



MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 22 SEPTEMBER 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
Lisa Randall	Partner, Head of Education, RSM – Internal Auditor
Helen Knowles	Audit Director, BDO – External Auditor
Jean Tracy	Clerk to the Corporation

The meeting commenced at 17.05pm.

The Chair welcomed members to the meeting.

1. APOLOGIES FOR ABSENCE

Apologies were received from Shru Morris due to a family member being admitted to hospital. Apologies were also received from Kashif Azeem (RSM) and Sam Hughes (BDO).

2. 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.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 2 JUNE 2020

The minutes of the Audit Committee held on Tuesday 2 June 2020 were **AGREED** as a true and accurate record and would be duly signed by the Chair¹.

4. MATTERS ARISING

There were no matters arising.

5. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

The Committee received the Self-Assessment Questionnaire which supported the Corporation Board in making its statement on regularity, propriety and compliance with the annual financial statements, and provided clarity over the framework, including the funding bodies' interpretation

¹ Teams meeting as Covid-19

of the key requirements and the type of evidence that should be considered. It was noted that the responses would be tested at audit.

The Vice Principal: Finance and Corporate Services explained that the Questionnaire had been completed with the Head of Finance and Clerk to the Corporation.

In answer to a question from a member of the Committee, it was confirmed that fire marshals had been appointed for each building within the campus and that they were kept up to date as necessary.

On consideration of the Report, the Audit Committee **RECOMMENDED** the Regularity Audit 2020 – Self Assessment Questionnaire to the Corporation Board for approval and signature by the Chair of the Corporation Board and the Principal and Chief Executive, as the Chief Accounting Officer.

6. AUDIT COMMITTEE ANNUAL REPORT 2019/20

The Annual Report of the Audit Committee for 2019/20 was received which provided a summary of the activity that had taken place relating to the financial year under review, in line with the Post 16 Audit Code of Practice (ACoP); including how the Committee had performed against its Terms of Reference.

The Vice Principal: Finance and Corporate Services reminded the Committee that the Report would be submitted to the ESFA with the final accounts. It was confirmed that the Audit Committee had met its obligations during the year.

The Audit Committee **APPROVED** the Annual Report of the Audit Committee for 2019/20 for the Chair of the Audit Committee to sign once it had been approved by the Corporation Board.

7. AUDIT PERFORMANCE INDICATORS (2019/20 UPDATE AND PROPOSED FOR 2020/21)

The Vice Principal: Finance and Corporate Services presented an update on the Audit Performance Indicators for 2019/20 which assisted the Committee in assessing risk. This would be the penultimate report against 2019/20 performance.

The Report format had been amended to reflect Committee members' previous request that key information be presented over two pages and that it should be RAG-rated. The Vice Principal: Finance and Corporate Services provided an explanation on the two which had been flagged as 'amber':

The reduction in debtor balance reflected the lower income levels but the College would be looking to improve its processes in order to achieve a further reduction.

The Committee noted the position in respect of the Barclays loan covenant and that this would be met. However, the increase in the LGPS pension fund deficit would impact on the balance sheet figure and thus on one of the agreed Santander loan covenants. It was noted that this was the case across the sector and that Santander was working on a national response which would be fed to the College's auditors. The worse-case scenario would be that the loan would crystallise into short-term liabilities but as this was a result of Covid-19 and was thus a national situation, it was unlikely that this would happen. Ms Knowles (BDO) would keep in touch with the College as things progressed and would look to provide any further information.

The Vice Principal: Finance and Corporate Services stated that the above would not affect the financial stability of the College, it being an accounting exercise.

The Principal and Chief Executive questioned whether the performance indicators should be reviewed to take account of the impact of Covid-19. It was confirmed that a Covid-19 risk checklist was in place.

The Audit Committee noted the performance against the approved Performance Indicators for 2019/20 and **AGREED** that the performance indicators for 2020/21 should remain unchanged.

8. INTERNAL AUDIT REPORTS:

(i) ANNUAL INTERNAL AUDIT REPORT AND OPINION – YEAR ENDED 31 JULY 2020

Ms Randall (RSM) presented the Annual Internal Audit Report and Opinion – Year Ended 31 July 2020.

The Report had been based upon and limited to the work performed, on the overall adequacy and effectiveness of the College's risk management, control and governance processes. The annual Internal Audit opinion given was *'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has indicated further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective'*.

Ms Randall talked through the content of the Report and advised the Committee that the College had made good progress in implementing the agreed actions. Two of the nineteen actions were ongoing, progress having been affected by the current Covid-19 pandemic. It had therefore been agreed that these would be reviewed in 2020/21.

The Chair asked if the College had received the same level of opinion in the previous year. This was confirmed. The Committee was informed that the College requested audits be undertaken in areas where there was room for improvement or to validate that improvements were being made. The internal audit work on progress observations and study programmes were examples.

The Audit Committee **AGREED** to recommend the Annual Internal Audit Report – Year Ended 31 July 2020 to the Corporation Board for approval.

(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. The change in timing of the audit of Human Resources: Performance Management was noted and **APPROVED** by the Committee.

It was **AGREED** that the Committee would consider Part II Item 20: External Audit Service – Performance Indicators 2019/20 as a member of the Committee had to leave the meeting.

20. EXTERNAL AUDIT SERVICE PERFORMANCE INDICATORS 2019/20

The Vice Principal: Finance and Corporate Services explained the rationale for the performance indicators being unchanged, it being noted that these were very similar to those across the sector. The Audit Committee **APPROVED** the External Audit Service Performance Indicators 2019/20.

17:30pm – Louise Mattinson left the meeting.

As the meeting was now inquorate, the items which followed were taken for information and would be brought back to the next meeting.

9. POST 16 AUDIT CODE OF PRACTICE 2019/20

The Vice Principal: Finance and Corporate Services reported on the impact of the updated Post 16 Audit Code of Practice (July 2020), highlighting the changes from the previous version. Management comments against key relevant changes were contained in the Report and were considered by the Committee. It was noted that there was limited impact on the College processes arising from the changes.

The Committee considered the anti-fraud checklist for post-16 providers and the management responses to these. The College did not currently periodically evaluate the effectiveness of anti-fraud measures in reducing fraud (No 9), there having been very few instances of fraud. It was noted that this would be considered for the future. A similar response was noted for No 10. The Chair supported the College approach in relation to Nos. 9 and 10.

10. AUDIT COMMITTEE TERMS OF REFERENCE – REVIEW FOR 2020/21

The Committee considered the proposed changes to its Terms of Reference to ensure that the wording reflected that in the Code of Practice and to remove duplication, noting that these did not materially change the Terms of Reference themselves.

It was noted that the Board would be asked to approve the changes to the Audit Committee's Terms of Reference at its meeting in October 2020.

11. 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, no Internal Audit assignments had taken place, the first being due in October 2020. The Report also included recommendations carried forward from last year's audits and the follow-up audits, the reports from the April audits having been included for the first time.

The Committee considered the detail of each recommendation, the agreed management action and the update to date as included in the Appendix.

A member of the Committee asked whether more training was required to assist those staff who felt uncomfortable in undertaking return to work interviews. The Vice Principal: Finance and Corporate Services replied that the Head of HR had issued guidance and that this emphasised the College supportive approach. The Committee member welcomed the nature of approach being taken by the College.

The Audit Committee acknowledged the update provided.

12. RISK MANAGEMENT ANNUAL REPORT 2019/20

The Committee received the Risk Management Annual Report for 2019/20, which summarised the College's activities in respect of Risk Management, along with the overall operational environment.

The Vice Principal: Finance and Corporate Services explained that the College's Risk Register covered the high level risks facing the College with a mitigating response, controls, assurance and direction of travel and was presented to both the Audit Committee and the Corporation Board.

The Vice Principal: Finance and Corporate Services continued that the College's Internal Auditors used the Risk Register to formulate their plans for areas that should be subject to

Internal Audit, whilst the External Auditor reviewed the Risk Register as part of the year end Audit.

The Key Risks that had been identified during the 2019/20 academic year included reduction in Government funding; failure to meet income targets; failure to meet enrolment targets; and failure to deliver Quality Improvement and achieve successful outcomes at Ofsted and Quality Assurance Reviews with partners. Additional risks included as key risks had been identified as failure to make cost savings and streamline processes and the potential merger with St Mary's College, Blackburn. The impact of Covid-19 wrapped around all of the above and had therefore not been identified as a separate risk.

The Risk Management Annual Report for 2019/20 would be presented to the Corporation Board for approval at its meeting on 16 October 2020.

13. RISK MANAGEMENT – RISK REGISTER

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. Since the report had been prepared, FE enrolments were now ahead of target, though the College was mindful of the impact of student withdrawals over the next weeks. HE enrolments were currently below target. Enrolment would continue until October half-term though numbers were expected to be low.

A new risk had been added last year due to the Structure and Prospects Appraisal that was being undertaken to determine the future of St Mary's College. The risk had increased as the likelihood of the 'merger' progressing increased. The Principal and Chief Executive commented that the College's redline was that we would not transfer any liability onto our balance sheet and that there would be a challenge to the College were the ESFA to 'appoint' another provider in the merger.

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

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

The Vice Principal: Finance and Corporate Services presented the Report.

The Report confirmed that the College did not "subcontract out" and was not intending to do so during the 2020/21 academic year. If the position changed, approval would be sought from Policy and Resources Committee.

The Committee was updated on the "subcontract in" arrangements with both Accrington and Rossendale College and MIT Skills Ltd., including an explanation on the student numbers involved following a question from the Chair. It noted that the College would see out the existing contracts but, following the roll out of the Digital Apprenticeship Service (DAS), would not need to "subcontract in" for Apprenticeship starts in the 202/21 academic year and beyond.

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

Members were thanked for their attendance and contribution at the meeting.

The Chair thanked the College for the work involved in prepared the reports. The Principal and Chief Executive also wished to record his thanks to the Vice Principal: Finance and Corporate Services for her work in this regard.

19. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 17 November 2020 at 5.00pm.

Signed:

Date: