

ANNUAL REPORT OF THE AUDIT COMMITTEE – 2022/23

Purpose

The purpose of this report is to detail the work of the Audit Committee over the course of the financial year 2022/23, alongside the work carried out by the Internal Auditors RSM and the External Auditors Beever and Struthers. In addition, this report provides assurances to the Corporation Board and the Principal/Chief Executive, as Accounting Officer for the College, that they can have adequate confidence that the audit processes and procedures are effective within the College.

Membership of the Committee

During 2022/23 the Committee membership was as follows:

Chris Johnson (Chair)
Khadija Ibrahimova (Governor wef 14 October 2022)
Paul Fleming (until 01 January 2023)
Sharjeel Salahuddin (Co-opted Member)
Taiyab Sufi (Governor)
John Whittaker (Co-opted Member until 31 March 2023)
David Swift (Co-opted Member from 01 April 2023)
Dr Zubair Iqbal (Associate Member)

The Clerk to the Committee was Jean Tracy, Clerk to the Corporation until 13 October 2022, with Sarah Horeesorun being Director of Governor from 01 September 2022).

In order to comply with the Terms of Reference for the Audit Committee, the Committee had previously considered whether or not to invite the Principal, other senior College staff and representatives from the auditors to attend the meeting. It has been agreed that the Principal and Vice Principal – Finance and Corporate Services are invited to attend in their capacity as the senior management lead on Audit and Risk.

Representatives from both Internal and External Audit are also invited to attend meetings.

A copy of the Terms of Reference for the Audit Committee as at 1 July 2022 is attached as **Appendix One**.

Meetings

The Committee met on four occasions during the year, all meetings were quorate and all meetings were held with a number of members being present via MS Teams:

20 September 2022
22 November 2022
21 February 2023
6 June 2023

Attendance at the meetings by the Governors was 96% when excluding vacancies on the Committee, individual attendance is detailed in **Appendix Two**.

A representative from the External Auditors and/or the Internal Auditors attended the meetings.

Committee's Effectiveness and Terms of Reference

The Committee was established by the Corporation Board to conduct a range of activities that would provide appropriate assurances to the Corporation in terms of how the College manages risk and secures efficiency and effectiveness in its use of resources.

The Audit Committee includes members who have recent, significant and relevant financial experiences. In accordance with the Post 16 Audit Code of Practice (updated April 23), the Committee's Terms of Reference were reviewed, amended and approved by the Corporation Board on 7 July 2023. The Audit Committee undertook its usual annual review of progress against its Terms of Reference, as included in the Committee's annual report, with the annual review of its Terms of Reference having taken place on 6 June 2023. Training opportunities are made available to members who wish to update their skills and knowledge in accordance with emerging themes. The Committee is active in its monitoring of internal and external reports and challenges both the College and Audit representatives to ensure that it is satisfied with the effectiveness of the controls in place. The Committee is closely involved in the production of the internal audit annual plan and undertakes monitoring activity and an evaluation of the effectiveness of the plan throughout the year.

A series of performance indicators have been developed covering areas of work relevant to the Committee. Progress in relation to these indicators is reported to each meeting.

The Committee has an annual calendar of business and at each meeting, reviews progress in relation to the implementation of the internal and external audit recommendations.

The Chair of Audit Committee updates the full Corporation Board with the work of the Committee at each meeting through his attendance at these meetings or via the Committee's meeting Minutes.

In line with best practice, the Committee reviews its 'Terms of Reference' on an annual basis.

The Committee operated to the following Terms of Reference (which are also attached as Appendix One) with evidence being presented as follows:

Terms of Reference 2022/23	How this is evidenced
1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes and its processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.	The Committee provides an Annual Report to the Corporation Board in addition to regular monitoring of key reports as part of the schedule of business throughout the year. Monitoring activity includes independent reports by the internal and external auditors alongside those provided by officers on key or emerging issues throughout the financial year. As part of the Annual Report, the Committee provides the Corporation with its opinion on adequacy and effectiveness
2. To advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.	The External Auditors attended Audit Committee in November and provide this assurance.
3. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and establish that all such assurance providers adhere to relevant professional standards.	On an annual basis, the performance of the financial statements, regularity and internal auditors is assessed against a set of agreed performance measures. Following this evaluation, the Committee considers and makes a formal recommendation to the Corporation Board in terms of the appointment, re-appointment, dismissal and remuneration of the financial statements and regularity auditor and the internal auditor. The

Terms of Reference 2022/23	How this is evidenced
	Committee recommended to Corporation that RSM were re-appointed for 2022/23 and Beever and Struthers have started their second year as External Auditors.
4. To undertake a re-tender of the external auditor at least every five years.	Beever and Struthers were appointed to audit the 2021/22 Financial statements, so are in their second year.
5. To advise the Corporation on the scope and objectives of the work of the external auditor, the funding auditor (where appointed) and the internal audit service.	<p>For the financial year 2022/23 Beever and Struthers acted as the Financial Statements Auditors. The Financial Statements Management Letter for 2021/22, prepared by Beever and Struthers, was considered by the Committee and subsequently by the Corporation Board in December 2022. RSM acted as Internal Auditors.</p> <p>Beever and Struthers also completed the required Subcontracting Standard review/ audit in July 2023.</p>
6. To approve the External Audit Annual Plan	The External Audit Plan for the 2022/23 financial year was approved by Audit Committee on 6 June 2023.
7. To inform the Corporation on the provision of any additional services by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and to explain how independence and objectivity were safeguarded.	<p>Mechanisms are in place to ensure that the Committee would be informed of any additional services conducted by the Internal Auditor and External Auditors.</p> <p>Beever and Struthers also completed the required Subcontracting Standard review/ audit in July 2023 this was arranged after the June meeting, hence members were advised at the September meeting.</p>
8. To ensure effective co-ordination between the internal audit service (where appointed), the funding auditor (where appointed) and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.	Both the Internal and External Auditors are invited to attend meetings of the Committee and are present during consideration of reports that have been conducted by both functions. The Committee positively challenges the work carried out by the separate audit functions in order to satisfy itself that it can rely on the work and opinions provided by each audit function.
9. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.	RSM were the Internal Auditors for 2022/23. The strategy, scope and objectives of internal audit work was considered and recommended by the Committee to the Corporation Board at its meeting on 1 July 2022 with regular progress monitoring reports during the financial year.
10. To advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor (where appointed), and of any reports submitted by other providers of audit and assurance services to the college, and management's responses to these.	During the course of the year, the Committee considered six Internal Audit reports, plus a Follow Up Report. The subject and outcomes of which are detailed in the next section.

Terms of Reference 2022/23	How this is evidenced
<p>11. To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the ESFA and other funding bodies, and where appropriate management's response to these.</p>	<p>The Committee considered changes to the audit and assurance regimes arising from new provision in the Education and Skills Funding Agency's Financial Memorandum and the Post 16 Audit Code of Practice as relevant.</p>
<p>12. To review and consider the reports of external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and to monitor, the implementation of recommendations to agreed timescales.</p>	<p>Recommendations relating to Internal and External Audit reports are monitored at each meeting of the Committee.</p>
<p>13. To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.</p>	<p>The Committee annually approves the performance measures and indicators for the internal audit services and the External Auditors. Performance is monitored and informs the Committee and subsequently, the Corporation's view on the future appointment to these functions.</p>
<p>14. To produce an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:</p> <ol style="list-style-type: none"> a) A summary of the work undertaken by the Committee during the year b) Any significant issues arising up to the date of preparation of the report c) Any significant matters of internal control included in the reports of audit and assurance providers d) The Committee's view of its own effectiveness and how it has fulfilled its terms of reference e) The Committee's opinion on the adequacy and effectiveness and efficient use of resources, solvency of the institution and the safeguarding of its assets f) Submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed 	<p>An annual report is prepared to these requirements, and approved by the Committee in the Autumn Term each year. Once finalised, the report is submitted to the Corporation and Accounting Officer.</p>
<p>15. To oversee the College's policies on fraud, irregularity and whistleblowing, and ensure:</p> <ol style="list-style-type: none"> a) The proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity b) That investigation outcomes are reported to the Audit Committee c) That the external auditor (and internal auditor if applicable) has been informed, and that appropriate follow-up action has been planned/actioned 	<p>An incident of potential fraud was identified by College and investigated by both College and the Internal Auditors.</p> <p>The outcome of these investigations were reported to the Audit Committee.</p> <p>Misconduct was identified and the staff involved have been dealt with through the Colleges agreed disciplinary policies and procedures.</p>

Terms of Reference 2022/23	How this is evidenced
d) That all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body e) Risks around fraud have been identified and controls put in place to mitigate them	
16. The Committee must ensure that its activities are restricted to Governance and that members do not adopt an executive role.	This can be evidenced from the minutes of the meetings.

Adequacy and Effectiveness of the College's Audit Arrangements

The role of External Auditor was taken by Beever and Struthers and RSM were the Internal Auditors for the 2022/23 financial year.

The fee for RSM's Internal Audit Service for 2022/23 was £22,275 plus VAT and the fee for Beever and Struthers External Audit service was £29,850 plus VAT, with a further £1,000 for the Teachers' Pension Audit. The strategy scope and objectives of both the Internal and External Auditors work was agreed by the Committee and by the Corporation and activities were completed in line with the annual plans for the year. In addition, RSM undertook a separate review as part of an investigation, a fee of £9,600 plus VAT was paid.

The Committee monitored progress against the recommendations arising from the work of the internal auditor, with an updated report being reviewed at each meeting. The Internal Auditor spent two days reviewing recommendations from previous years were implemented.

A total of six Internal Audits, plus a follow-up audit were undertaken during the year. All reports were considered by Audit Committee who reviewed and approved the recommendations and associated management responses arising from these reports during the year, with all reports being presented to the meeting on the 6 June 2023, details as follows:

Assignment and Executive Lead	Status / Opinion issued	Actions agreed		
		L	M	H
Safeguarding and Prevent (1.22/23)	Final report issued / Substantial Assurance	0	0	0
Governance and Risk Management (2.22/23)	Final report issued / Substantial Assurance	0	0	0
Key Financial Controls: Income, Cash, Bank and Manual Journals (3.22/23)	Final report issued / Substantial Assurance	4	0	0
Cyber Security Key Controls (4.22/23)	Final report issued / Reasonable Assurance	0	3	1
Data Protection Governance Framework (5.22/23)	Final report issued / Advisory	5 un-prioritised management actions		
Follow Up (6.22/23)	Final report issued / Reasonable Progress	1	3	0
Staff Mental Health ¹	Fieldwork commencing 26 June 2023	-	-	-

Processes for the effective and efficient use of resources,

The Audit Committee at its meeting on 22 November 2022, considered the Financial Statements Management Letter for the 2021/22 financial year and noted that there were no significant accounting and audit issues at the College. After discussion on the financial statements audit, the Committee agreed that it was recommended to Corporation on 9 December 2022. This practice will be completed for the 2022/23 financial year at the meeting of the Audit Committee on 14 November 2023 and the opinion of the Committee and any matters arising will be reported to the Corporation at its meeting on 8 December 2023.

The solvency of the institution and the safeguarding of its assets

In 2022/23, the College has budgeted for a small surplus, the forecast outturn shows that despite significant reductions in income (due to the shortfall on commercial and apprenticeship recruitment and Higher Education recruitment). Whilst the solvency of the institution and the safeguarding of its assets are not impacted (as the College continues to generate cash), the Committee has considered and is satisfied that the measures implemented following the outcome of the audit are appropriate and robust mechanisms to manage future risks to the institution of this nature.

Framework of Governance

The College has in place a range of governance mechanisms that enable compliance with national funding and audit requirements and regulations. The Committee, as part of their annual schedule of business considers a range of governance related activities that are conducted by College staff, the internal audit service and external auditors.

Governance Review

The Corporation Board self-assesses its performance annually, most recently in autumn 2022 and graded itself as 'Good' and governance as fully compliant against the current AOC Code of Governance for English Colleges.

An internal audit of key governance and risk management processes was commissioned in summer/autumn 2022. The assessment of governance was based on a review of ten key areas within the AoC Code of Governance for English Colleges. The audit returned the highest opinion of substantial assurance with no recommendations.

The Corporation Board commissioned an external review of governance as part of its 2022-23 business calendar. The scope of the review met the requirements of the Department for Education Guide on External Governance Reviews in Further Education and the Post 16 Education and Skills Act. The Review was undertaken between March and July 2023, and concluded that *the Corporation Board has a well-functioning and effective Audit Committee, chaired by an experienced governor. Additional audit and finance experience has been added to the Committee through the appointment of co-opted members. As with other aspects of governance, both governors and managers appreciate their open and honest relationship based on trust, support and appropriate challenge. The quality of paperwork is good. There is a positive relationship with the college's auditors and the committee inputs into the development of the internal audit programme.* The Review commented that the College Governance was strong, effective and fully compliant with AcOP.

Risk management and control

Over the course of the financial year, the Committee considered a number of reports relating to risk management and control. Whilst maintaining a focus on the College's risk strategy, the outcomes of regular review of the College's risk register are reported to each meeting of the Committee which enables Governors to assess the College's responsiveness to current and future risk.

Fraud

Whilst no instances of fraud have occurred during the 2022/23 financial year, management remain vigilant to ensure that the College governance and operational mechanisms are tailored towards early detection, investigation and action.

Whistle Blowing

No allegations were received in 2022/23.

Conclusion and Recommendations

The Internal Audit reports and the Financial Statements Management Letter have been considered, proposed recommendations monitored and areas of weakness addressed. During all these considerations account has been taken of the appropriate regulations and guidelines and Codes of Practice and they have been found to have been adhered to.

The Committee have found no evidence of impropriety.

Therefore, the Audit Committee is of the view that it has operated effectively and fulfilled its obligations as identified in its Terms of Reference. It is also of the opinion that the College's audit arrangements, the internal control systems, value for money policy and procedures, financial controls, framework of governance, risk management and control are adequate, operating effectively and its processes secure economy, efficiency and effectiveness and can be relied upon.

Jennifer Eastham
Vice Principal – Finance and Corporate Services



SIGNED: _____

Chris Johnson Chair of the Audit Committee
Date : 19 September 2023

Appendix 1 - Audit Committee Constitution and Terms of Reference
Appendix 2 – Audit Committee Attendance Statistics



AUDIT COMMITTEE

TERMS OF REFERENCE 2022/23

MEMBERSHIP

1. The membership of the Committee will be six members, three of whom must be Governors.
2. Membership will exclude the Chair of the Corporation, Principal and Chief Executive, members of the Policy and Resources Committee and Staff Governors.
3. The Committee and Corporation should maintain its independence and objectivity in appointing members.
4. The Board will seek to appoint at least one member with relevant experience who is not a member of the Corporation and members will include individuals with an appropriate mix of skills and experience to allow the Committee to discharge its duties effectively. Collectively, members of the audit committee should have recent, relevant experience in risk management, finance and audit and assurance.
5. The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor and funding auditor (where appointed) where business relevant to them is being discussed. Senior management will also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to speak at such meetings but not to vote.
6. The Committee may invite the Corporation's advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meetings).
7. The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules of quoracy set out below) to exclude any, or all, participants and observers, except the Clerk to the Committee.
8. The Committee shall be granted rights of access to obtain all the information it considers necessary from whatever source to fulfil its remit, and to consult the internal audit service and financial statements auditor and funding auditor (where appointed) directly.

SECRETARY

The Director of Governance will act as secretary to the Committee.

QUORUM

The Quorum for the Audit Committee will be three members

MEETINGS

The Committee will meet at least once each term and, as a minimum, will consider the items of business as currently set out in the Post 16 Audit Code of Practice 2021-2022.

ATTENDANCE POLICY

Members should make every effort to attend Committee meetings. Should a Board member fail to attend three consecutive meetings without the approval of the Committee, the Committee may request the Corporation to withdraw membership of the Committee from the individual concerned. A co-opted member of the Committee shall cease to be a member where (s)he does not attend any meeting for a period of longer than six months, or has been absent for three consecutive meetings, or for any other reason at the sole discretion of the Board, unless that failure is for a reason previously approved by the Committee.

CONFLICT OF INTEREST

Members are reminded of their obligation to declare any involvement in any item on the agenda that give rise to a potential conflict of interest.

TERMS OF REFERENCE

1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes and its processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.
2. To advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.
3. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and establish that all such assurance providers adhere to relevant professional standards.
4. To undertake a re-tender of the external auditor at least every five years.
5. To advise the Corporation on the scope and objectives of the work of the external auditor, the funding auditor (where appointed) and the internal audit service.
6. To approve the External Audit Annual Plan
7. To inform the Corporation on the provision of any additional services by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and to explain how independence and objectivity were safeguarded.
8. To ensure effective co-ordination between the internal audit service (where appointed), the funding auditor (where appointed) and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
9. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.
10. To advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor (where appointed), and of any reports submitted by other providers of audit and assurance services to the college, and management's responses to these.

11. To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the ESFA and other funding bodies, and where appropriate management's response to these.
12. To review and consider the reports of external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and to monitor, the implementation of recommendations to agreed timescales.
13. To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
14. To produce an annual report¹ for the Corporation, summarising the Committee's activities relating to the financial year under review, including:
 - a) A summary of the work undertaken by the Committee during the year
 - b) The number of meetings held in the year, and attendance records for each Audit Committee member
 - c) Any significant issues arising up to the date of preparation of the report
 - d) Any significant matters of internal control included in the reports of audit and assurance providers
 - e) Details of the date of appointment of the external auditors and the remaining term of the contract
 - f) The Committee's view of its own effectiveness and how it has fulfilled its terms of reference
 - g) The Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, assurance over subcontracting, framework of governance, risk management and control processes for the efficient use of resources, solvency, and the safeguarding of assets
 - h) Submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed
15. To oversee the Corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:
 - a) The proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
 - b) That investigation outcomes are reported to the Audit Committee
 - c) That the external auditor (and internal auditor if applicable) is informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned
 - d) That all significant² cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, cybercrime, major weaknesses or breakdown in the accounting or other control framework are reported to the ESFA, and other relevant funding authority, as soon as possible
 - e) Risks around fraud have been identified and controls put in place to mitigate them
16. The Committee must ensure that its activities are restricted to Governance and that members do not adopt an executive role.

¹ A copy of the Audit Committee's Annual Report will be submitted to the relevant funding body with the annual accounts.

² From the Post 16 Audit Code of Practice 2021-2022, "significant" is usually where one or more of the following factors are involved:

- There is likely to be great public interest because of the nature of the fraud or the people involved
- The gross amount of the loss (i.e. before any insurance claim) is in excess of £10,000
- The particulars of the fraud are novel or complex
- The fraud is systematic or unusual in nature

In addition, the Committee will have the power to:

17. Investigate any activity within its terms of reference, which may involve engaging a third party to assist.
18. Access all the information and explanations it considers necessary, from whatever source, to fulfil its remit
19. Obtain external professional advice

The Audit Committee will report direct to the Corporation.

Last Reviewed:	June 2022
Last Amended/Approved by Audit Committee:	7 June 2022
Last Approved by Board:	1 July 2022

Audit Committee Attendance Statistics 2022/23

Name	No of Meetings	No of Attendances	% Attendance
Chris Johnson (Chair)	4	4	100
Khadija Ibrahimova	3	2	75
Paul Fleming	2	2	100
Sharjeel Salahuddin (Co-opted)	4	4	100
Taiyab Sufi	4	4	100
John Whittaker (Co- opted)	3	3	100
David Swift (Co-Opted)	1	1	100
Dr Zubair Iqbal (Associate)	4	4	100
Total	25	24	96% (excluding vacancies)
Principal and Chief Executive	4	4	100
Vice Principal – Finance and Corporate Services	4	4	100
BDO	2	2	100
RSM	4	4	100