistleblowing) Policy.</p> <p>The Policy is reviewed for re-approval on a three year basis and was last reviewed and approved in October 2016. A further review has taken place and the draft Policy was reviewed by the Audit Committee on 1.10.18 and recommended to the Corporation at its meeting on 9.10.18. The Corporation approved the Policy on this occasion.</p> <p>The Policy has been uploaded to the college extranet and is on the College website.</p>	<p>Public Interest Disclosure (Whistleblowing) Policy</p> <p>Audit and Corporation agenda, papers and minutes</p>
	Is the college aware of any ongoing whistleblowing allegations or investigations?	<p>There are no on-going whistleblowing disclosures or investigations.</p> <p>Any disclosures are reported to the Audit Committee. No disclosures were made during 2017/18.</p>	Audit Committee terms of reference
Safeguarding assets. <a href="#">Financial memorandum / funding agreement.</a>	What procedures does the college have to safeguard assets from fire and theft (e.g. physical security and compliance with fire regulations)?	Up-to-date fire risk assessments are in place and reviewed regularly. Fire detection and fire fighting equipment are installed to Fire Safety Reform Order 2005 standards. Buildings are locked and alarmed and we have an external security management company in place for out of hours support. Extensive CCTV is in place throughout campuses.	Risk Assessments. CCTV records.
	Has the college experienced any such occurrences in the year? If yes, please provide details.	One theft from floristry (Nuneaton). No signs of forced entry, items of minimal value stolen.	N/A
	Have any insurance claims been made in the year, and if so of what value?	Five claims, all for window damage, aggregate claim £25,000.	Individual claims.
	Is insurance cover regularly reviewed?	Annually, prior to renewal on 30 <sup>th</sup> September.	Insurance policy.

## Appendix 4

Requirements	Questions	College Response	Evidence
Safeguarding assets. Investment in subsidiary, joint ventures or similar arrangements. Basic charitable principle to act in good faith for the benefit of the College – see <a href="#">The Essential Trustee</a> .	Have payments to partner organisations been made in line with contractual terms and the college's financial regulations?	No payments made.	N/A
	Has the college entered into any subsidiary, joint ventures or similar arrangements?	Yes - establishment of the WM Digital Joint Venture Company on 28.3.18, following Corporation approval on 22.3.18.	Incorporation documents. Corporation minutes
	Are regular reports provided to governors on performance?	Yes - see above.	
	Has a cost/benefit analysis been prepared and approved by the corporation (or relevant committee)?	The Corporation was asked to approve the annual budget for 2017/18 which included a set up payment of £25k. The operation is very small scale.	Annual budget for 2017/18
Clear protocols to mitigate against inappropriate disposal of assets. <a href="#">Financial memorandum / funding agreement</a> .	Do the financial regulations detail procedures for the disposal of assets?	Yes.	Financial Regulations
	Have there been any fixed asset disposals in the year?	No.	N/A
Controls and monitoring over expense claims (particularly expenses of key management personnel and all overseas expenses) and use of college credit cards.	Does the college have policies and procedures for expense claims (including overseas expenses) that are regularly reviewed and include the authorisation process of expense claims for key management personnel?	The college operates a Travel and Subsistence Policies which are reviewed and presented for re-approval on an annual basis.	Travel and Subsistence Policies
	Have there been any expenses paid to governors?	Travel expenses have been paid to one Member during 2017/18	
	What is the value of expenses paid to key management personnel and governors in the year?	Members' expenses in 2017/18 was £173.90. Senior management expenses in 2017/18 was £9,586.	
	What was the level of travel and subsistence expenditure on overseas trips in the year to date? If significant, does it fit	None	

## Appendix 4

Requirements	Questions	College Response	Evidence
	with the charitable objects or relate to a strategy for overseas activities approved by the corporation, and is the corporation informed of this expenditure?		
	Does the college operate a credit card? If so describe the authorisation process.	The college does operate a credit card. The authorisation process is clearly set out in the Financial Regulations.	Financial Regulations
Lack of project appraisal and monitoring or lack of control over discrete projects and initiatives, including non-core activities.	Does the corporation (or relevant committee) receive separate reports on the progress of any significant projects and initiatives from their inception (including risk and financial assessment) through to completion and subsequent post-implementation review?	The Corporation receives regular reports and updates on significant projects including the merger, Mira Technology Institute, IoT development, part sale of the Nuneaton campus. An Estates Task and Finish Group has been established to provide rigorous scrutiny, oversight and challenge. Major projects include risk and financial assessments.	Corporation, Resource Committee and Estates Task and Finish Group agenda, papers and minutes of consideration and approval Financial Regulations
	Does this extend to capital and revenue projects?	Management accounts include sections for reporting on other activities of financial note.	
	Is this requirement embodied within the college financial regulations?	This requirement is embodied within the college's Financial Regulations	
Reasonableness of procurement policies (e.g. limits for individual purchase without recourse to governors). Unnecessary extravagance in purchases (e.g. refurbishments, equipment).	Has the corporation approved expenditure levels above which formal quotations are required and further approval levels operate to ensure the college is receiving value for money through its procurement processes?	The Corporation has approved expenditure levels above which formal quotations are required and further approval levels operate to ensure the college is receiving value for money through its procurement processes and these are embodied within the Financial Regulations.  Significant expenditure items are included in the management accounts and where relevant separate papers, for Corporation approval.	Corporation papers and minutes showing consideration and approval. Management accounts. Financial Regulations
Ensuring value for money in all transactions involving public funds. <a href="#">Financial memorandum / funding agreement.</a>	The corporation should be able to demonstrate consideration/approval of:  - value for money, especially for public interest activity (e.g. overseas activity, termination payments, investments) and where necessary consideration/ documentation of cost vs benefit	Significant expenditure items are included in the management accounts and where relevant separate papers, for Corporation approval.	Corporation papers and minutes of consideration and approval

## Appendix 4

Requirements	Questions	College Response	Evidence
	<ul style="list-style-type: none"> <li>- clear documentation to consider not just can the college do something but should it and why</li> <li>- justification for activity/expenditure that does not appear to benefit the college, directly or indirectly</li> <li>- consideration of return on investment/good use of public funds</li> </ul>		
<p>The corporation shall properly manage and develop its property with regard to good practice guidance in the further education sector and ensure that it maintains premises that are properly equipped in order to deliver the education and training for which it is funded by the funding bodies.</p>	<p>Has the corporation agreed a property strategy?</p>	<p>An Estates Strategy was agreed by the Corporation for the period 2013-2016. The strategy has been reviewed and extended following discussions at the Corporation Strategy Day on 5<sup>th</sup> June 2017</p> <p>The Corporation has also agreed a partial disposal of the Nuneaton campus and work on this project continued throughout 2017/18 and into 2018/19, over seen by the Estates Task and Finish Group and the Corporation.</p> <p>The medium term business plan 2017/18 - 2019/20 also includes a number of strategic estates developments.</p>	<p>Corporation, Resource Committee and Estates Task and Finish Group agenda, papers and minutes of consideration and approval.</p> <p>Medium term business plans: 2015/16-2018/1, 2017/18 - 2019/20 and 2018/19 - 2020/21</p>
	<p>Where the corporation has considered such disposals, has the funding body been notified?</p>	<p>The Atherstone campus was disposed of in 2017/18 following Corporation approval.</p> <p>The ESFA were aware of the intention to dispose property which had been raised in the medium term business plan 2015/16-2018/19 and disclosed to them.</p> <p>The College is currently marketing its Spa Lane site. The ESFA and DfE have been kept informed of this development (ESFA through the regular case meetings and the DfE through its capital project team) and will be informed as and when a sale takes place.</p>	

**Appendix 4**

**Declaration**

I confirm that these responses are correct to the best of my knowledge and belief.

Signed

.....

Accounting Officer

.....

Date

.....

Chair of Corporation

.....

Date

## Appendix 5

### External Audit Risk Self-Assessment Questionnaire

#### 1. Fraud Risk Assessment

Question	Management Response
<p>Has the College assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>Is this consistent with the feedback from your risk management processes?</p>	<p>Balance sheet reconciliations are carried out monthly throughout the year and management accounts are reported on every month. Therefore at year end management were satisfied the risk of misstatement due to error was low, and due to fraud was nil.</p> <p>Yes</p>
<p>Are you aware of any instances of fraud, either within the College as a whole or within specific departments since 01 August 2017?</p> <p>If so how does the Audit Committee respond to these?</p>	<p>No.</p>
<p>Do you suspect fraud may be occurring, either within the College or within specific departments?</p> <ul style="list-style-type: none"> <li>• Have you identified any specific fraud risks?</li> <li>• Do you have any concerns there are areas that are at risk of fraud?</li> </ul> <p>Are there particular locations within the College where fraud is more likely to occur?</p>	<p>There are no suspicions of fraud. The current financial controls in place deter fraud from taking place, and ensure that the College has control of its finances.</p> <p>As part of the recent internal audit assessment of core financial controls cash handling was looked at and it was recognised that the College's processes were robust and compliant with best practice.</p>
<p>Are you satisfied that the overall control environment is robust, including:</p> <ul style="list-style-type: none"> <li>• the process for reviewing the system of internal control;</li> <li>• internal controls, including segregation of duties; exist and work effectively?</li> </ul> <p>If not where are the risk areas?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>We are satisfied that the overall control environment is robust, Financial policies are in place and training has been provided to all relevant staff to ensure they are fully informed.</p> <p>The financial system ensures segregation of duty in purchasing as it has permissions set for different levels of staff and will not process an order/invoice without the appropriate sign off. No-one has authority that enables them to raise an order and sign it off.</p> <p>There are also checks performed by payroll and finance around the monthly payroll which will not be processed by the cashiers without the relevant signatures. The monthly BACS run is system led and is prepared by the Finance Officer and signed off by the Finance Manager.</p> <p>No.</p>

## Appendix 5

Question	Management response
<p>How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p>	<p>A fraud reporting system is in place for staff where a form is completed and sent to finance. The relevant staff have been made aware of this through training.</p> <p>All staff have completed mandatory fraud awareness training via an on-line course.</p> <p>The College has a whistleblowing policy.</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Procurement Officer. Solely from the point of view of being involved in key assessments pertaining to contract awards.</p> <p>These risks are evaluated as part of the ongoing finance review of process and procedures. These identify risks and set out procedures to mitigate them e.g. ensuring segregation of duties and adherence to internal controls. Procurement is also governed by the financial regulations which set out internal, national and EU rules. The College have also engaged a partner to assist in the tendering process for both organisations.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>All related party transactions are reported to the Clerk to the Corporation and are shown in the annual financial statements.</p>
<p>What arrangements are in place to report fraud issues to Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Fraud issues would be reported to the Committee as and when identified by the Executive Director for Finance and Risk. The College also has a whistleblowing policy.</p> <p>The audit committee review relevant policies to ensure they have oversight of them.</p>
<p>Are you aware of any whistle-blower reports under the Bribery Act since 01 August 2017?</p> <p>If so how does the Audit Committee respond to these?</p>	<p>No</p>

## Appendix 5

### 2. Impact of Law and Regulations

Question	Management response
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the College have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>Policies and procedures within the College are updated annually to ensure they are in line with current laws and regulations. These are generated by members of staff responsible for the particular area they arise in. They are then presented to the relevant Corporation Committee for scrutiny and depending on the type of policy, approval or recommendation to the Corporation. Policies are reviewed on an annual or three yearly basis. Policies will also be reviewed when there are legislative / regulatory change. Staff are also kept well informed of changes through the relevant bodies, mainly the ESFA.</p> <p>Relevant policies and procedures are therefore in place to prevent and detect non-compliance. Updates and advice are also provided by our auditors.</p>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The audit committee is presented with a risk register at every meeting which highlights any risk of non-compliance. The Committee also seeks assurance from the auditors via external and internal audit and the policies and procedures of the College. This would also be provided by the external audit report on the year-end financial statements. Key College managers also appear at the Audit Committee (rotationally) to talk about the risks in their areas and how they mitigate them.</p>
<p>Have there been any instances of non-compliance with law and regulation since 01 August 2017 with on-going impact on the 2017/18 financial statements?</p> <p>Is there any actual or potential litigation or claims that would affect the 2017/18 financial statements?</p>	<p>No</p> <p>No.</p>
<p>What arrangements does the College have in place to identify, evaluate and account for litigation or claims?</p>	<p>The College has a legal firm, Shakespeare Martineau on a retainer. They can be used to evaluate and account for litigation and claims.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No</p>

## Appendix 5

### 3. Going Concern Considerations

Question	Management response
Has a report been received from management forming a view on going concern?	A view on going concern was provided within the audited financial statements for 2016-17. The College produces a three year plan which includes an I&E, Balance Sheet and cash flow which looks three years into the future. This is signed off by Corporation and gets sent to the ESFA.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the College Business Plan and the financial information provided to the College throughout the year?	Yes. Allocations where known are included in terms of income. The College's curriculum plan also feeds into the three year plan and individual budget holders supply data on pay and non-pay expenses. All submissions are ratified centrally by finance for reasonableness.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes
Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	There is a monthly review of financial performance via the monthly management accounts. There is an ongoing forecast process and action is taken on an ad hoc basis as and when required.
Does the College have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the College's objectives? If not, what action is being taken to obtain those skills?	Yes, the College has an Executive Team consisting of a Principal and CEO, Deputy Principal, Executive Director Finance and Risk, Executive Director of Corporate Services and an Executive Director Business Development.
Does the College have procedures in place to assess the College ability to continue as a going concern?	Yes, the College has a medium term planning cycle which would highlight any concerns.
Is management aware of the existence of events or conditions that may cast doubt on the College's ability to continue as a going concern?	No.
Are arrangements in place to report the going concern assessment to the Audit Committee?	Yes, through the medium term planning cycle, annual financial statements and monthly management accounts.

## Appendix 5

### 4. Related Party Considerations

Question	Management response
What controls does the College have in place to identify, account for, and disclose related party transactions and relationships?	All related party transactions are reported to the Clerk at each Committee meetings and to the Corporation and are shown in the annual financial statements
Who have the College identified as related parties?	The Midland Academies Trust which are sponsored by North Warwickshire and South Leicestershire College. The College provides services via a service level agreement. The register of interests is recorded online and used to check for potential related parties.

### 5. Accounting Estimates Considerations

Question	Management response
Are management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No
Are the management arrangements for the accounting estimates, as detailed in Appendix A, reasonable?	Yes, estimates are provided by experts on the relevant field where possible and otherwise remain consistent with previous years.
How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	They would be provided with the relevant experts report, the audited year-end financial statements and assurance from the Finance and Resources Committee.

# Internal Audit Annual Report 2017-18 for the North Warwickshire and South Leicestershire College

Confidential  
Status – Draft v02  
October 2018

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# 1. Executive Summary & Opinion

## Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a formal annual report to the Accounting Officer, providing assurance on the effectiveness of the organisation's risk management, control and governance processes.
- 1.2 The PSIAS also requires the Head of Internal Audit to provide a summary of the internal audit work undertaken across the year to formulate an overall opinion, timed to support the Governance Statement.
- 1.3 This report:
- provides assurance to the Accounting Officer on areas reviewed, to support the Governance Statement, which is included in North Warwickshire and South Leicestershire College annual report and accounts;
  - summarises internal audit activity in 2017-18;
  - highlights the assurance ratings and key issues arising from the individual reviews undertaken in the year; and
  - confirms compliance with the Public Sector Internal Audit Standards.
- 1.4 While this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Accounting Officer should look to gain assurance. The assurance map is a resource which provides information on those other sources which should be included in the Accounting Officer's own evaluation of internal controls, governance and risk management processes.

## Scope

- 1.5 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control – the organisation's system of internal control. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitation of internal audit (covering both the control environment and the assurance over controls) described below and set out in Appendix C. The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.

## Internal Audit Annual Opinion

- 1.6 The audit opinion takes together the assurance ratings and recommendations of individual Internal Audit assignments conducted in 2017-18, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management.
- 1.7 **There is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved.**
- 1.8 The basis for the opinion is given in the next section (Section 2), with a summary of the findings from our assurance work is in Section 3.

## 2. Basis for the annual opinion

### Introduction

1.9 The annual opinion is drawn mainly from the results and assurance ratings stated in our individual audit reports. Our opinions for each assignment are based on our assessment of whether the controls in place support the achievement of management's objectives, as set out in our individual assignment terms of reference.

1.10 We also consider other factors in forming our annual opinion, including the:

- responsiveness of management to the implementation of our audit recommendations during the year;
- results of any other relevant work such as advisory assignments conducted.

### Individual Assignment Assurance Ratings

1.11 Overall, there were five assignments conducted during the year, of which one was a follow up of previous reviews and four were internal audits.

1.12 Of the four audit assignments, two were rated 'green' and three were rated 'green –amber'.

*Table 1: Assurance ratings for all audit plan assignments conducted 2017-18*

Assignment	Assurance Rating	Recommendations Priority rating		
		1	2	3
1. Core financial controls		-	1	3
2. Curriculum efficiency and planning process		-	3	-
3. Safeguarding and prevent		-	-	1
4. IT controls assurance review		-	12	-
5. Compliance review follow up		-	-	-
<b>TOTAL for 2017-18</b>		-	<b>16</b>	<b>4</b>

### Significant Findings Affecting the Opinion

1.13 It is a requirement of the PSIAS to highlight any significant issues identified during the year and for management to include them in the Governance Statement. The audit plan assignments completed in 2017-18 confirmed no significant findings affecting the opinion were identified, as no Priority 1 recommendations were raised.

### Responsiveness to internal audit recommendations

1.14 A critical part of an organisation's internal control, governance and risk management framework is management's responsiveness to the implementation of agreed internal audit recommendations. Timely and full implementation of internal audit recommendations indicates that management are making positive steps to improvement.

1.15 The North Warwickshire and South Leicestershire College monitors the implementation of recommendations and reports the outcome of the implementation process to the Audit Committee. Internal Audit reviews the implementation of recommendations as part of the work conducted for individual assignments, where the assignment covers areas of work subject to previous internal audit recommendations. Moreover, Internal Audit selects a sample of higher priority recommendations for specific evidenced confirmation or retesting.

1.16 During 2017-18, management reported that they had fully implemented a significant number of recommendations that were due for implementation. Our own follow up testing focused on recommendations raised in 2016. Our findings showed that 70% of the original recommendations had been implemented, with a green-amber rating being provided in the follow up report.

### Completion of the audit plan

1.17 Our findings are based upon and limited to the results of the internal audit work performed as set out in the Internal Audit Strategy and Plan approved by the Audit Committee in July 2017.

1.18 The Internal Audit plan agreed by the Audit Committee provided for 22.25 days of internal audit activity. Table 4 shows that assignments have been completed within the planned number of days.

1.19 Internal audit work was performed in accordance with Moore Stephens' Internal Audit methodology which conforms with the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require the annual report to include the results of the Internal Audit function's quality assurance and improvement programme. Details of our method and quality assurance programme are outlined in Appendix B.

*Table 4: Internal Audit assignments conducted 2017-18*

Assignment	Work type	2017/18 Days	2017/18 Budget	Completion status
1. Core financial controls	Audit	4	£1,960	Finalised
2. Curriculum efficiency and planning process	Audit	8	£3,920	Finalised
3. Safeguarding and prevent	Audit	5	£2,450	Finalised
4. IT Controls Review	Audit	6	£2,940	Finalised
5. Compliance review follow up		1.25	£613	Finalised
Audit Plan, Annual Report, Audit Committee		4	£1,960	
<b>TOTAL</b>		<b>28.25</b>	<b>£13,843</b>	

### 3. Summary of findings from assignments undertaken in the year

#### 1. Core financial controls

Assessment:

G

#### Introduction

- 1.20 As part of the North Warwickshire and South Leicester College internal audit work for 2017/18, we reviewed the arrangements in place to administer the implementation, management and monitoring of Core Financial Systems.
- 1.21 The core financial systems work included the areas of accounts payable & receivable, the general ledger, cash/bank and budget management. The work undertaken was a combination of detailed testing and a high level controls review.
- 1.22 The scope of the review considered the effectiveness of the arrangements and processes in place in respect of accounts payable/receivable system controls, cash and bank reconciliation procedures, and budget management processes (including general ledger maintenance procedures). As discussed and agreed with the Executive Director Finance and Risk, we did not review in detail the treasury management activities (as originally scoped) as it was identified that there were no current activities being undertaken. It was identified however that a Treasury Management Policy was in place for the college.

#### Key conclusions

- 1.23 Overall, our work confirmed that the Core Financial Systems are adequately designed, and our test results showed that the arrangements in place were generally operating as expected. Some of the good practices identified during the audit included:

- comprehensive financial regulations and procedures were in place which had been approved by the Board and communicated to all staff. Appropriate training had been provided to staff to ensure their understanding of the procedures in place;
- access to the Financial Management System was adequately managed and controlled. Staff with financial responsibility had individual access to the system, with individual login details and passwords. Access restrictions, divisions of duties and levels of delegation for authorisation were applied within the system set up;
- suppliers were set up appropriately with adequate financial and due diligence checks undertaken when taking on a new supplier to verify their financial standing. Supplier details were obtained in an appropriate manner on company letter headed paper, and entered onto the financial management system by one person, and the details checked and verified on the system by a second person. This ensures a division of duty when entering information such as bank details;
- changes to supplier details were monitored through a monthly change report, however slight enhancements for further control could be applied. Changes to supplier details were requested on letter headed paper, confirmed by telephone, and changes entered to the system were double checked by a second member of staff;
- there was a satisfactory and formal procurement process for raising orders, authorisation of orders before the goods are purchased and payments to suppliers in a timely manner;
- the income collection, banking and reconciliation process was robust. Income records identified a full income audit trail - documenting full details of the income process from collection to banking. The income reconciliation process and documentation was clear with a division of duties maintained throughout;
- budget management/monitoring; and management/reconciliation of the general ledger was operating well and as expected. Budgets were set

appropriately and monitoring reports were provided to budget holders and senior management on a monthly basis for review and scrutiny; and

- a credit control procedure was in place which ensured that debtors were monitored and chased appropriately, with a procedure in place for writing off debts.

1.24 However, a small number of areas for improvement were identified which required remedial actions to be taken. These relate to:

- a check was not immediately undertaken when suppliers details are changed on the system to ensure that the details entered by the finance officer are correct, which would, if implemented, reduce the risk of fraud and error occurring;
- not all invoices had been date stamped on receipt, which is part of the process to ensure suppliers are paid promptly; and
- the safe and its contents was not adequately restricted during the day, increasing the risk of misappropriation and a risk of the safe insurance policy being invalid should a loss occur.

#### Management's Responses and Actions

1.25 Management agreed with the recommendations proposed.

## 2. Curriculum efficiency and planning process

Assessment:

G

A

### Introduction

1.26 As part of the North Warwickshire and South Leicestershire College (NWSLC) internal audit work for 2017/18, we have reviewed the arrangements in place to administer the implementation, management and monitoring of 2017-18.

1.27 Effective curriculum planning is key to ensuring that planned outcomes for students are met in line with developments in and demands of the labour market. Planning arrangements to develop such a curriculum and then operational plans to deliver this are key to ensuring that the NWSLC achieve their core objectives, in so doing meeting the needs of students.

1.28 The scope of this review considered:

- the adequacy of management arrangements and underlying systems and processes in place relating to curriculum planning (strategic and operational);
- the processes used for student recruitment, including the alignment of these with the curriculum planning and wider corporate planning regime;
- that curriculum planning and recruitment costs had an accurate financial forecast in terms of budget setting; and that actual costings remain within the allocated budget.

### Key conclusions

1.29 Our opinion is based on a number of good practices that have been identified during the audit which includes:

- formal identification of the key members of staff who were responsible of developing the curriculum. Job descriptions included descriptions of key curriculum planning and student recruitment activities;
- satisfactory procedures were in place that detailed how the curriculum was planned and managed and key timescales and resourcing activities were identified;
- a comprehensive and detailed curriculum strategy was in place, which was effectively scrutinised by the Learning Committee. An overall 3 year strategy was in place, which was supported by a one year strategy which is reviewed and updated on an annual basis;
- English and Maths provision was provided within the curriculum and underpins the achievements of all students;
- a detailed and informative Labour Market Insight document had been produced which provided the college with appropriate intelligence to inform the curriculum planning process, ensuring that the curriculum was fully aligned to the demands of employers and the local environment;
- allocated resources to deliver the curriculum were managed and monitored effectively, with regular budget monitoring reports and the submission of financial information to the Executive Board; and
- detailed process maps were in place for student recruitment, encompassing all departments and activities that work together to ensure that the recruitment process is efficient.

1.30 However, a small number of areas for improvement were identified which will require remedial actions to be taken. The remedial actions were:

- to underpin and consolidate all of the planning activities that take place to plan and develop the curriculum, an overall action plan needed to be formulated to list all of the key activities that should be put in place to achieve the planning goals;
- a targeted marketing approach needed to be established that focus' on ensuring the continuation of existing students progression throughout a specific course pathway; and
- if a student identifies non-progression within their subject area, appropriate information needed to be obtained as to the reasoning behind this as to inform the wider planning process and to make any necessary adjustments to the future curriculum.

### Management's Responses and Actions

1.31 Management agreed with assessment of the implementation of the recommendations raised as part of the three reviews being followed up.

### 3. Safeguarding and prevent

Assessment: **G**

#### Introduction

- 1.32 We reviewed the arrangements in place to administer the implementation, management and monitoring of The Prevent Strategy (“Prevent”).
- 1.33 Prevent is part of the Government’s National Counter Terrorism Strategy known as CONTEST. The aim of the Prevent Strategy is to reduce the threat to the UK from all forms of terrorism by stopping people becoming terrorists or supporting terrorism. Under Section 26 of the Counter Terrorism and Security Act 2015 (‘the Act’), colleges and Colleges must have “due regard to the need to prevent people from being drawn into terrorism”. This is known as the Prevent duty. Under this guidance, Colleges are now expected to mitigate any risks associated with extremism and advocate the characteristics and values of British citizenship such as openness, mutual tolerance and respect of different faiths and beliefs in order to facilitate free debate amongst students; and enable them to challenge any extremist behaviour.
- 1.34 The scope of this review considered the effectiveness of the arrangements put in place in respect of Prevent; and the overall safeguarding procedures that underpin the strategy. We have conducted this review through discussions held with key members of staff, a review of policies, procedures and process documentation, along with viewing prevent ‘outputs’ to assess their usefulness and value in terms of raising awareness and enabling discussion. Training information, awareness campaigns, and guidance produced for staff and students was also reviewed. 10 new starters HR files were sampled to assess the adequacy of the pre-employment checks undertaken as part of safer recruitment; and a self-assessment questionnaire was also completed by the College to enable the organisation to reflect on and evidence the current practices in place.

#### Key conclusions

- 1.35 The objective of the audit was to provide assurance that there is an effective system of control in place to safeguard the wellbeing of students, with specific emphasis on ensuring that students are safeguarded against the threat of extremism and radicalisation. The review also aimed to assess whether adequate management arrangements were in place to implement the Prevent Strategy, to ensure compliance with legislation, and to promote a continued awareness within the College environment.
- 1.36 Overall, we verified that there was an effective system of control in place to safeguard the wellbeing of students, with specific emphasis on ensuring students are safeguarded against the threat of extremism and radicalisation. However, it should be noted that some of responses obtained from the audit questionnaire were reliant on the College’s self-assessment, and that although Colleges are encouraged to critically reflect on their own processes, such assessments can be subjective, and as a result respondents may have overestimated their performance. It is essential that messages continue to be cascaded to Designated Safeguarding Leads and the Head teachers through training (face to face and virtual), email, phone contact and social media messages, to comply with best practice.
- 1.37 There were no key areas for improvement noted during our work to date.

#### Management’s Responses and Actions

- 1.38 None required.

## 4. IT controls

Assessment: **G** **A**

### Introduction

- 1.39 The objective of the audit was to establish the adequacy and effectiveness of the IT general controls surrounding first and second line control activities, and to assess the controls and related checks are being conducted on a timely basis and in line with expectations.
- 1.40 The key risks reviewed were whether:
- The framework of IT processes, policies and procedures is complete and effective (Service, Project, Change, Risk, and Planning Reporting Management).
  - Business requirements are understood and addressed by IT management (Business and systems architecture are aligned backlog of changes, processes for keeping systems up to date are exercised).
  - Only authorised changes are made to hardware and software.
  - Data and information assets are protected.
  - Security awareness is sufficient in order to mitigate errors or incidents. Threats to physical and environmental security are identified and addressed.
  - User access is authorised and appropriately established, and access to privileged IT functions is limited to appropriate individuals.
  - Appropriateness of the access to social media (internet) is controlled and monitored.
  - The use of mobile computing devices and removable media is secure.
  - Software/IT Assets are adequately managed.
  - Formal arrangements exist for Disaster Recovery and Business Continuity, and IT systems and services can be recovered in a timely manner.
  - Data Privacy and Compliance requirements, including GDPR, are identified and addressed.

### Key conclusions

- 1.41 The audit revealed effective controls in respect of:
- IT Organisational structure and reporting lines;
  - Established IT security policy framework;
  - User security training and awareness;
  - User access management processes for joiners – employees and students;
  - Service Desk function being implemented following good practices;
  - Comprehensive IT systems management and security tools being implemented to provide control and protection of the information assets;
  - Perimeter security being implemented to protect the organisation's network resources;
  - Technical measures being employed to protect from malware and threats over the internet; and
  - Adequate remote access controls.
- 1.42 As part of the audit, we performed high level review of compliance against the NAO Cyber Security Guidance. Whilst we did not identify any issues which could present a significant risk of a Cyber incident, we did identify a number of issues in our review which require remediation in order to improve IT security controls.
- 1.43 A number of areas for improvement were identified which will require remedial actions to be taken. These are detailed below:
- The IT strategy needed approving.
  - IT security function need a dedicated officer.
  - IT security policies required review and update.
  - A GDPR action plan was required.
  - Privilege user accounts needed restricting.
  - Antivirus needed to cover all systems and servers.
  - Passwords needed to be more complex.

- Systems should be locked down from using USB and removal media.
- Periodic review of user accounts.
- A vulnerability assessment is required.
- A backup policy was required.
- The business continuity arrangements needed recovery point and time objectives calibrated and testing of plans was required.

#### Management's Responses and Actions

1.44 Management accepted the recommendations and had implemented several by the end of the year.

# A Definitions

Possible Annual Opinions	
1	There is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved.
2	There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control. OR There is some risk that the system of internal control, governance and risk management will fail to meet management's objectives – some areas there are adequate and effective systems of governance, <i>but there are also some specific areas of significant risk</i> . Significant improvements are required in specific areas to improve the adequacy and / or effectiveness of governance, risk management and internal control.
3	There is considerable risk that the system of internal control, governance and risk management will fail to meet management's objectives. Significant improvements are required to improve the adequacy and / or effectiveness of governance, risk management and internal control.
4	The systems have failed or there is a real and substantial risk that the systems of internal control, governance and risk management will fail to meet management's objectives. Immediate action is required to improve the adequacy and / or effectiveness of governance, risk management and internal control.
Individual assignment assurances	
 (Green)	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.
 (Green-Amber)	Generally, a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
 (Amber)	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
 (Amber-Red)	Significant weaknesses have been identified in the control framework or non-compliance with controls which put achievement of system objectives at risk. Remedial action should be taken promptly.
 (Red)	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the systems open to error or abuse. Remedial action is required as a priority.
Individual assignment recommendation ratings	
<b>Priority ranking 1:</b>	There is potential for financial loss, damage to the organisation's reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately.
<b>Priority ranking 2:</b>	There is a need to strengthen internal control or enhance business efficiency.
<b>Priority ranking 3:</b>	Internal control should be strengthened, but there is little risk of material loss or recommendation is of a housekeeping nature.

## B Internal Audit Quality Assurance

Quality assurance processes and procedures	
<b>Procedures</b>	Our audit procedures were designed to ensure the service we deliver is of the highest standard and complies with the Public Sector Internal Audit Standards (PSIAS). We utilise specially designed internal audit software to conduct our work and all reports are subject to review by manager and/or partner.
<b>Professional training, CPD and development</b>	Staff are suitably professionally qualified or working towards qualification. There is a full programme of continuing professional development and training provided by Moore Stephens LLP and to specific members of the Moore Stephens LLP relating to internal audit, risk management and governance.
<b>Quality assurance improvement programme (QAIP)</b>	The Moore Stephens LLP has an internal audit Quality Assurance Improvement Programme (QAIP). Such a programme is a requirement of PSIAS and international internal auditing standards.
<b>Cold review</b>	The Moore Stephens LLP Governance, Risk and Assurance Group conducts an internal 'cold review' of its internal audit working practises, reports and files annually. The review is conducted annually and was last conducted in May 2014. The findings feed into the QAIP.
<b>External review</b>	The Moore Stephens LLP internal audit work was subject to quality review by the Quality Assurance Department of the Institute of Chartered Accountants England and Wales, in July 2014. No issues were found.

## C Limitations

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Audit Committee, subject to the limitations outlined below.

Limitations	
<b>Opinion</b>	Our opinion is based on the work undertaken as part of the Audit Strategy and Plan. The work addressed the key risk areas agreed by management for each individual internal audit assignment as set out in our individual assignment terms of reference. There might be weaknesses in the system of internal control that we are not aware of because they either did not form part of our work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters that were brought to our attention.
<b>Internal control systems</b>	Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include, but are not limited to, the possibility of poor judgment in decision-making, human error, control processes being circumvented by employees and others, whether deliberately or not, management overriding controls, collusion and the occurrence of unforeseeable circumstances.
<b>Future periods</b>	Our assessment of controls relating to the North Warwickshire and South Leicestershire College is for the year end of the year 2017-18. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that: the design of controls may become deficient because, for example, of changes in operating environment, law, regulation or other; or the degree of compliance with policies and procedures may deteriorate.
<b>Respective responsibilities of Management and ourselves</b>	<p>It is management's responsibility for the framework and systems of risk management, internal control and governance, including systems and procedures for the prevention and detection of fraud and other irregularities. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems and procedures.</p> <p>It is our responsibility to express an opinion based on our internal audit work. We plan our work to have a reasonable expectation of detecting significant control weaknesses. If detected, we also have a reasonable expectation to carry out such additional work directed towards identification of consequent fraud or other irregularities.</p> <p>However, due to the inherent limitation of internal audit procedures, together with the inherent limitations of any internal control systems, there is an unavoidable risk that some fraud or other irregularities may exist but be undiscovered. Therefore, we do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud or other irregularities which may exist.</p>