

ANNUAL REPORT OF THE AUDIT COMMITTEE – 2020/21

Purpose

The purpose of this report is to detail the work of the Audit Committee over the course of the financial year 2020/21, alongside the work carried out by the Internal Auditors RSM and the External Auditors BDO. 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 2020/21 the Committee membership was as follows:

Chris Johnson (Chair)
Paul Fleming (from 12 Mar 2021)
Brooklyn Spiers (from 11 Dec 2020)
Shru Morris (to 15 Jan 2021)
John Whittaker (Co-opted Member)
Louise Mattinson (Co-opted Member) (to 24 Mar 2021)

The Clerk to the Committee during the period was Jean Tracy, Clerk to the Corporation.

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 each meeting.

A copy of the Terms of Reference for the Audit Committee as at 16 October 2020 is attached as **Appendix One**. The document shows the tracked changes to the Terms of Reference which took effect during the academic year 2020/21.

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:

22 September 2020
17 November 2020
23 February 2021
8 June 2021

Attendance at the meetings by the Governors was 86% when excluding vacancies on the Committee, individual attendance is detailed in **Appendix Two**.

Representatives from the External Auditors and the Internal Auditors attended all 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 (July 2020), the Committee's Terms of Reference were reviewed, amended and approved by the Corporation Board on 3 July 2020. The Audit Committee undertook its usual annual review of its Terms of Reference in September 2020, with the annual review having taken place on 8 June 2021. 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.

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	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 Committee recommended to Corporation that RSM and BDO were re-appointed for 2020/21.

Terms of Reference	How this is evidenced
4. 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.	For the financial year 2020/21 BDO acted as the Financial Statements Auditors. The Financial Statements Management Letter for 2019/20 was considered by the Committee and subsequently by the Corporation Board December 2020. RSM acted as Internal Auditors.
5. To approve the External Audit Annual Plan	The External Audit Plan for the 2020/21 financial year was approved by Audit Committee on 8 June 2021.
6. 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.	Mechanisms are in place to ensure that the Committee would be informed of any additional services conducted by the Internal Auditor and External Auditors. No additional services were utilised during the year.
7. 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.
8. 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 2020/21. The strategy, scope and objectives of internal audit work was considered and recommended by the Committee to the Corporation Board at its meeting on 2 July 2021 with regular progress monitoring reports during the financial year.
9. 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 seven Internal Audit reports, including a Follow Up Report. The subject and outcomes of which are detailed in the next section.
10. To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the SFA and other funding bodies, and where appropriate management's response to these.	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.
11. 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	Recommendations relating to Internal and External Audit reports are monitored at each meeting of the Committee.

Terms of Reference	How this is evidenced
implementation of recommendations to agreed timescales.,	
12. 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.	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.
13. To produce an annual report ¹ 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) 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	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.
14. To oversee the College's policies on fraud, irregularity 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) has been informed, and that appropriate follow-up action has been planned/actioned d) That all significant ² cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body	No allegations were received in 2020/21.

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

Terms of Reference	How this is evidenced
e) Risks around fraud have been identified and controls put in place to mitigate them	
14. 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 College appointed BDO as External Auditors and RSM as Internal Auditors for the 2020/21 financial year.

The fee for RSMs Internal Audit Service for 2020/21 was £21,150 plus VAT and the fee for BDO External Audit service was £27,400 plus VAT, with a further £800 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 2020/21.

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 8 June 2021, details as follows:

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee (as per IA plan 2 June 2020 / change control)	Actual Audit Committee
		L	M	H		
Governance Framework - Structure and Information Flow (1.20/21)	Final report issued / Substantial Assurance	2	0	0	February 2021	November 2020
Student Target Setting and Tracking (ProMonitor) (2.20/21)	Final report issued / Reasonable Assurance	1	1	1	February 2021	February 2021
Academic Quality Framework (3.20/21)	Final report issued / Substantial Assurance	0	1	0	June 2021	June 2021
Key Financial Controls - Student Loans and Advanced Loans Administration Framework (4.20/21)	Final report issued / Substantial Assurance	2	1	0	June 2021	June 2021
Health and Safety Framework (5.20/21)	Final report issued / Substantial Assurance	2	0	0	June 2021	June 2021
Follow Up (6.20/21)	Final report issued / Good Progress	20 of 22 actions implemented / superseded			June 2021	June 2021
Human Resources (HR): Performance Management (7.20/21)	Final report issued / Reasonable Assurance	1	2	0	June 2021	June 2021

The Committee also 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 also spent two days reviewing recommendations from previous years were implemented.

Processes for the effective and efficient use of resources,

The Audit Committee at its meeting on 17 November 2020, considered the Financial Statements Management Letter for the 2019/20 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 11 December 2020. This practice will be completed for the 2020/21 financial year at the meeting of the Audit Committee on 23 November 2021 and the opinion of the Committee and any matters arising will be reported to the Corporation at their meeting on 15 December 2021.

The solvency of the institution and the safeguarding of its assets

In 2020/21, the College has budgeted for a small surplus, the forecast outturn shows that despite significant reductions in income (due to the impact of COVID19 on commercial and apprenticeship

recruitment and a shortfall in 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.

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 2020/21 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 2020/21.

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.

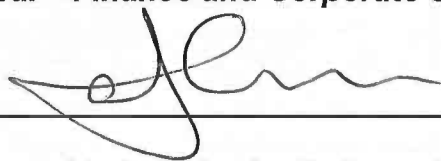
The Committee have found no evidence impropriety.

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: 21 September 2021

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



AUDIT COMMITTEE

TERMS OF REFERENCE

Changes made in October 2020 are available from the Clerk.

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 Clerk to the Corporation 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 2016 - 2017.

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 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.
5. To approve the External Audit Annual Plan
6. 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.
7. 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.
8. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.
9. 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.
10. 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.
11. 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.
12. 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.

13. To produce an annual report³ 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. 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 of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the 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

14. To oversee the Corporation's policies on 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) has been 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 significant⁴ cases of fraud or suspected fraud or irregularity, theft bribery, corruption, irregularity, major weaknesses or breakdown in the accounting or other control framework are reported to the ESFA as soon as possible
 - e. Risks around fraud have been identified and controls put in place to mitigate them

15. The Committee must ensure that its activities are restricted to Governance and that members do not adopt an executive role.

In addition, the Committee will have the power to:

16. Investigate any activity within its terms of reference.
17. Access all the information and explanations it considers necessary, from whatever sources, to fulfil its remit
18. Obtain external professional advice

The Audit Committee will report direct to the Corporation.

Last Reviewed:	Jul 2020
Last Amended/Approved by Audit Committee:	22 Sep 2020
Last Approved by Board:	16 Oct 2020

³ A copy of the Audit Committee's Annual Report will be submitted to the relevant funding body with the annual accounts.

⁴ From the Post 16 Audit Code of Practice 2019-20, "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 sums of money are in excess of £10,000
- The particulars of the fraud are novel or complex
- The fraud is systematic or unusual in nature

Audit Committee Attendance Statistics 2020/21

Name	No of Meetings	No of Attendances	% Attendance
Chris Johnson (Chair)	4	4	100
Shru Morris (to 15 Jan 2021)	2	0	0
Brooklyn Spiers (from 11 Dec 2020)	2	0	0
Paul Fleming (from 12 Mar 2021)	1	1	100
Louise Mattinson (Co-opted) (to 24 Mar 2021)	3	3	100
John Whittaker (Co-opted)	4	4	100
Total			86 (excluding vacancies)
Principal and Chief Executive	4	4	100
Vice Principal – Finance and Corporate Services	4	4	100
BDO	4	4	100
RSM	4	4	100