



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 JUNE 2021 AT  
10.00 AM REMOTELY VIA MS TEAMS**

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## MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 JUNE 2021 AT 10.00 AM IN REMOTELY VIA MS TEAMS

Present: Kevin Slack (Chair), Hazel Clint, Mike Kapur, Rosslyn Green

In attendance: Jenny Brandham (Director of Higher Education) – 66/20-21 only  
Richard Eaton (CFO)  
Bernadette Doyle (Executive Director of HR) – 70/20-21 only  
Michael Ford (Corporate Services)  
Heather Simcox (Deputy CEO)  
Jonathan Creed (ICCA – Internal Auditors)  
Sam Lifford (BDO – External Auditors)  
Rose Matthews (Clerk)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO.

### PART ONE - GENERAL MINUTES

#### 61/20-21 APOLOGIES FOR ABSENCE

There were no apologies for absence.

#### 62/20-21 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM

All members were eligible and the meeting was confirmed to be quorate.

There were no new declarations.

#### 63/20-21 MINUTES OF THE PREVIOUS MEETING

**RESOLVED:** The minutes of the meeting held on 16 March 2021 were formally approved.

#### 64/20-21 MATTERS ARISING

49/20-21 Impact assessments were carried on a range of areas based on Mike Kapur's suggestion at the previous meeting.

As part of the options appraisal unintended consequences are looked at, and continue to be reviewed should any new initiative not be fit for purpose.

#### 65/20-21 RISK MANAGEMENT AND RISK REGISTER REVIEW

Michael Ford presented the latest Risk Management Report and updated Register.

Action

Date

Members' attention was drawn to Risk 65 and Risk 43, which both related to the impact of Covid-19 and other external influences in relation to mental health and wellbeing, ability to deliver learning, future KPIs and financial health and the risks in achieving these.

The health and safety focus remained with ensuring the Group was compliant with Covid-19 regulations and the staff were still operating safely in line with the guidance issued.

An update was provided on litigation and safeguarding, with a number of safeguarding cases showing a mental health theme.

Two new risks had been added since the last meeting. Risk 72 related to cyber security, due to ongoing targeting within the sector and Risk 73 which related to the restructuring process.

It was noted strategic risk had been a focus at several Corporation meetings and Members went on to suggest that it might be an opportunity to review the register and change their perception on how effective the controls were.

Mike Kapur said that Covid-19 seemed to dominate the risk register, but it was in fact amplifying and it wasn't the cause. He suggested starting from zero again and looking at each risk.

The management acknowledged Mike's comments and agreed this would form part of the review. There were 35 risk registers across the group that fed into the overarching Strategic Risk Register. The Deputy Chief Executive suggested it might be a good time to review the training and how it can be done differently to engender change.

Mike went on to talk about increasing market activity. The move to online deliver opens up wider delivery across the country and opportunity to heighten thinking into other avenues.

Mike made reference to the risk around cyber crime and asked if the organisation had looked into carrying out a mock attack. Michael Ford explained there had been the intention to send out a malicious e-mail internally to see how the organisation dealt with it, but due to Covid-19 and the move to home working this had been put on hold. The systems do remain stress tested.

**66/20-21**

## **HE RISK REGISTER**

The Director of HE summarised the HE Risk Register.

MF

21/09/21

A new risk had been added to the Register – Risk 18, which although the outcome and the final report had not been received, focussed on a limited assurance outcome following the recent OFS audit.

Risk 14 in relation to the Rolls-Royce apprenticeships had reduced due to mitigations.

It was expected the announcement of the roadmap would reduce some risks.

Feedback from the students had been very positive and it was expected that risk (7) will reduce in due course.

*Jenny Brandham left the meeting.*

**67/20-21 INTERNAL ASSURANCE**

**67/20-21.1 ADDITIONAL SUPPORT AND HIGH NEEDS FUNDING**

Jonathan Creed, of internal auditors, ICCA presented the Internal Audit Report on Additional Support and High Needs Funding.

The audit scope was to provide an independent opinion the College had established adequate and effective controls to support compliance with ESFA and Local Authority funding requirements.

The report provided a substantial audit opinion, with one medium recommendation.

The recommendation related to claiming through the Earnings Adjustment Statement, rather than the ILR and as such were not claiming on a monthly basis. The College had now reverted to claiming through the ILR on a monthly basis.

The CFO explained this had been clarified with the ESFA and they had now issued updated version 5 of the funding rules for the year. As such the recommendation was accepted and implemented.

**68/20-21.2 STUDENT RETENTION AND INTERVENTION**

The Internal Auditors went on to present their report on Student Retention and Intervention.

The objective of the review was to ensure the College had adequate and effective systems, controls and processes in place to track, record and monitor student progression.

The report provided substantial assurance.

The report identified one medium and one low recommendation, both of which had been actioned.

### **68/20-21.3 KEY FINANCIAL CONTROLS**

Jonathan Creed shared the report on Key Financial Controls.

The purpose of the report was to provide an independent assurance opinion that the College had effective and efficient controls governing its fundamental financial systems for those areas under review.

The report provided an overall substantial conclusion.

Having looked at all areas of operation, two low priority recommendations were made, one in relation to procurement and the other to credit cards. Management responses had been provided for both points.

The Chair asked the CFO if he accepted the recommendations – which he did. It was noted that in relation to credit cards, the College were in discussion with the current supplier and the bank with regard to a move towards virtual cards, due to a change of standard in the sector.

### **68/20-21.4 SUB-CONTRACTING**

The Sub-Contracting external assurance report was presented and discussed, which is an advisory report which mandated by the ESFA.

The College was required to produce a certificate to the ESFA by 31 July 2021 indicating compliance with their requirements, or if not, then ensure an action plan was in place.

The report presented contained the action plan. Four low priority actions were identified.

The CFO acknowledged the changing funding guidance which differed to the contract provided by the funding body. Work was underway to correlate the two and address the actions.

Mike Kapur said the report provided assurance of the detail explored and said there should be zero tolerance in relation to action taking place before a contract was signed.

### **68/20-21.5 DRAFT INTERNAL AUDIT PLAN FOR 2021-22 AND STRATEGY FOR 2022-23**

The Internal Auditors, ICCA presented the draft Internal Audit Plan for 2021-22 and updated Strategy 2022-23, which had been developed in conjunction with the Group's management team.

The Head of Internal Audit, Jonathan Creed explained the Audit Committee had the right to keep the plan under review and make changes as the risk profile or operating environment changed.

Jonathan agreed to cross reference with the updated Risk Register as there were a few additions since the production of the Plan.

JC

05/07/21

Mike Kapur asked if the internal assessments and validation of coursework would be picked up in the exams review. The Deputy CEO explained the Group had received its first call for a visit checking the evidence around the grading submitted. She agreed to look at this in more detail.

HLS

21/09/21

The Chair asked if the possibility of more online options would be picked up through the curriculum planning item as part of efficiencies. Jonathan Creed said it would if it was part of the constraints the Group had in place.

The Chair made reference to the last Health and Safety Audit in 2018-19 and suggested in the current climate this should be looked at sooner. Jonathan explained their audit only covered systems, controls and reporting mechanisms. He suggested specialist expertise for a more detailed review. Michael Ford proposed this be moved to the following year (2022-23). The new Head of Health, Safety and Environment had introduced some new processes and management would prefer these to be embedded before they tested how successful they were.

The Deputy CEO explained in terms of wider health and safety, there were a number of other checks, for example, an external company was employed to test fire evacuation processes. Turnstiles had also been installed at the Hudson. If a specialist was required, it would need to be budgeted for and have a clear specification.

Hazel Clint, as Link Governor for H&S, agreed that the Head of Health, Safety and Environment needed to embed his processes before any further review was undertaken.

It was agreed therefore to include H&S the following academic year (2022-23)

**RECOMMENDED: Subject to the minor revisions, the Audit Committee recommended to Corporation the approval of the Draft Internal Audit Plan for 2021-22 and Strategy for 2022-23 at its meeting on 5 July 2021.**

Chair

05/07/21

**EXTERNAL ASSURANCE****EXTERNAL AUDITOR PROGRESS**

Sam Lifford, of External Auditors, BDO presented the External Audit Planning Report.

Sam drew Members' attention to the scope and key dates. The proposed materiality for the year was based on 2.25% revenue forecasted.

Attention was drawn to the changes in the year, the first relating to audit opinion and the new requirement to include a bespoke section on fraud.

Key risks were highlighted and discussed. There were a number of changes in terms of accounting disclosure with revised auditing standards which affected going concern and accounting.

There was increased scrutiny from the regulator in terms of work on key areas such as multi-employer combined pension schemes.

An update to the Audit Code of Practice took assurance away from the funding body. BDO had a meeting with the ESFA to discuss their proposals.

Going concern was an audit risk which had heightened in the last two years. This was another change in the auditing standard, which involved a going concern assessment. Management had been asked to provide a paper with more information for the External Auditors.

Pensions liabilities were also discussed.

Awareness was raised in relation to External Audit fees, which included Tax Compliance fees.

Rosslyn Green noted materiality had increased from 2% last year to 2.25%. She asked how that had been achieved. Sam explained there was a range of materiality which had increased up to 3%. Rosslyn asked if performance materiality had changed. It was explained that was determined at 75% and had not changed from last year. Specific materiality was applied around payroll disclosures – an area that featured in the public domain.

Rosslyn asked what additional key accounting estimates the External Auditors saw apart from pensions and going concern. Sam explained depreciation and debt provision and any other provisions management may have.

Rosslyn clarified that additional audit work came in at the planning stage rather than the field work stage.

She went on to question the audit opinion on irregularities. It was clarified no additional work was anticipated in that area.

Mike Kapur noted the report referred to non-audit fees, which were well within the policy of non-independence. He asked what level did BDO reach. As a firm if the non-audit services were greater than the audit fee this would be referred to their ethics team.

The CFO referenced the change in the Audit Code of Practice and that there was a short window between the ILR submission and finalising funding. If the EA found a problem in the sample, what would happen. BDO had a lengthy discussion internally about this and were looking if it could be done through a controls-based approach. Separate time may need to be factored outside of the proposed timetable to address this.

The CFO also said the ESFA could carry out a funding audit during this period.

The Chair questioned if the CFO saw the December accounts sign off a problem. Th CFO said once the work had been carried out, he would have a better idea, but he didn't foresee any problems.

Further discussions took place around the VAT situation.

The Committee acknowledged the report and noted the external auditors were negotiating the audit fees for the year.

## **70/20-21 GENDER PAY REPORT**

The Executive HR Director joined the meeting to present the headlines within the Gender Pay Report.

It was noted the deadline had been extended until October 2021.

There was no significant movement in data from the previous year, with one minor positive move and one negative. Overall the Group compared well against ONS statistics and those specific to our sector.

There was nothing the latest set of data that caused alarm.

Hazel Clint questioned if this level of detail was required by ONS and it was explained addition information had been provided to this committee.

Hazel went on to question if the governance had given any guidance in terms of gender. It was noted it had not and it was expected to report based on voluntary declarations.



The Chair asked if there was any correlation with the university or school sector. The Executive HR Director explained she tracked against local comparator colleges whose profile would be more relevant.

*The meeting finished at 11.45 am*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_