

Minutes of a Meeting of the Audit Committee

Venue: TEAMS

Date: Wednesday 23 June 2021

Time: 4.00pm – 5.10pm

Present: Sheila Alexander (Chair)
Jackie Watson
Susan Wear

In Attendance: Lindsey Whiterod (Chief Executive Officer)
Neil Longstaff (Director of Governance)
Jane Cuthbertson (Chief Finance Officer)
Craig Scott (Director of IT)
Robert Barnett (RSM)
David Hoose (Mazars)

ITEM NO.	ISSUES	ACTION
1.	<p>Meeting with Auditors in Absence of Management</p> <p>Mazars stated that they had no areas of concern to raise with governors with regard to management. It was reported that there had been some teething problems relating to the completion of the 2020 statutory accounts but a formal catch-up meeting with JC had been planned to ensure there was no repeat in 2021.</p> <p>RSM stated that there were no areas of concern to report and the staff had been very supportive with their audits. RSM were now focussing on the 2021/22 plan.</p> <p>Changes to the Audit Code of Practice and potential impact on the FE sector were noted.</p> <p>LW, CS and JC joined the meeting.</p>	
2.	<p>Apologies for Absence</p> <p>The Committee approved apologies for absence received from Mark Overton and George Clark after having first considered the reasons for their absence. Apologies received from Jim Dafter (Mazars) and Philip Church (RSM) were also noted.</p>	
3.	<p>Declarations of Interest</p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the agenda.</p>	
4.	<p>Minutes</p> <p>The minutes of the Audit Committee meeting held on 3 March 2021 were approved and to be signed by the Chair.</p> <p>Matters arising not covered on the agenda</p>	

	<p><u>4.1 Risk Management Policy</u> It was confirmed that the Risk Management Policy had been approved by the Board.</p> <p><u>4.2 Annual Report and Financial Statements for the Year-ended 31 July 2020</u> Responding to a question from a governor DH explained that the post mortem on the audit and a meeting with JC took the form of the 2021/22 planning meeting. It was noted that there had been a change in Audit Manager at Mazars and dates had now been agreed to ensure all areas were covered to enable the statutory accounts to be produced in a timely fashion. JC confirmed that this had been addressed.</p> <p><u>4.3 Membership of the Audit Committee</u> In response to a question NL confirmed that the Membership of the Audit Committee had been raised at the recent meeting of the Governance and Search Committee and it had been reported that Andrew Watts had offered to become a member and Chair of the Committee should he receive a further one year extension to his term of office. Also, with Mark Overton returning to the Board this brought the Audit Committee back to full strength although further volunteers were to be sought at the next Board meeting.</p> <p><u>4.4 Risk Appetite</u> Q. Any progress made on whether the College's risk appetite should be declared? JC stated that the auditor's views on this matter had not yet been sought but confirmed that she would speak to Mr P Church at RSM to obtain his views for next year.</p>	JC
5.	<p>Data Protection Policy</p> <p>The purpose of the paper was to seek approval for minor amendments to the Data Protection Policy following its planned 3 year review.</p> <p>The Data Protection Policy had been updated to reflect changes to legislation, lessons learned as the result of incidents that had occurred and changes to the organisational structure.</p> <p>CS gave a summary of amendments made in the June 2021 review; these being:</p> <ul style="list-style-type: none"> • References to "learners" changed to "students". • Changes to job titles. • References to associated forms updated. <p>Q. Students instead of learners? This had been discussed at SEG and it was felt that the terminology should revert back to students to bring in line with the 'Office for Students'. Other policies would follow suit when being updated.</p> <p>Q. Reference to governors? Elements were in the data register but not the policy itself.</p> <p>Resolved: That the Committee agree to recommend the updated policy to the Board for approval.</p>	CSc
6.	<p>With the agreement of governors the Chair changed the order of business as follows:</p> <p>Approval of Financial Statements Audit Plan and Strategy 2020-21</p> <p>DH presented Mazars Audit Strategy Memorandum for the College for the year ending 31 July 2021.</p> <p>The purpose of this document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and provide governors with the</p>	

	<p>details of the audit team. As it was a fundamental requirement that an auditor was, and was seen to be, independent of its clients, section 7 of this document also summarised Mazars considerations and conclusions on their independence as auditors.</p> <p>DH explained that Mazars considered two-way communication with the College to be key to a successful audit and important in:</p> <ul style="list-style-type: none"> • Reaching a mutual understanding of the scope of the audit and the responsibilities of both parties; • Sharing information to assist both parties to fulfil their respective responsibilities; • Providing the College with constructive observations arising from the audit process; and • Ensuring that Mazars, as external auditors, gain an understanding of the College’s attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the College which might affect the audit, including the likelihood of those risks materialising and how they were monitored and managed. <p>Therefore this document was the basis for a discussion around the audit approach, any questions, concerns or input the College might have on Mazars approach or role as auditor.</p> <p>Governors attention was drawn to the impact of changes in the Post-16 Audit Code of Practice 2020 to 2021 (ACOP) on the audit approach particularly the audit testing to agree a College’s entitlement to ESFA funding grants back to Individualised Learner Records (“ILRs”). All auditors in the FE sector were now faced with the challenge as to how this could be achieved within their audit methodology. It was noted that as soon as auditors had received clarification on this from the ESFA/colleagues further discussions would be undertaken on the auditors approach and the impact on audit fees.</p> <p>Q. If awaiting information, how would this be taken forward? Through SEG and auditors. It was also noted that there was an internal audit planned next year on funding rule compliance focusing on AEB and apprenticeships.</p> <p>To give some reassurance to the Committee, the CEO reminded governors that the College had received two full audits prior and after the merger in 2017 therefore staff would understand the requirements and the College was likely to be a lower risk for auditors.</p> <p>Governors noted that ‘Going Concern’ was a standard risk in all audit reports and not specific to the College.</p> <p>DH reported that there was now an expectation that external auditors would present their audit findings to the Board of the Corporation. NL informed governors that this had been raised in SEG and he was proposing to have auditors to join a Board meeting remotely to present the paper. Auditors were comfortable with this approach.</p> <p>Resolved: That the Committee receives and agrees the report.</p>	
7.	<p>Internal Audit Reports</p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>7.1 Internal Audit Progress Report</u> Governors were reminded that the Audit Committee had approved the Internal Audit</p>	

Plan for 2020/21 at its meeting on 6 October 2020.

This report was to provide a summary update on progress against that plan and it was stated that to date 63% had been completed. Three reports had been finalised since the last Audit Committee meeting, which were detailed below.

7.2 Marine School: Budget Setting and Monitoring

RSM's testing sought to confirm that the Marine School had an appropriate framework in place to ensure that there was adequate scrutiny over the setting of budgets and that monitoring of actual performance was sufficient to identify and review variations on a timely basis.

One medium and two low priority management actions had been raised.

Taking account of the issues identified, the Committee was informed that it could take substantial assurance that the controls upon which the organisation relied to manage the identified risk were suitably designed, consistently applied and operated effectively. Governors felt that this was a good report.

7.3 Additional Subcontracting Review

RSM's testing sought to review the College's subcontracting process with the intention of ensuring that an appropriate control framework was in place that ensured effective communication between partners during the commencement of arrangements and throughout. This was an additional review at the request of the Finance and Resources Committee following an investigation into the arrangements with a subcontractor.

Three medium and three low priority management actions had been raised.

Taking account of the issues identified, the Committee was informed that it could take reasonable assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective.

Q. Is the CFO comfortable with the actions and would this generate a significant amount of work? Full discussions take place but documentation was lacking, which had been acknowledged. It was noted that there was a new Assistant Principal responsible for quality and she had agreed the recommendations and would ensure they would be addressed by tightening the controls in place.

7.4 Apprenticeship Funding Compliance

It was explained that the College was responsible for ensuring compliance with the Funding Rules that formed part of the terms and conditions of the funding agreement between the Education and Skills Funding Agency (ESFA) and the College. This review had been undertaken in accordance with the ESFA's assurance methodology which was designed to ensure providers managed the key risks relating to the ESFA's funding and that public funds had been used appropriately and for the purposes for which they were intended.

Eleven actions had been raised but as this was a compliance report the actions were not categorised. RB drew governors' attention to the five actions that could have resulted in a financial clawback. However, it was noted that the College fared better than most of the reports being presented to other Colleges.

NL informed the Committee that a governor had been in contact to raise his concern that so many of the samples were found to be inaccurate and could have led to a cost in terms of paying back monies. This view was supported by governors.

	<p>Q. Would the ESFA have generated a larger investigation if they had found a similar picture? Yes, the likelihood was that the ESFA would have delved deeper.</p> <p>The CEO commented that the College was open with sharing the information and this report was not a good outcome. It was stressed that staff were examining this report in detail and that there was a different team responsible for this area of work although it was accepted that apprenticeships was a complicated area.</p> <p>A governor felt that she was comfortable with the actions that had been identified.</p> <p>Q. Negotiating prices? The CEO explained that the guidance from the ESFA stated that organisations were not meant to take the fee rate but were expected to negotiate with the student and analyse their previous experience/knowledge and after taking this into account offer a reduced fee. A governor felt that the challenge was around gathering evidence but was concerned about the lack of flexibility for learners wanting to re-engage.</p> <p>The Chair stated that it was concerning that apprenticeships had been at the top of the risk register for some time but a number of issues remained. Some reassurance was provided by the CEO reporting that there was a new team in place and an action plan to implement.</p> <p>Q. Report back on impact? The CEO stated that this would be picked up when audited again but felt that this was a long term aim and was confident it would be improved.</p> <p>Resolved: That the reports are received and accepted.</p> <p>DH left the meeting.</p>	
<p>8.</p>	<p>Internal Audit Strategy 2021-24 and Plan 2021-22</p> <p>This strategic plan and annual internal audit plan set out the scope of the planned work to be undertaken by internal audit for 2021-22 within a wider 3 year strategy.</p> <p>This plan was developed based on consideration of the College’s strategic objectives, risk profile and assurance framework as well as other factors affecting the College in the year ahead including changes within the sector and challenges around Covid-19. It was stated that auditors would work closely with management to deliver an internal audit programme which remained flexible and agile to ensure it met the College’s needs in the current circumstances.</p> <p>The key points to note from the plan were:</p> <ul style="list-style-type: none"> • 2021/2022 internal audit priorities • Level of resource • Core assurance with the following key matters being considered: <ul style="list-style-type: none"> - The Post-16 Audit Code of Practice - The FE White paper - The College’s Risk Register <p>Potential internal audits were identified and prioritised for 2021-22 based on areas viewed as of greatest benefit. The reviews planned for 2021-22 were detailed in the report.</p> <p>Governors were asked to consider the following:</p> <ol style="list-style-type: none"> i) Did the plan reflect the key risks as recognised by Audit Committee; ii) Did the plan give sufficient assurances to deliver on the Committee’s terms of 	

	<p>reference and governor responsibilities, and iii) Were the areas of priority correct in terms of the risk profile of the College across the three year plan.</p> <p>The CEO and CFO were comfortable with the risks identified within this plan, which had been considered and supported by the Senior Executive Group. This was endorsed by governors.</p> <p>Responding to a question the CEO confirmed that the College was responding to the Office for Student (OfS) requirements.</p> <p>Resolved: That the Internal Audit Plan 2021-22 and Strategy 2021-24 is recommended to the Board for approval.</p>	JC
9.	<p>Audit Recommendation Tracker</p> <p>The Director of Governance presented the tracker for governors' consideration.</p> <p>The document identified any recommendations which were deemed a high or medium risk, which were either overdue for implementation or could be removed if completion had taken place. All personnel who were shown on the list with outstanding issues had been asked to advise if there had been any further progress and the tracker had been updated accordingly.</p> <p>It was noted that three actions remained outstanding with two having dates for completion pushed back to December 2021 owing to a staffing issue.</p> <p>A verbal update was provided on the College HE Fees action. It was noted that a paper was to be presented to the Finance Committee for recommendation to the Board and once approved, this would complete the action on the audit tracker.</p> <p>Resolved: That the report is received and accepted.</p>	
10.	<p>Annual update on risk assessment in relation to fraud and bribery</p> <p>Confidential item</p>	
11.	<p>Any Other Business</p> <p>None.</p>	
12.	<p>Date and Time of Next Meeting</p> <p>tbc</p>	
13.	<p>Identification of Confidential Items</p> <p>Resolved: That Item 10 (Annual update on risk assessment in relation to fraud and bribery) is to remain confidential.</p>	

Signed:

Date.....