

MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 21 SEPTEMBER 2021
IN THE HARRISON CENTRE BOARD ROOM (HC012) AND VIA MICROSOFT TEAMS

PRESENT:

Chris Johnson	Chair
Paul Fleming	Member
Taiyab Sufi	Member
John Whittaker	Member

IN ATTENDANCE:

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Sharjeel Salahuddin	Observer
Helen Knowles	Audit Director, BDO – External Auditor
Matthew Mills	Assistant 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 Taiyab Sufi to his first Audit Committee meeting and Sharjeel Salahuddin as an observer. Introductions were made by those present.

It was agreed that Items 2 to 5 would be taken first.

2. APOLOGIES FOR ABSENCE

Apologies were received from Brooklyn Spiers.

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 8 JUNE 2021

The minutes of the Audit Committee held on Tuesday 8 June 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.

¹ Teams meeting as Covid-19

There were no other matters arising.

1. PRESENTATION OF RISK-THEMED TOPIC – RECRUITMENT AND CAPITAL PROJECTS

The Vice Principal: Finance and Corporate Services provided an update on the current recruitment and capital projects, as relevant to the Committee.

Information on the enrolments to date for 16-18, adults, Apprentices and Higher Education was provided, together with the ways in which recruitment was monitored in the College, the impact on income and on how the College would look to minimise any shortfall.

The Committee noted that the extension and refurbishment of the Sixth Form Centre was now complete and that Governors would be invited to the opening. Positive comments had been received from both staff and students.

Detailed information was provided on the current discussions with the DfE on the refurbishment of the Victoria Building, noting that the information relating to the DfE calculations used to arrive at the final project figure and proposed College contribution were confidential and not for discussion outside the meeting. A discussion took place on the benefit to the College of having additional space to meet any expansion in provision and on having a building which would be fit for purpose for a number of years. In answer to a question from an attendee, the College confirmed that it was difficult to work out the exact return on such an investment.

The College was asked about the recruitment strategy and whether this was continually adapted. The Vice Principal: Finance and Corporate Services provided information on the curriculum strategy, how often it is reviewed and on issues which are considered as part of the process – employer needs, entry to employment outcomes, retention issues, etc. The Business Planning Cycle was also explained, together with the regular monitoring undertaken at recruitment meetings. The Committee was also informed that the admissions policy and process were being reviewed to ensure that they were fit for purpose. The Principal and Chief Executive also explained that he was Chair of Blackburn with Darwen Employment and Skills Board and that through this forum, he was looking at how to work with key stakeholders to deliver the government priorities.

6. REGULARITY AUDIT 2021 – SELF-ASSESSMENT QUESTIONNAIRE

The Vice Principal: Finance and Corporate Services explained the purpose of the Regularity Audit and 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 of the key requirements and the type of evidence that should be considered. Annex B, which covered Covid-specific items, had been added for this year.

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

It was confirmed by the Audit Director that the responses would be tested as part of BDO's work on the accounts.

On consideration of the Report, the Audit Committee **RECOMMENDED** the Regularity Audit 2021 – 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, noting the end of January 2022 timeline for submission.

7. AUDIT PERFORMANCE INDICATORS 2020/21 – FINAL, PLUS PROPOSED INDICATORS FOR 2021/22

The Vice Principal: Finance and Corporate Services presented the 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. In relation to the information on debtors, an explanation was provided to the Committee on the impact of the higher education debt. It was noted that all Audit Performance Indicators were 'green'.

In answer to queries from members of the Committee, the Vice Principal: Finance and Corporate Services confirmed that a dedicated finance member of staff dealt with debtors and an explanation was also provided on how students were informed of the debt and the debt collection processes. The impact on recruitment as a result of Covid was also covered.

The Audit Committee noted the performance against the approved Performance Indicators for 2020/21 and **AGREED** that the Performance Indicators for 2021/22 would remain unchanged.

8. INTERNAL AUDIT REPORTS:

(i) ANNUAL INTERNAL AUDIT REPORT AND OPINION – YEAR ENDED 31 JULY 2021

Andrew Mawdsley (RSM) presented the Report which provided an annual internal audit opinion 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'*.

Mr Mawdsley talked through the content of the Report and advised the Committee that the College had made good progress in implementing the agreed actions. Twenty of the 22 management actions which had been followed up had been fully implemented/superseded; the other 2 (medium) actions were ongoing at the time of review. It was noted that these would be reviewed in 2021/22. A summary of Internal Audit work completed during 2020/21 was contained at Appendix B and noted by the Committee.

RSM was asked how the College had performed against others in the sector. It was noted and **AGREED** that the RSM Benchmarking Report, which had been considered at the last meeting, would be circulated to those attending². A member of the Committee also asked if there was a relationship between the number of actions agreed and the assurance grading. Whilst there was not a specific formula, it was confirmed that there would be some correlation. RSM also confirmed that it did not have any concerns regarding the audits given a 'reasonable assurance' grading and that there was no significant impact in relation to the actions agreed.

The Audit Committee **AGREED** to recommend the Annual Internal Audit Report – Year Ended 31 July 2021 to the Corporation Board for approval.

9. ANNUAL REPORT OF THE AUDIT COMMITTEE 2020/21

The Annual Report of the Audit Committee for 2020/21 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.

² Action complete

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 noted the correction to be made to the start date of a member of the Committee and, with this correction, **APPROVED** the Annual Report of the Audit Committee for 2020/21 for the Chair of the Audit Committee to sign once it had been approved by the Corporation Board.

10. RISK MANAGEMENT ANNUAL REPORT 2020/21

The Committee received the Risk Management Annual Report for 2020/21, 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 2020/21 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. An additional risk included 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 2020/21 would be presented to the Corporation Board for approval at its meeting on 15 October 2021.

11. 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 Committee was informed that there were no new risks or significant shifts in ratings.

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.

In answer to a question from a Committee member, the Principal and Chief Executive provided an update on the current senior management structure in place to ensure improvements in quality were made.

The Committee considered the possible impact on staff recruitment to particular subject areas. Whilst it was noted that staff vacancies had increased over the last year, the College had not found it more difficult to recruit to particular areas than previously and that this was the position across the sector. A member of the Committee questioned whether this issue should be included in the risk register more than was currently the case; this was noted by the Vice Principal: Finance and Corporate Services.

12. SUBCONTRACTING PROVISION – REVIEW OF 2020/21 PROVISION AND RATIONALE FOR 2021/22 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 2021/22 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. 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 2021/22 academic year and beyond.

The Committee received an explanation on how contracts were arrived at, how subcontractors were found and on the Education and Skills Funding Agency’s (ESFA) expectations and requirements in relation to subcontracting provision.

13. 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, none of the Internal Audit assignments had been completed, the first due in the week commencing 30 September 2021. Information on the 9 actions which were ongoing or outstanding was contained in the report.

The Audit Committee acknowledged the update provided.

14. NOTIFICATION OF EUROPEAN SOCIAL FUND (ESF) ARTICLE 125 AUDIT

The Report advised the Committee that the College had been selected for a further audit of two student files. The Committee would be updated on the outcome of the audit when received.

15. AUDIT SCHEDULE 2021/22

The Audit Committee received, for information, details of the Internal and External Audit Schedule for the 2021/22 academic year.

16. DATA RETURNS MONITORING REPORT 2020/21 and 2021/22

The Audit Committee received a Report, for information, that confirmed the College was compliant with regard to Data/Funding returns for the academic years 2020/21 and 2021/22.

17. ANY OTHER BUSINESS

In answer to a question from an attendee, the Vice Principal: Finance and Corporate Services provided information on the measures in place relating to cyber security.

The College would also look into how it could provide assurance to the Committee on the safe operation of its HR systems.

Action: Vice Principal: Finance and Corporate Services

There were no other items discussed under Any Other Business.

18. REVIEW OF MEETING

The Chair thanked everyone for their attendance and contribution.

19. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 23 November 2021 at 5.00pm.

Signed:

Date: