



**MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 19 SEPTEMBER 2023**

AT 5pm IN THE HARRISON CENTRE BOARD ROOM AND VIA MICROSOFT TEAMS

PRESENT:

Chris Johnson	Member (Chair)
Taiyab Sufi *	Member
Khadija Ibrahimova	Member
Sharjeel Salahuddin*	Co-opted Member
David Swift	Co-opted Member

IN ATTENDANCE:

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Nicola Clayton	Director of Business Development and External Engagement
Kashif Azeem	RSM - Internal Audit
Sarah Horeesorun	Director of Governance

* indicates participating via Microsoft Teams

The meeting commenced at 5pm and was quorate.

The Chair welcomed everyone and extended a special welcome to Nicola Clayton, Director of Business Development and External Engagement. It was agreed that Nicola Clayton present the Subcontracting Report (Item 13) first.

The Chair returned to the Agenda after Item 13 and suggested that Items 2, 3, 4 and 5 be covered before the presentation at Item 1. This was agreed, though for ease of reference the minutes reflect the Agenda order.

1. PRESENTATION ON A RISK THEMED TOPIC: INTERNAL AUDIT PLAN 2023/24

Kashif Azeem, RSM, presented at the last Audit Committee meeting 6 June 2023, and had been tasked to revisit the proposed Internal Audit Plan for 2023/24 and potential strategy for 2025/26 at this September meeting.

Referring to the revised plan supplied to members in advance of this meeting, Kashif Azeem explained that in response to comments made at the previous Committee some of the content of the plan had changed and some had remained the same. There was a balance to be had between being both forward looking and reflective to demonstrate ongoing strategy. Each of the planned audits linked to at least one of the risks identified on the risk register (to be found elsewhere on this agenda).

In reviewing the content of the plan, the Principal and Chief Executive asked how compliance would be tested in an audit of Harassment and Sexual Misconduct. Kashif Azeem explained that this audit would examine case monitoring and test if internal policies and processes had been followed.

A member asked whether 45 days to deliver the audits within the 2023/24 Internal Audit Plan was enough and Kashif Azeem explained that this figure was based on sector experience, cyclical and routine audits, and the need to cover elements of Governance, Risk Management and Internal Controls in each and every audit. The Vice-Principal: Finance and Corporate Services confirmed that 45 days had been the number of days RSM had been engaged for Internal Audits in previous

years and that these had been delivered. The number of days was similar to same size colleges across the sector.

This was followed up by a member seeking assurance on fees paid for delivery of the individual audits and the skills and experience of those involved. It was acknowledged that it would take a variety of skills to deliver the audits depending on if these were routine or more complex and that not all of the testing was done on site as some was carried out at the offices of RSM. The Vice-Principal: Finance and Corporate Services added that it was essential to have different auditors for each audit depending on specialisms to add an extra level of assurance of impartiality and lessen opportunity for relationship building between staff and auditors. There was mention of over familiarity and duration of appointments and reference made to an item later on the agenda under confidential business.

There was discussion on flexibility within the plan to move or swap audits around, for example, Payroll had been brought forward and OfS and Mental Health audits moved. The forward plan was provided to remove the need for guesswork, though this could be flexed for any number of reasons, an example being challenges recognised throughout the sector.

An enquiry was made if a review of risk management was planned and Kashif Azeem confirmed that a review of risk management and governance had been completed in September 2022.

The Committee thanked Kashif for presenting the Internal Audit Plan 2023/24 on behalf of RSM and **AGREED** the planned audits, noting that, as per the discussions, the timing on delivery of some of the audits may be moved around to support operational requirements.

2. APOLOGIES FOR ABSENCE

Apologies were received in advance from Dr Zubair Iqbal, Helen Knowles and Jason Burgess (Beever and Struthers), and Lisa Randall (RSM).

3. DECLARATION OF CONFLICTS OF INTEREST

The Chair advised those in attendance that should members of the Audit Committee become aware of any potential conflicts of interest, they should be disclosed at the earliest opportunity during the meeting.

In reference to Item 13 Subcontracting, the Chair mentioned that the Blackburn Rovers Community Trust was one of his professional clients. However, in consultation with the Vice-Principal: Finance and Corporate Services this professional relationship was deemed to not be a conflict of interests.

4. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 21 FEBRUARY 2023

Having canvassed the Committee, and in the absence of any comment, the Minutes of the Audit Committee held on Tuesday 6 June 2023 were **AGREED** as a true and accurate record and were signed by the Chair.

5. MATTERS ARISING

There were no Matters Arising.

6. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

The Vice Principal: Finance and Corporate Services explained that the Board was required to make a statement on regularity, propriety and compliance with the annual financial statements.

To support the Board in making this assessment and to ensure completeness, the College had completed a self-assessment questionnaire. This provided clarity over the framework, including the

funding bodies' interpretation of the key requirements and the type of evidence that should be considered.

The questionnaire must be completed and submitted to Beever and Struthers, the College External Auditors, to review as part of their year-end work. Beever and Struthers visit, test and provide their Audit opinion. A copy of the Regulatory Audit Self-Assessment Questionnaire must be signed by the College Accounting Officer and Chair of Governors in advance of the accounts being signed off.

Having considered the Report, the Audit Committee **AGREED** to recommend the report to the Corporation Board for approval and signature.

7. ANNUAL REPORT OF THE AUDIT COMMITTEE 2022/23

The Post-16 Audit Code of Practice (ACoP) sets out the specific requirements for assurance, accountability and audit arrangements for Colleges and the broad framework in which they should operate.

The ACoP states that the College Corporation must set out clear Terms of Reference for the Audit Committee, one of which is to produce an Annual Report, summarising the Committee's activities relating to the financial year under review. This report was also shared with the ESFA to assure them that the College is compliant with the ACoP.

In consideration of the Report a member highlighted that the Committee attendance figures on page 12 of the Report needed updating. The Principal and Chief Executive suggested the evidence provided at point 14 on page 5 of the Report needed re-wording.

Action: Vice-Principal: Finance and Corporate Services

Once these points had been addressed, and in compliance with the AcOP and the agreed Audit Committee Terms of Reference, the Committee **AGREED** to recommend the Annual Report of the Audit Committee to the Corporation Board for approval.

8. INTERNAL AUDIT PROGRESS REPORT

The internal audit plan for 2022/23 was approved by the Audit Committee at its June 2022 meeting. This Report provided an update on progress against that plan and summarised the results.

One of the planned 2022/23 audits, Staff Mental Health, had been deferred to November 2023 and there followed discussion on whether this should appear in the 2022/23 Internal Audit Plan and Annual Report or move to the 2023/24 Internal Audit Plan. It was **AGREED** that the Staff Mental Health Audit be moved the 2023/24 Audit Plan resulting in a reduction of Internal Audit days allocated in 2022/23 to 42 and increasing the days to 48 (45 days already agreed plus the 3 days for this additional audit) and fees paid in 2023/24. The revised audit plan 2023/24 would feature on the agenda for the November Audit Committee meeting before being shared with the Board.

The Chair thanked Kashif Azeem for the Report.

9. INTERNAL AUDIT - ACTION POINT STATUS

This Report provided the Audit Committee with an update on progress towards the completion of recommendations following the Internal Audits that had been undertaken by RSM in 2022/23. No Internal Audits had yet been completed in 2023/24.

Two of the Cyber Security Key Controls actions remained outstanding. The Vice-Principal – Finance and Corporate Services provided a status update on the two outstanding actions explaining that a scoping exercise was underway to find a solution to issues around Mobile Device Management and,

though staff were currently applying and logging 'patches' where required, a longer-term solution was needed, and this was being considered.

A member asked if it might be possible to have an I.T. Governance presentation at a future meeting. The Vice-Principal: Finance and Corporate Services informed members that the Head of MIS and Data Systems was leaving the College, and a replacement was being sought. There followed some discussion on recruitment of senior and specialised posts and confirmation that, in the future, a presentation on I.T. Governance would be included on the agenda.

Action: Director of Governance

The Committee noted the content of the Report.

10. AUDIT PERFORMANCE INDICATORS 2022/23: UPDATE AND PROPOSED FOR 2023/24

The Vice Principal: Finance and Corporate Services presented an update on the Audit Performance Indicators for 2022/23 which assisted the Committee in assessing risk. The Report included information on Compliance, Financial Health, Creditor days, Debt parameters and Loan covenants. It was noted that with the exception of Debt Parameters all KPIs were 'green'. Debt Parameters would not be cleared until the Financial Statements were completed. The detail was supplied in Appendix One.

The Chair asked whether the loan covenants were tested annually and the Vice-Principal: Finance and Corporate Services confirmed that this was the case, and that the College was comfortably within the parameters.

The Audit Committee noted the performance against the approved performance indicators for 2022/23 and **AGREED** for the same performance indicators to be used for 2023/24.

11. RISK MANAGEMENT ANNUAL REPORT 2022/23

The Committee considered the Report which summarised the College's risk management activities for 2022/23. In discussion, Members noted the key risks during the year and the mitigating controls.

There was further discussion on the effectiveness of alternative reporting approaches and the Committee was satisfied that the Board had sufficient assurance from the Risk Reporting and verbal updates provided at Committee and Board meetings. It was noted that the risks had not changed from previous years and the Principal and Chief Executive added that these are common risks found throughout the sector.

The Chair commented that it would be useful to benchmark sector risks* and was informed that this information was available and would be shared.

Action: RSM

**In a post meeting update the Risk Register benchmarking information for 2022 was supplied and will be shared with Committee members. This was the latest available benchmarking information with the next benchmarking exercise due to be completed in 2024.*

Having reviewed and discussed this Report, the Committee **AGREED** to recommend the Risk Management Annual Report to the Corporation Board for approval.

12. RISK REGISTER 2023/24

Following on from Item 11, the Committee, in its role to regularly review the potential risks to the College operations and strategic direction, discussed the issues to be included in the College Risk Register for 2023/24.

The risk rating for each risk was determined using the Board approved Risk Management Policy. Using the RAG rating, the Committee noted that three risks were currently rated as red and were satisfied with the mitigating actions and controls in place to effectively manage these. For 2023/24 there were no new risks added.

In discussions, Members asked questions and explored issues around recruitment of staff and use of a recruitment consultant and the Principal and Chief Executive asked that the Vice-Principal: Finance and Corporate Services look at the RAG rating for the Victoria Building related risk at CC7 (page 12)

Action: Vice-Principal: Finance and Corporate Services

Committee members agreed with the changes and **AGREED** the Risk Register.

13. SUBCONTRACTING – REVIEW OF 2022/23 PROVISION

The Director of Business Development and Employer Engagement presented a Report updating the Audit Committee on the performance of the subcontracting arrangements for 2022/23. The delegated responsibility to monitor the subcontracting arrangements falls within the remit of the Policy and Resources Committee but given that there had been a recent audit of subcontracting arrangements, it was a requirement to share the audit report with the Audit Committee. A separate Report would be going to the Policy and Resources Committee on 25 September 2023.

In presenting the Report, the Director of Business Development and Employer Engagement informed members that the Education and Skills Funding Agency (ESFA) had introduced the Subcontracting Standard in August 2022. A requirement of this was for colleges to have an independent audit to provide assurance to the ESFA on compliance with the Subcontracting Standard. If the ESFA deemed that the arrangements were compliant with the Subcontracting Standard the college would not need to conduct another audit for three years. There were implications should the arrangements fail to meet the Standard, and these were contained within the detail of the Report.

The College engaged Beaver and Struthers to complete the audit of its subcontracting arrangements in July 2023. The audit report and a summary of the findings was supplied, highlighting the two recommendations. The Director of Business Development and External Engagement assured members that mitigating actions were in place to remedy the two recommendations for 2023/24 and that the relevant Team were actively managing the risks involved with the subcontracting arrangements.

The next step was for the College to upload the final audit report and DFE Subcontracting Assurance declaration to the ESFA Portal. The ESFA would inform the College of its compliance or requirement to complete a similar audit 2023/24 in November.

The Audit Committee noted that the DfE had published guidance on Governance for Subcontracting on 6 September 2023 and the responsibilities as listed in the Report. The Director of Business Development and Employer Engagement and the Director of Governance would ensure that Governors were briefed on the requirements.

A member asked for further clarification on the circumstances around one of the recommendations relating to the date the subcontract was signed. Clarification was provided by the Director of Business Development and Employer Engagement.

The Chair and Committee thanked the Director of Business Development and Employer Engagement for her Report and helpful presentation.

Nicola Clayton left the Committee meeting at 17:10pm.

14. AUDIT SCHEDULE 2023/24

This Report was provided to the Audit Committee for information and contained the dates and details of both the Internal and External Audit schedules for 2023/24.

The Committee noted the content of the Report.

15. DATA RETURN MONITORING REPORT 2022/23 and 2023/24

This Report was provided for information and confirmed that funding and data returns had all been submitted on time for 2022/23 and the dates for returns 2023/24.

Members noted the content of this Report.

16. ANY OTHER BUSINESS

There were no items discussed under Any Other Business.

17. REVIEW OF MEETING

The Chair thanked everyone for their contributions to the Committee discussions.

The meeting closed at 6.45pm.

18. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 14 November 2023 at 5.00pm.