

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Tuesday 22nd June 2021 at 8.00 a.m.**

Present: Mr Karl Banister, Mrs Sarah Ediss, Mrs Susan Martineau. Mr Hugh Stafford-Smith

Apologies: N/A

In attendance: Mr Dominic Blythe (RSM), Mr Ian Dumbleton, Ms Patricia King (for item 6b, min 5ii below), Mr Dan Lodge, Mr Chris Rising (MHA MacIntyre Hudson), Ms Nicola Whitehead

In the Chair: Mr Hugh Stafford-Smith

1. Declaration of interests

There were no declarations of interests.

2. Minutes of the meeting held on 2nd March 2021 were approved.

3. Matters arising

Nov 20 (Cfwd): Item 6a – RSM confirmed that **Data analytics** software would be used in the external audit to identify any anomalies (for example on income) – not to reduce the work involved but to help target effective follow-up.

The Clerk confirmed that the annual summer review of the **Register of interests** would issue shortly - thanks to the preparatory work of the new administrative assistant. These would include a reminder to ensure records elsewhere (e.g. at Companies House) were up-to-date and consistent with governors' declarations.

March 21:

Item 4b: The Chair reported an outstanding action on **thanks to staff** for the additional work on the **ESFA Audit** which could however be put right in person later in the meeting.

Item 4c: Cfwd: Audit Cttee Annual report ref EQR (NCW)

4. External Audit 2020/21 : College Preparations

Papers: Audit Plan for the year ended 31st July 2021

i) **Audit Plan**

RSM outlined the key points from their **Audit plan**. At a high level the requirements were unchanged but there was a fairly significant **change on income recognition** and some changes in RSM company practice. For example, RSM would be **reporting in more detail on material uncertainties** with regard to '**going concern**' though this was still relatively straightforward given the College's financial health. Members noted too the **expectations of governors with regard to challenges on 'going concern'** and the areas to consider in demonstrating the discharge of responsibilities (see p.5 emerging issues report).

Members noted that the key area to look at was **risks, to include pension liabilities**. The change in ESFA approach on income recognition would require a separate look at the income assurance. The late issue of the Post 16 Audit Code of Practice (ACoP) at end March had meant a flurry of activity in understanding its full impact but RSM's knowledge of both the sector and the College stood them in good stead. An **ESFA guidance paper was anticipated** to help Colleges manage their **ILR data**.

In response to questions, RSM proposed that it would **not** be efficient for them to place **reliance on the number of ILR audits undertaken over the year** given that would require

checking of the work. That said, the results were noted and the College's DSAT reports would be used with more experienced members of the team interpreting the results of tests of detail.

Members noted that RSM had provided an **updated, but as yet not final**, proposed fee of **£25,000** plus VAT with the Chair requesting that further discussion of this be pursued 'offline'. (See paragraph 9 below.)

ii) **Emerging issues document**

This report was welcomed for highlighting current proposals with regard to education including the recent **FE Skills for Jobs White Paper** which principally addressed **skills but also funding and accountability**. RSM acknowledged the **concern and uncertainty in the sector regarding the extent of its application to SFCs** (and academies) by comparison with GFEs and any potential funding clawback were there insufficient direction from employers. Calls for **more extensive governance reporting** were reflected in the latest ACoP and associated Accounts Direction (as reflected in the proposed changes to the terms of reference – see min. 9 below). Members noted that the College's own **strategic conversation with the ESFA and FE Commissioner's office** – a new annual initiative to be undertaken across the sector - had taken place on 15th June. The Clerk reported on the new requirement for **the external audit findings to be reported in person – i.e. by RSM for Collyer's – to all governors**. Whilst a possible transition position existed, allowing the Chair of the Governing Body to join the Audit Committee meeting, this was not clear and the current proposal therefore was that **RSM would join the December Governing Body meeting remotely for that item**.

iii) **Self-Assessment Regularity Questionnaire (SARQ)**

Members noted that the SARQ had **yet to be completed** although a further **supplementary bulletin regarding Covid was not expected until July** with additional requirements. The Clerk commented on the wealth of information and change which staff were trying to digest and put into practice.

iv) **Code of Governance**

Members agreed the recommendation to continue to report against the UK FRC code for the 20/21 accounts, whilst exploring early in the 21/22 academic year adoption of the (soon to be finalised revision of the) AoC Code for the 21/22 accounts or the alternative Charities Code.

Recommendation: That the Governing Body approve reporting against the UK FRC Code of Governance for the 20/21 accounts.

5. **Internal Audit reports 2020-21**

Papers: Risk management and Student Data Management (the ILR) reports

i) **Risk management report**

Mr Rising explained that the **risk management report** contained **two 'low' category recommendations** with an overall **rating for assurance of 'substantial'**. Of the two 'low' category recommendations, one related to **linking risks to strategic objectives**. The Principal explained that this had been lost when adding more detail on **cause and effect** and had now been reinstated. The second recommendation concerned **feedback and training** on the latter approach which the Principal confirmed would be taken forward at the November meeting of the Risk Management Group. An **additional advisory** was for the **College to consider further types of risk** beyond the current consideration of financial and reputational impacts.

In response to questions on MHA's **risk survey of staff** as part of the review, members noted that this had extended beyond the usual lead staff on risk to all upper managers and that any concerns raised originated from newer staff. As such *further training would also*

extend to upper managers in the next academic year and consideration be given to whether a future re-run of the questionnaire might be valuable. **(Action: Principal and MHA).**

[Ms King joined the meeting]

ii) In regard to **the ILR audit**, the Information Services Manager (ISM) was congratulated for the clean bill of health received. The few exceptions found by the audit team had been easily explained and evidenced to show there were no errors and strong controls in place. The ISM thought the report demonstrated the strength of the whole registry team and their commitment to continuous improvement. The Chair thanked her for her leadership and for the significant assurance provided in the report.

[Ms King left the meeting]

6. Risk Management Annual Report

Papers: Reopening Risk assessment, Roadmap, College-wide top risks 21/22; Potential External Strategic Level Risks 21/22, Fraud report

The Principal introduced the multi-faceted report to include:

i) The latest **Covid Risk Assessment** and a new **Roadmap document** that detailed anticipated relaxations of college rules in due course, though delayed by the Government's latest announcement on relaxation. *Following discussion of the monitoring of the Covid risk assessment, it was agreed that a preamble would explain the College's approach as a more practical solution than tracking checks and balances individually.* **(Action: Principal).** The Principal explained that the emphasis now was on planning for any surge testing required and screening at the start of the academic year with *an update to be provided to governors in the autumn term* **(Action: Principal).** The Chair commented on the potential forward action plan required in the event of a further pandemic which suggested a fairly high level approach to be widely applicable.

ii) The **results of this year's Covid-focussed student and parent surveys as additional assurance** on how the College had managed the challenges of the pandemic. These surveys had replaced the usual student and parent surveys which did not seem appropriate in the circumstances and risked compromising their use as YoY benchmarks. Members considered the results to be encouraging given the circumstances. Whilst there was a slight mismatch between the student and parents' views, they were **largely positive with a higher parental response rate than usual**. Members noted **some concerns** around **parental communications and consistency** across subjects **in the transition to remote learning**, as well as the follow-up consultation underway. Decisions had yet to be made concerning the usual 'You said .., we did...' **feedback** given it was hoped this would be an exceptional year in terms of the issues raised. Further discussion of the survey results was due at the Q&C Committee.

iii) Turning to the **Risk Management and Assurance Policy**, the Chair welcomed the *clear inclusion of a statement on risk appetite and proposed further review in a year given that this was relatively innovative in the College sector though common practice in business.* **(Action: Principal)** MHA saw benefits in the identification of the general principles rather than too mechanistic an approach. Noting the discussion of risk with the FE Commissioner's office concerning international students, members reaffirmed their confidence in the College's diversification taking account of the risks of both entering and not entering this market given the central funding constraints.

iv) The new proposed **College Wide Risk Register** which had been drawn up following refresher training for managers and initial feedback from the internal audit of risk management conducted in May. This allowed a crisper risk description with more detail on cause and effect which helped with mapping of the mitigation actions and the identification of any additional action required. Clarification followed on the residual risks being reflective of

the existing mitigating factors but before the impact of any additional actions identified as being helpful. As such members accepted the high residual risks in a number of instances in the register, noting too that these were focussed on more specific areas where fresh ideas were being considered and not indicative of a broader area of college activity. Nevertheless, they hoped to see these reduce as actions were implemented. They sought assurance too on how the College identified new risks, assisted by strong college networks and representative bodies. The co-optee proposed that *more detail could be included on the precise nature of governance assurance.* **(Action: Principal and RMG)** Furthermore, *F1 regarding employers' superannuation might benefit from greater explanation of the financial impact of non-funding.* **(Action: Finance Director)**

v) The Principal explained the change in format of the **External Strategic Risk Register** and relatively small changes in content, for example to reflect the extended review of BTECs. One new risk concerned the potential for intervention or a risk to funding if the College were not participating effectively in an employer-led Local Skills Improvement Plan (LSIP) but the lack of clarity as to the expectations of SFCs by comparison with GFES. Asked whether the Everyone's Invited publicity should also be included, the Principal explained that this had been considered by RMG but rejected given the broad nature of the review and the positive outcome of the recent Ofsted visit.

vi) Turning to the **Fraud Report**, the Principal explained that he had updated the cross referencing to the government guidance and that, most importantly there were no concerns to report. He welcomed feedback on the value of the report which members agreed was useful for both the Committee and the external auditors, recognising too the emphasis placed on this by the FE Commissioner's Office the previous year. The Chair proposed that the *Autumn RMG consider the approach taken to-date and whether any changes were needed before reporting back to the Audit Committee.* **(Action: Principal and RMG).**

Recommendation: That the Governing Body approve

- i) the Risk Management and Assurance Policy,**
- ii) the Risk Management Report including the College wide risks and potential external risks for 2021/22.**

7. Internal audit needs assessment, strategic and annual plan

Paper: Internal Audit Strategy 2019-2024

The Finance Director explained that MHA had usefully proposed a longer-term audit strategy including a clear **plan for 2021/22 and a retrospective as well as forward look.** The areas proposed were:

- An **IT health check** to include cybersecurity and business continuity. This was seen as **of paramount importance** with extensive resource proposed given the **high level of risk being seen across all sectors.** This would be a **specialist audit;**
- **Student Applications and Recruitment;**
- A **choice** had yet to be made **between governance and key financial controls** although the other would be covered the following year. Members agreed that should be dealt with **first given the DfE's interest** in external self-assessment with MHA commenting that there might be *useful prior discussion of its scope to meet the DfE's expectations.* **(Action: MHA, FD and Clerk).**

Members recognised that business continuity and lesson observation processes appeared to be covered by other MHA audits but asked *whether EDI might be due for scrutiny in, say, 2023/24.* **(Action: Principal to confer with VP (Pastoral)).** Members sought assurance too that the **audit plan addressed any issues arising out of the latest risk register** with the Principal commenting that many of these would also be covered in SAR/QIP assessments. The FD added that **the number of days** to be dedicated to the audits was also in excess of

the College's usual programme though compensated for by the reduced number of audits in 2020/21 owing to the pandemic.

The Clerk reminded members that there were also **alternative additional forms of assurance (similar to an EQR) being proposed e.g. on careers and progression**. If possible this would be undertaken by the Gatsby Foundation given their expertise in this area. This was seen as timely given the recent restructuring and new strategy in this area.

Recommendation: That the Governing Body approve the Internal Audit Strategy 2019-2024 at their next meeting (subject to further annual review) and in particular the MHA Audit plan for 2021/22 as well as the supplementary audit of Careers and Progression).

[Mr Blythe and Mr Rising left the meeting].

8. Review of the performance of the internal audit services provider

Paper: Internal audit performance indicators

The Principal and FD reported on the much more settled year with MHA with more effective communications and responsiveness following some teething issues with a new member of staff the previous year. This had been addressed and questioning was deemed to be challenging but appropriate. Following savings for the College on internal audit the previous year owing to the reduced programme, the small increase in MHA fees proposed for 2021/22 seemed acceptable.

The Principal commented further on the research into an alternative provider for assurance on strategic planning. The AoC had provided some steers though several had declined the offer. However, a former Principal at the fellow Mercer Sixth Form College looked promising. The Clerk commented also on the pointers provided by the Chair's contact e.g. in drawing up a clear spec for the work. *Members requested that the spec (to include the scope, proposed fees and any ongoing Covid issues) be circulated to members for comment and endorsement with, if necessary, an ad hoc meeting, prior to any engagement. (Action: Principal)*. The Principal commented that, ideally, he would like to invite the chosen consultant to attend the College Planning Day in the autumn term when the College's mission and values would be examined. He envisaged this as the first step of an iterative process as the College progressed towards the next Strategic plan.

9. AoB:

Members returned to the issue of fees for the external auditor. The College and Committee were satisfied with RSM's service and knowledge (e.g. as imparted through the helpful 'emerging issues' document). Benchmarking the previous year suggested the fees were still relatively favourable but there had been steep rises across the sector with reduced competition from a few large companies. The proposed increase in relation to income recognition did appear disproportionate (requiring, it was thought, a maximum of 2-3 days extra). The Committee proposed the *College gain greater transparency on the breakdown of the proposed fees with a clearer explanation of activity, role, rates and the number of days involved (and recognition of materiality). (Action: Finance Director)*

Members also proposed that consideration be given to *how the Committee could gain assurance in the areas identified on 'Going concern' and new requirements of the Accounts Direction (pages 5 and 14 of the 'emerging issues' document). (Action: Clerk and Finance Director)*

Acknowledging that *a retender for the external auditor for the 2021/22 accounts appeared to be necessary whilst the current contract with MHA ran until Summer 2022, members asked that an agenda item be included at the next meeting. (Action: Clerk and Finance Director)*

10. Committee annual assessment of its performance

Papers: Audit Committee SAQU

Members confirmed that they had been happy with the papers received and consent items.

There had been healthy challenge with regard to the auditors at both this and previous meetings with improvements in reporting being seen. Value for money concerns suggested the attendance of auditors for the full meeting should be kept under review (**Action: Clerk and Finance Director**).

Members were content with the revised ToRs reflecting the latest ACoP and invited to submit any further comments to the Clerk by e-mail or via the annual self-assessment questionnaire.

11. Date of the next meeting: Tuesday 17th November 2020 at 08:00 (provisional)

The meeting ended at 9.58 a.m.

Chair.....

Date.....

NCW 5/7/20