



MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 8 JUNE 2021 VIA MICROSOFT TEAMS

PRESENT:

Chris Johnson	Chair
Paul Fleming	Member
John Whittaker	Member

IN ATTENDANCE:

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Sam Hughes	Audit Senior Manager, BDO – External Auditor
Andrew Mawdsley	Internal Audit Assistant Manager, RSM - Internal Auditor
Jean Tracy	Clerk to the Corporation

The meeting commenced at 17.05 pm.

The Chair welcomed Paul Fleming to his first Audit Committee meeting and introductions were made by those present.

1. PRESENTATION ON A RISK-THEMED TOPIC – COLLEGE BUDGET – IMPACT OF COVID

The Vice Principal: Finance and Corporate Services provided an update on the impact of the Covid pandemic on the College budget. It was noted that the College had received additional targeted funding, e.g. to pay for lateral flow testing and £894k for 'condition improvement', this latter being subject to a 6-month spending window. These additional funds would mean that the College planned budget would still be met.

Information on the current number of live Covid cases was provided to the Committee, it being noted that these were spread across the College and not clustered. The Committee was reminded of the Covid safety measures in place across the campus and was informed that lateral flow testing kits had been issued to staff and students.

The Committee noted that recruitment for the coming academic year was looking positive and that there were no particular concerns.

2. APOLOGIES FOR ABSENCE

Apologies were also received from Lisa Randall (RSM) and Helen Knowles (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.

4. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 23 FEBRUARY 2021

The minutes of the Audit Committee held on Tuesday 23 February 2021 were **AGREED** as a true and accurate record and would be duly signed by the Chair¹.

5. MATTERS ARISING

The Committee noted the update on the actions from previous meetings.

There were no other matters arising.

6. AUDIT CODE OF PRACTICE 2020/21

The Post-16 Audit Code of Practice, which sets out a common standard for the provision of assurance in relation to funding of post-16 providers had been updated, the updated Code for 2020/21 being released on 31 March 2021. The Report provided information on the nineteen changes required and the management comment on each. The Committee noted the information on those which were already complete or not applicable, and the six which were ongoing.

The Committee was informed of the content of Annex C – Summary of Regularity Concerns – which set out some of the characteristics of providers where the Education and Skills Funding Agency (ESFA) had identified regularity concerns. Assessment against these areas could be a consideration for corporations and auditors when assessing compliance.

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 again noted that with the exception of the debt parameters, which could only be measured on an annual basis and was thus not yet reportable, all were 'green'. The Committee was informed that the College was on target to deliver against the debt parameter target.

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

A member of the Committee asked whether in-house audits were still being undertaken. The Vice Principal: Finance and Corporate Services referred to the section on Compliance included in the appendix.

In answer to a question from a member of the Committee, the Vice Principal: Finance and Corporate Services confirmed that the audit performance indicators were updated quarterly and came to each meeting of the Audit Committee.

8. INTERNAL AUDIT REPORTS:

(i) FURTHER EDUCATION – BENCHMARKING OF INTERNAL AUDIT FINDINGS 2019/20

The Report provided a benchmark to enable self-assessment of the College against all of RSM's further education clients. The Chair commented that the Report provided good assurance in that the College was performing better than benchmark.

¹ Teams meeting as Covid-19

(ii) ACADEMIC QUALITY FRAMEWORK

The review undertaken by RSM had been designed to evaluate the arrangements in place to support the quality of the provision delivered by the College, across HE, FE and WBL, for the current academic year, including processes for the validation of new programmes and re-validation of existing programmes. It was confirmed that an established framework was in place for the operation and oversight of activities surrounding academic quality, it being noted that the framework had been adapted in response to Covid-19, and that it was operating as intended. One 'medium' priority management action had been raised, the Committee noting the detail and the management responses. Areas of good practice displayed by the College were also identified.

Taking account of the issues identified, the audit opinion was that the Board could take 'substantial assurance' that the controls in place to manage the risk were suitably designed and consistently applied.

(iii) KEY FINANCIAL CONTROLS – STUDENT LOANS AND ADVANCE LOANS ADMINISTRATION FRAMEWORK

The review confirmed that an established framework for the administration of student loans and advanced learner loans, including how loan payments and repayments were managed, was in place. Two areas of non-compliance and two areas where the control framework could be further strengthened were identified and as a result, three management actions were raised, consisting of one 'medium' and two 'low' priority actions. These and the management responses were covered in the Report.

Taking account of the issues identified, the audit opinion was that the Board could take 'substantial assurance' that the controls in place to manage the risk were suitably designed and consistently applied.

In response to a question from the Chair, the Vice Principal: Finance and Corporate Services confirmed that the annual reconciliation between the Advanced Learner Loan portal and the College ebs system would not be difficult, a similar process being already in place for Student Loans.

(iv) HUMAN RESOURCES – PERFORMANCE MANAGEMENT

The review confirmed that established processes were in place for the completion and reporting of the Performance Development Review (PDR) and the provision of PDR training. Instances where PDRs were not completed in accordance with College procedures and deadlines and two areas where the control framework could be further strengthened were identified. Three management actions were raised, consisting of two 'medium' and one 'low' priority actions. These and the management responses were covered in the Report.

Taking account of the issues identified, the audit opinion was that the Board could take 'reasonable assurance' that the controls in place to manage the risk were suitably designed and consistently applied. To ensure that the control framework was effective in managing the identified risk, it was noted that the issues identified would need to be addressed.

The Internal Audit Assistant Manager commented that whilst processes were in place, they were not reflected in current PDR Scheme; the Scheme thus needed to be updated. The Chair asked RSM whether Covid had impacted on the findings of the audit. The Internal Audit Assistant Manager replied that home working would have made things more difficult, but there were no concerns that the work wasn't being done, rather that the documentation was out of date.

A member of the Committee requested and received information on how the College monitored the increased risk to student retention caused by the pandemic.

(v) HEALTH AND SAFETY FRAMEWORK

The review undertaken by RSM had been designed to evaluate the control framework in place for ensuring the College had effective systems to enable compliance with statutory and internal obligations in respect of health and safety. It was confirmed that an established health and safety framework was in place which was designed to ensure that health and safety activities were in place in regard to employees, students, visitors and contractors. In addition, the testing confirmed that the framework was operating in accordance with documented control activities including the completion of mandatory and non-mandatory training, recording of up to date risk assessments, incidents and near misses, and reporting arrangements.

Two 'low' priority management action had been raised, the Committee noting the detail and the management responses. Areas of good practice displayed by the College were also identified.

Taking account of the issues identified, the audit opinion was that the Board could take 'substantial assurance' that the controls in place to manage the risk were suitably designed and consistently applied.

(vi) FOLLOW UP

The Report provided information on the progress made by the College to implement previously agreed management actions and concluded that the College had made good progress. The detail on the 22 actions considered in the review confirmed that 18 had been implemented, two had been superseded and the remaining two had been partially implemented.

The College was informed that from next year, 'no assurance' would be replaced by 'minimal assurance'.

(vii) 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. All assignments for 2020/21 had been finalised.

9. INTERNAL AUDIT STRATEGY 2021/22 – 2023/24 (INCLUDING THE 2021/22 INTERNAL AUDIT PLAN)

The Internal Auditors confirmed that they had worked closely with College Management to produce an Audit Plan for 2021/22 which remained mindful of the continuing developments and challenges around Covid-19. It was noted that regular meetings with management would be held throughout the year and the Plan amended as necessary, and that the Plan had also been considered by the Executive Team.

The detail on the proposed reviews for 2021/22 and the related strategic risks were included in the Report.

A member of the Committee asked how the content of the Plan had been adjusted because of Covid. The Vice Principal: Finance and Corporate Services replied that this had been considered but that the Plan had not materially changed. However, the Committee was reminded of the increased risks re cyber security and on the presentation which had been made to the Committee at its last meeting.

The Internal Audit Strategy 2021/22 – 2023/24, including the Internal Audit Plan for 2021/22 was **RECOMMENDED** to the Corporation Board for approval.

10. EXTERNAL AUDIT PLAN

Sam Hughes (BDO) presented the External Audit Plan for the Year Ending 31 July 2021.

The Committee was guided through the External Audit Plan which provided an overview of materiality; key audit risks and the planned approach to these; the independence, timeline and the BDO team.

Detail was provided on the risks identified at the planning stage which included:

- Going Concern (significant risk)
- Revenue recognition (significant risk);
- Management override of controls (significant risk);
- DB Pension scheme liability (normal risk).

Other matters which would also be considered as part of the External Audit included fraud, accounting policies, significant accounting estimates and judgements, internal audit, laws and regulations, related parties, financial statement disclosures, regularity audit, contingencies and IT general controls.

The Committee was informed that the external audit report would show a slight change in wording and an additional paragraph covering BDO's work to address the risk of fraud and irregularity. A hybrid approach to the audit would also be taken, it being noted that the audit for the previous year had been completed remotely. In answer to questions from the Chair and a member of the Board, the College confirmed that it was happy with the hybrid approach and that this would move to remote, should it be necessary. The timescales for the audit were as required to meet external deadlines and thus could not be changed, even to accommodate future Covid developments.

On consideration of the information provided and in line with its delegated authority, the Audit Committee **APPROVED** the External Audit Plan for the Year Ended 31 July 2021, having noted that the fees included a CPI increase on the previous year in line with the tender proposal. The Plan would be presented to the Board 'for information'.

11. FINANCIAL MANAGEMENT CONTROL AND EVALUATION (FMCE)

Previously a statutory return to the Skills Funding Agency (predecessor of the Education and Skills Funding Agency), the Committee received a Report which provided detail on how financial management and control (including Governance) was exercised at the College. Whilst this was not a mandatory return, it was noted that most colleges continued to undertake the annual review as good practice.

The report had been 'RAG' Rated (Red, Amber, Green) and members were advised that there was one item that had been rated as 'Amber', all other being 'Green'. Commentary to support these ratings was detailed within the Report. No issues were flagged during the review.

12. EUROPEAN SOCIAL FUND (ESF) ARTICLE 125 AUDIT

The Committee noted the detail of the audit and was informed that since the Report had been prepared, the College had received confirmation from the Education and Skills Funding Agency (ESFA) that no issues had been identified as part of the desk-based verification and that no further action was required.

13. RSM – ENHANCING THE CONTROL FRAMEWORK IN EDUCATION

The Report provided the Committee with an external insight and perspective on Internal Audit high priority management actions across RSM's education client base. The full RSM report highlighted what RSM considered to be the most important matters addressed from the outcomes of their reviews; funding compliance and student data, finance and IT security being listed.

It was noted that the College did not receive any high priority management actions in 2019/20, and that a health check on College IT security had been undertaken previously by RSM.

14. 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. Information on the two management actions that had been reinstated – planned progress re-observations had been delayed because of lockdown and a review of the sickness management framework would now take place following the implementation of the new College system.

The Committee was informed of a correction to the Report in that all three 'red' actions should have been recorded as 'amber', there being 9 actions which were ongoing and five not yet due.

The Audit Committee acknowledged the update provided.

15. RISK MANAGEMENT – RISK REGISTER

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

Six risks were currently rated as red and it was noted that actions were in place to mitigate each of these. 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 relating to the proposed St Mary's College merger had been removed as this was no longer relevant.

16. COUNTER FRAUD STRATEGY

As required under the Post-16 Audit Code of Practice, the first draft of the Counter Fraud Strategy was presented to the Committee for consideration. It was noted that this pulled together a number of existing policies and procedures already in place to evidence a multi-faceted counter fraud approach at the college, which was tested and reviewed by Internal Audit.

A member of the Committee asked whether the strategy followed an agreed template and whether it had been possible to benchmark the proposed strategy against others in the sector. The Vice Principal: Finance and Corporate Services explained that as this was a new requirement, an agreed template was not available but stated that the College had worked with RSM and other colleges to share information/content.

Audit Committee **AGREED** to recommend the Counter Fraud Strategy to the Board for approval.

17. COMPLIANCE

- **CODE OF GOOD GOVERNANCE FOR ENGLISH COLLEGES**
- **RSM – A BEST PRACTICE GUIDE FOR AUDIT COMMITTEE**

The Committee received a Report which provided an update on the College's compliance against the Code of Good Governance for English Colleges and on the review of RSM A Best Practice Guide for Audit Committee.

(i) Code of Good Governance for English Colleges - The Clerk to the Corporation reported that of the 113 points of compliance, 105 were completed in full, five were not applicable and three were completed in part. The Clerk to the Corporation confirmed that the College would continue its work on the compliance against the three points which were completed in part, it being noted that the Internal Audit Plan for 2021/22 included Governance Effectiveness.

(ii) RSM – A Best Practice Guide for Audit Committee – A Review of the 42 areas of best practice identified within the ‘RSM Turning Lights Green – Best Practice Guide for Audit Committee’ had taken place. The Clerk to the Corporation reported that 40 had been completed in full and two were not applicable.

The Audit Committee noted that the Report would be presented to the Governance Panel at its meeting on 24 June 2021 prior to it being reported to the Corporation Board at its meeting in July 2021.

18. AUDIT COMMITTEE

- **MEETING DATES 2021/22 AND 2022/23**
- **CALENDAR OF BUSINESS 2021/22**
- **TERMS OF REFERENCE 2021/22 AND PROGRESS AGAINST FOR 2020/21**

Having considered the Report, the Committee:

- **APPROVED** the meeting dates and Calendar of Business as per the paper,
- **AGREED** to recommend to the Board that the Committee's Terms of Reference be amended to include the requirement to undertake a re-tender of the external auditor at least every five years, and
- **NOTED** that the Committee's performance against Terms of Reference for 2020/21 would, as usual, be included in the Audit Committee Annual Report and presented to the Corporation Board for approval.

19. AUDIT SCHEDULE 2020/21

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

20. DATA RETURNS MONITORING REPORT 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 year 2020/21.

21. ANY OTHER BUSINESS

A member of the Committee commented on the number of agenda items and that a summary of the key points from all the Internal Audit Reports being considered at the meeting would be useful. The Chair confirmed that some Internal Audit reports had been delayed because of unavoidable changes to timings and that the production of an overall summary would be considered. He also commented that the College executive summaries included in the reports were good.

There were no other items discussed under Any Other Business.

22. REVIEW OF MEETING

The Chair thanked everyone for their attendance and contribution.

23. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 21 September 2021 at 5.00pm.