

**MINUTES OF THE AUDIT COMMITTEE**  
**HELD ON TUESDAY 17 NOVEMBER 2020 VIA MICROSOFT TEAMS**

**PRESENT:**

Chris Johnson	Chair
Louise Mattinson	Member
John Whittaker	Member

**IN ATTENDANCE:**

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Brooklyn Spiers	FE Student Governor Elect
Helen Knowles	Audit Director, BDO – External Auditor
Kashif Azeem	Assistant Manager - RSM Internal Auditor
Andrea Deegan	Forensic and Fraud Risk Services Director, RSM (for Item 1)
Jean Tracy	Clerk to the Corporation

The meeting commenced at 17.00pm.

The Chair welcomed members to the meeting. Brooklyn Spiers had been elected as FE Student Governor and was attending the meeting as an observer. His appointment as a Board member and Audit Committee member would be formally approved by the Board at its meeting on 11 December 2020.

**1. PRESENTATION ON A RISK-THEMED TOPIC – COUNTER FRAUD STRATEGY**

Andrea Deegan was welcomed to the meeting.

The presentation<sup>1</sup> covered 'what is fraud', Post-16 Audit Code of Practice requirements, examples and key messages. The Committee was informed that under the Post-16 Audit Code of Practice a corporation 'must establish and effective and proportionate counter fraud strategy which sets out the approach to raising awareness, prevention, detection, investigation and sanction of suspected fraud'. In June 2020, an update to the anti-fraud checklist had been issued.

The presentation also covered the range of emerging and developing areas of fraud risk identified during the Covid-19 pandemic. These included recruitment, finance and cyber fraud and it was recommended that a risk assessment be undertaken. The types of Corporate Fraud were included in the slides and in terms of the key messages, proactive actions and monitoring tools to ensure the Counter Fraud Strategy was effective and demonstrated compliance were recommended.

The Committee was reminded that the detail of the anti-fraud checklist had been included in the papers presented to the Committee at its meeting in September 2020. A counter fraud strategy was being prepared by the Vice Principal: Finance and Corporate Services and will be brought to the Audit Committee for consideration and recommendation re approval.

**Action: Vice Principal: Finance and Corporate Services**

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<sup>1</sup> Presentation slides uploaded to OneDrive folders

Andrea Deegan was thanked for her presentation and then left the meeting.

## **2. APOLOGIES FOR ABSENCE**

Apologies were received from Shru Morris. Apologies were also received from Lisa Randall (RSM) and Sam Hughes (BDO).

## **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.

No declarations were received.

## **4. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 22 SEPTEMBER 2020**

The minutes of the Audit Committee held on Tuesday 22 September 2020 were **AGREED** as a true and accurate record and would be duly signed by the Chair<sup>2</sup>.

## **5. MATTERS ARISING**

The Committee was informed that change to the Audit Committee Terms of Reference in relation to delegated authority to approve the External Audit Plan going forward had been approved by the Board at its meeting on 16 October 2020.

There were no other matters arising.

## **6. FINANCIAL STATEMENTS AUDIT MANAGEMENT LETTER FOR THE PREVIOUS YEAR**

Helen Knowles, Audit Director and RI ad BDO, was welcomed to the meeting.

The Committee was informed that the audit work was now substantially complete and, subject to the successful resolution of outstanding matters, it was anticipated that an unmodified audit opinion would be issued. None of the outstanding items were a cause for concern. The Committee was also informed that subject to the receipt of the formal notification from Santander that the £7m net assets covenant was being withdrawn, BDO had no significant issues to report to the Committee on going concern.

Members were advised that apart from the audit being undertaken remotely because of Covid-19, there were no significant changes to the planned audit approach and no additional significant audit risks had been identified. It was also confirmed that no restrictions had been placed on their work. Members were also advised that there were no issues to report with regards to the College's regularity statement.

Ms Knowles reported that there no unadjusted audit differences no non-compliance with accounting policies or applicable accounting framework had been identified. Ms Knowles also confirmed that the firm and its partners and staff involved in the audit remained independent of the College in accordance with FRC's Ethical Standard.

Ms Knowles then talked through the significant risks and the work which had been undertaken as part of the audit. The audit matter in all cases concluded with no significant issues being

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<sup>2</sup> Teams meeting as Covid-19

identified. It was noted that in terms of Going Concern, Revenue Recognition and Management Override of Controls, no issues were identified. Ms Knowles drew the Committee's attention to the actuarial assumptions in relation to the Pension Liabilities. In answer to a question from a member of the Committee, it was confirmed that whilst these were slightly outside the norm and slightly more pessimistic than as seen at other clients, BDO were content that they provided a reasonable basis for the liability calculation.

The Committee noted that BDO had requested that a formal impairment review paper was prepared going forward in relation to Blakey Moor. The Chair asked what details would be required regarding the repayment of the impairment assessment and was informed by Ms Knowles that this would be a management decision.

The Chair thanked Ms Knowles for her report.

The Audit Committee **AGREED** to recommend the Audit Completion Report (commonly referred to as the Audit Management Letter) for the year ended 31 July 2020 to the Board for approval.

## **7. AUDIT PERFORMANCE INDICATORS 2020/21 UPDATE**

The Vice Principal: Finance and Corporate Services presented an update on the Audit Performance Indicators for 2020/21 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 the letter from Santander in respect of the increase in the LGPS pension fund deficit had not yet been received.

The Audit Committee noted the performance against the approved Performance Indicators for 2020/21.

## **8. INTERNAL AUDIT REPORTS:**

### **(i) GOVERNANCE FRAMEWORK – STRUCTURE AND INFORMATION FLOW**

An Internal Audit had taken place to provide assurance that the Governance structure and reporting lines were transparent and working effectively.

The Internal Audit confirmed that through the review, a robust governance framework was confirmed as being in place for the College which allowed the Corporation Board to inform, direct, manage and monitor the activities of the College toward the achievement of its objectives. Two low priority recommendations had been made, the detail being noted by the Committee, and the report confirmed that the Board could take 'substantial assurance' that the controls upon which the organisation relied to manage the identified area were suitably designed, consistently applied and operating effectively.

### **(ii) PROGRESS REPORT**

The Report provided a summary update on progress against the Internal Audit Plan for 2020/21 and summarised the results of the work undertaken by RSM. It was noted that the report contained an error on Page 5 – the opinion issued in relation to the review of Governance Framework should have read 'substantial assurance'. An updated report would be forwarded to the College.

**Action: RSM**

The Committee noted that the delay in the review of Student Target Setting and Tracking had been as a result of sickness of RSM staff.

## **9. INTERNAL AUDIT – ACTION POINT STATUS (PROGRESS TOWARDS COMPLETION OF RECOMMENDATIONS)**

A Report, providing an update of progress towards the completion of recommendations following the Internal Audits which had been undertaken, was received by the Committee. At the current time, only one Internal Audit assignments had taken place, this cover the Governance Framework. The Report also included recommendations carried forward from last year's audits and the follow-up audits.

Members noted the Information provided on the six actions which were ongoing, outstanding or amended. The Vice Principal: Finance and Corporate Services explained the reasons for the proposed amendments to the actions covering Progress Observation Procedure and Audit Trail. A further review would be undertaken in March as it was noted that the Appendix<sup>3</sup> included in the papers was incorrect.

### **Action: Vice Principal: Finance and Corporate Services**

The Vice Principal: Finance and Corporate Services, in answer to a question from a Committee member, confirmed that the College would be going out to tender for a new HR system. The Committee member then asked whether the system would be fully embedded in time for the HR audit scheduled for February 2021; it was agreed that this might need to be rescheduled.

The Audit Committee acknowledged the update provided.

## **10. RISK MANAGEMENT – RISK REGISTER 2020/21 UPDATE**

The Committee considered the Report which provided an update on the issues that were included in the College' Risk Register.

The continued impact of Coronavirus across the College, College finances, Government funding, recruitment, retention, quality, student results, staff morale and well-being was noted. The risk due to the Structure and Prospects Appraisal that had been undertaken to determine the future of St Mary's College had now significantly decreased as the College's application had not been successful and therefore the merger would not take place. This risk would be removed from the Risk Register.

The Audit Committee **AGREED** the Risk Register.

## **11. THE SCOPE OF WORK OF AUDIT COMMITTEES AND INTERNAL AUDITORS IN COLLEGE CORPORATIONS**

The Committee noted the ESFA good practice guide which had recently been published which was intended to provide guidance as to how Audit Committee arrangements could be implemented that meet the requirements of the Post-16 Code of Practice. The key points from the guidance and an update regarding the current practice adopted by the College was considered and it was noted that all had been RAG-rated as Green.

## **12. RISK MANAGEMENT ANNUAL REPORT**

The Report had been presented to the Committee at its last meeting and was brought back for information, the Committee not having been quorate for this item.

The Committee noted the minutes of the 22 September 2020 meeting and that the Risk management Annual Report for 2019/20 had been approved by the Board at its meeting on 16 October 2020.

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<sup>3</sup> The updated paper has been uploaded to member's OneDrive folders and forwarded to the audit firms.

**13. SUBCONTRACTING PROVISION – REVIEW OF 2019/20 PROVISION AND RATIONALE FOR 2020/21 PROVISION**

The Report had been presented to the Committee at its last meeting and was brought back for information, the Committee not having been quorate for this item.

The Committee noted the minutes of the 22 September 2020 meeting.

**14. POST 16 AUDIT CODE OF PRACTICE 2019/20**

The Report had been presented to the Committee at its last meeting and was brought back for information, the Committee not having been quorate for this item.

The Committee noted the minutes of the 22 September 2020 meeting including that there was limited impact on the College processes arising from the changes to the Code and the Chair’s support for the College approach to consider the processes relating to Nos 9 and 10 of the Code.

**15. AUDIT SCHEDULE 2020/21**

The Audit Committee received, for information, details of the Internal and External Audit Schedule for the 2020/21 academic year.

**16. DATA RETURNS MONITORING REPORT 2019/20 AND 2020/21**

The Audit Committee received a Report, for information, that confirmed the College was compliant with regard to Data/Funding returns for the academic years 2019/20 and 2020/21.

**17. ANY OTHER BUSINESS**

There were no items discussed under Any Other Business.

**18. REVIEW OF MEETING**

The Chair thanked everyone for their attendance and contribution.

It was noted that the background noise from the Boardroom was as a result of windows having to be open re Covid-19 considerations.

**19. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING**

Tuesday 23 February 2021 at 5.00pm.

Signed: .....

Date: .....