

## Minutes of the Meeting of the Audit Committee

held at 6.00pm on Wednesday 29 June 2022

Virtually by Microsoft Teams.

<b>Present:</b>	Mr J Bryant (JB) Ms C Ajit Singh (CAS)	Chair
<b>Apologies:</b>	Ms T Aust (TA) Mr A Barke (AB)	Principal
<b>In Attendance:</b>	Mr M Cooper (MC) Mr C Rising (CR) Ms S Blakemore (SB) Ms K Frost (KF)	Executive Director Finance, HR and Development Internal Audit Director, MHA MacIntyre Hudson Partner, Buzzacott Head of Governance

### 1/22 **Welcome and Apologies**

The Chair welcomed everyone to the meeting. Apologies for absence were received and accepted from TA and AB.

### 2/22 **Declarations of Interest**

There were no declarations of interest relating to the items on the agenda.

### 3/22 **Minutes of the Last Meeting**

Minutes from the meeting of the committee held on 9 March 2022 had been received in advance (Paper 1). IT WAS DECIDED the minutes were a true record of the meeting and they were approved.

### 4/22 **Matters Arising**

A 'Summary Action Point List' (Paper 2) was received and noted. The committee received an update on progress towards actions agreed at the last meeting.

<b>Min Ref</b>	<b>Details of Action Point</b>	<b>Status Update</b>
27	The Internal Auditor offered to make available an analysis on the top key risks they are seeing in Risk Registers at other Colleges and on the overall number of risks being reported on in Risk Registers. This information could be a useful comparison for the College. This offer was welcomed by the committee.	Attached as Paper 2a and noted.

33	<p>Appointment of Auditors:</p> <p>A meeting to be arranged involving the Executive Director Finance HR &amp; Development, the Principal and Chair of Audit to consider and to make an appointment recommendation to put to the Audit Committee for approval (Committee approval to be done via email, as permitted by Standing Order 78, with the use of email approval to be recorded at the next meeting of the Audit Committee).</p>	Agenda item.
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## 5/22 **Outstanding Audit Recommendations**

A 'Progress Update on Outstanding Audit Recommendations - June 2022' was received in advance of the meeting (Paper 3).

In total there were 14 outstanding audit recommendations. 6 recommendations from previous internal audits and 8 recommendations arising from internal audits conducted by Macintyre Hudson during the summer term 2022.

Governors reviewed progress towards the recommendations:

- 1: A full fraud risk assessment would be completed and added to the Business Continuity Plan which was being developed. It was hoped the final Business Continuity Plan would be in place for the start of the new academic year.
- 2: The Business Continuity Plan would include a Pandemic Response Plan. An annual insurance review was arranged to take place at the end of June.
- 3: Risks and sensitivity analysis with best-case/worst-case scenarios had been incorporated into budget reports to the Finance, Resources & Capital Projects Committee in June. Moving forward, this would be continued.
- 4: Implemented. Key risks as identified in the strategic risk register were aligned to the Key Performance Indicator (KPI) reporting through the Data Dashboard.
- 5: The Finance, Resources and Capital Projects Committee had considered the list of suggested KPIs and whether to include them in the Data Dashboard. A couple of additions and amendments had been agreed but otherwise governors had been satisfied with the information already on there.
- 6: Implemented.
- 7: Implemented.
- 8: Covered at the Finance, Resources and Capital Projects Committee as part of the review of KPIs. Governors had decided not to include data about timeliness of staff recruitment in the Data Dashboard.

The remaining outstanding recommendations were from recent internal audit reports and would be discussed as part of the next agenda item.

Of the 14 recommendations, 5 had been implemented, 5 were work in progress and 4 were new recommendations from June 2022.

Governors asked who the management lead was for recommendation number 2. MC confirmed it was MM taking the lead on the Business Continuity Plan. MC was taking the lead on the fraud risk assessment.

Governors said it seemed like the recommendations were all either low or advisory. MC said there had been two medium recommendations in the recent internal audit for Key Financial Controls – Income.

## 6/22 Internal Audit Reports

CR reported that all 5 recently completed internal audits had received positive audit assurance. The majority of recommendations were low with no areas of significant weakness. As a result, the internal auditor would be in a position to give a positive audit opinion for the year.

### a) Staff Recruitment

A report from the internal audit of Staff Recruitment was received in advance of the meeting (Paper 4a). Substantial assurance had been given with only one low priority recommendation which was to ensure induction checklists were completed and signed by the employee. This had been implemented.

### b) Curriculum and Quality Assurance

A report from the internal audit of Curriculum and Quality Assurance was received in advance of the meeting (Paper 4b). Substantial assurance had been provided that a good process was in place. There had been one low priority recommendation which was to develop a wider Quality Assurance Strategy. This was in progress.

### c) Health and Safety

A report from the internal audit of Health and Safety was received in advance of the meeting (Paper 4c). Substantial assurance had been given for Health and Safety governance arrangements. There had been one low priority recommendation which was to ensure the Health and Safety policy was available on the website.

Governors asked if the college was required to publish the Health and Safety Policy on the website. CR said it was useful to have the policy available on the website as it would ensure external stakeholders were aware of the Health and Safety arrangements.

### d) Key Financial Controls – Income

A report from the internal audit of Key Financial Controls – Income was received in advance of the meeting (Paper 4d). The audit had provided adequate assurance. Two medium priority recommendations had been given. The first concerning the aged debt chasing process and the second regarding processes for writing off bad debt. Both recommendations would be completed by the end of the financial year.

### e) Key Financial Controls – Central Nominal Ledger

A report from the internal audit of Key Financial Controls – Central Nominal Ledger was received in advance of the meeting (Paper 4e). A substantial audit opinion had been given with two low priority recommendations.

Governors referred to the comment in the audit report that there were limitations on segregation of duties due to the size of the finance team and asked whether this was a big issue from the internal auditor's perspective. CR said it wasn't a big issue, segregation of duties had been found in other areas. It was just a small point around making changes to access to the finance system.

CR was thanked for the report.

## 7/22 External Audit

The proposed 'External Audit Strategy 2022' was received in advance of the meeting (Paper 5).

SB explained the audit work plan included the Financial Statements Audit, Regularity Assurance and the Teachers' Pension Scheme Audit. The Audit Strategy set out the broad time table, the approach that would be taken and some of the risks.

One of the areas the external auditors wanted assurance about was the situation with the college technically being in breach of its bank loan covenants. The external auditors needed to be comfortable that the bank loan liability was correctly disclosed in the financial statements. MC confirmed that the variation to the loan agreement was almost in place now which would provide more security.

Another area to highlight was the assurance around the Individualised Learner Records (ILR) return. The external auditors would do some work to understand what controls were in place but there would be a level of reliance on the work of the internal auditors in this area.

SB drew attention to some key sector issues:

- A key topic for all colleges was wage inflation. There was pressure from staff and unions to give significant pay increases which was causing issues for some colleges.
- The ONS was carrying out a review of whether colleges should be bought into the public sector. There could be advantages around reclaiming VAT and additional funds but it could impact on borrowing. The outcome was likely to be known by September 2022.
- The risk around cyber security and fraud continued.

Governors asked whether the external auditors were confident that they would be able to achieve the milestones listed in the proposed timetable. SB said she was, there hadn't been a problem in the past in terms of meeting the milestones.

Governors asked about the audit fees. MC said there had been a small increase in fees which had been largely inflation linked. The fees were in line with the information submitted as part of the tender process.

IT WAS DECIDED to approve the External Audit Strategy for year ending 31 July 2022.

## 8/22 **Post 16 Audit Code of Practice**

### a) **Post 16 Audit Code of Practice**

The committee received the Post 16 Audit Code of Practice 2021-22 (Paper 6a) in advance of the meeting, which was noted. The main changes for audit committees this year were:

- The reference to the ESFA's guidance on the 'Scope of Work of Audit Committees and Internal Auditors in College Corporations'.
- The clarification that college corporations do not need to inform the ESFA in instances where there has been a routine change of auditors.

It was agreed to carry out a full review of compliance with the Code of Practice over the course of the next academic year.

**Action:** KF

### b) **Scope of Work of Audit Committees and Internal Auditors in College Corporations**

The committee received the ESFA Guidance on the 'Scope of Work of Audit Committees and Internal Auditors in College Corporations' in advance of the meeting (Paper 6b), which was noted.

The committee thanked CR for all of the support and service he had provided the college during his time as the internal auditor. It had been very much appreciated.

*CR and SB left the meeting.*

## 9/22 **Audit Re-Tendering**

It was reported that, following a tendering exercise, the committee HAD DECIDED to appoint Buzzacott as External Auditors and Wylie & Bisset as Internal Auditors. The approval had been carried out by email as permitted by the Corporation's Standing Orders.

## 10/22 **Updated Board Assurance Framework**

An updated Board Assurance Framework (Paper 7) was received in advance of the meeting.

The Board Assurance Framework was used to inform the internal audit strategy for the next academic year. At this stage, an indication of the areas that were being considered for next year were:

### **Board Assurance and Management**

Key Financial Controls

### **Financial Viability**

Suppliers and Tendering

### **Improving Data, Quality & Curriculum**

ILR and Funding Audit

Examinations Systems

### **Staff and Student Activity**

Student Progression, Destinations and Outcomes

Suggested areas for coverage would be discussed in an initial meeting between the college and new internal auditor, Wylie & Bisset. Following the meeting a final proposal for the internal audit strategy would be brought to the autumn term meeting of the committee for decision.

Governors asked whether the Property Strategy was still amber on the Board Assurance Framework. MC said it was still amber. A draft Property Strategy had been reviewed at the last meeting of the Finance, Resources and Capital Projects Committee. The next step would be to implement the strategy and put in place a monitoring process.

It was noted that cyber security risk had been added to the Strategic Risk Register. Cyber security and data protection compliance would also be added to the Board Assurance Framework.

**Action:** MC

Governors said the college and external auditors relied on the internal auditors to provide assurance and asked whether there was any risk in that. MC said he didn't believe there was. The Board Assurance Framework set out three levels of

assurance activity and oversight. The first level was college management oversight, the second was governance oversight and the third was external assurance. The primary focus of the external auditors was around regularity and financial statements. They relied a little on the internal auditors for assurance around funding.

## 11/22 Risk Management

### a) Strategic Risk Register

The 'Strategic Risk Register – June 22' was received in advance of the meeting. (Paper 8).

The risks had been reviewed at each of the committees. Changes to the register since the last meeting included the changes that came through the Curriculum, Quality and Standards Committee meeting in the spring term. The gross scores for risk 5 and risk 3 had been aligned and a specific focus on Higher Education course provision had been added to risk 10.

Governors said the number of COVID cases in the local community was increasing at the moment. MC said the risk already had the highest score in the risk register. It would be reviewed again for the new academic year. Although the number of COVID cases was high, there wasn't the same level of severe illness and hospitalisation. There was a risk to staff and student attendance.

### b) Update on Risk Register Reviews Conducted by Committees

The Head of Governance reported that the Curriculum, Quality and Standards Committee and the Finance, Resources and Capital Projects Committee had reviewed the relevant risks at their summer term meetings. There had been no suggested amendments or additions.

## 12/22 Correspondence

### a) RSM Twilight Session Slides – Fraud

The slides from an RSM twilight session about fraud were received in advance of the meeting and were noted. (Paper 9a). The committee were in agreement that more focus would be needed on fraud and cyber security to ensure the college assets were protected and that governance processes were in place. In terms of cyber security, MC confirmed that two factor authentication was in place, including for the college financial system.

### b) RSM Twilight Session Slides – Governance

The slides from an RSM twilight session about governance were received in advance of the meeting and were noted. (Paper 9b).

### c) RSM Twilight Session Slides - Assurance

The slides from an RSM twilight session about assurance were received in advance of the meeting and were noted. (Paper 9c).

MC said the college would be looking to put in place more frequent production of management accounts in line with good practice.

## 13/22 Date of the Next Meeting

The date of the next meeting of the committee was Wednesday 30 November 2022 at 6.00pm.

## Summary of Actions

No.	Action	Lead	Target Date
8/22	Start a review of compliance with the Post 16 Audit Code of Practice.	KF	Nov 22
10/22	Add cyber security and data protection compliance to the Board Assurance framework.	MC	Nov 22