

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Wednesday 17th November 2021 at 16.00**

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

Apologies: N/A

In attendance: Mr Dominic Blythe (RSM), Mr Stephen Carville, Mr Ian Dumbleton, Mr Dan Lodge (Principal), Mr Chris Rising (MHA MacIntyre Hudson), Ms Nicola Whitehead (Clerk)

In the Chair: Mr Hugh Stafford-Smith

The Chair welcomed Mr Valente to his first meeting of the Audit Committee as well as Mr Carville in view of his work on a Strategic planning review .

1. Declaration of interests

There were no declarations of interests.

2. Minutes of the meeting held on 22nd June 2021 were approved.

3. Matters arising

Item 5: The Principal reported that the risk management training with the Upper Managers' Group had gone well following the positive response to the **MHA risk survey** as part of the 20/21 audit review. He thought that a follow-up survey might be useful in the not-too-distant future. *(Action: MHA to share risk survey)*

Item 7: The Clerk reported that the **guidance on external governance reviews** would not be finalised until Spring 2022 but she had had sight of the latest draft. This suggested reporting would take account of the Code against which the College reported with a focus on behaviours and culture. Clarification was being sought as to the ability of the College's internal audit service to provide such a review so long as a suitably qualified auditor were used (given the forthcoming MHA review of governance). If not, colleges were being encouraged to complete such an external review by 22/23. *(Action: Clerk to share draft and discuss with MHA)*

The Principal confirmed that, following discussion with the VP (Pastoral), EDI was considered a potentially useful topic for future review (subject to the usual latest risk and broader assessment of where assurance was most needed at the time and discussion of the scope of the review).

Item 6i, 6iv and 6vi – covered by agenda item 6/ minute 5 below

Item 8 Strat planning spec – agenda item 5iii / minute 4b below

Item 9: RSM fees/ Going concern – agenda item 7/ minute 6

Retendering – agenda item 10/ minute 9 below

4. **Internal Audit/ Board assurance:**

Paper: Annual report: Internal Audit Service 2020-21; Strategic planning proposal and brief

a) **Internal audit service**

Mr Rising reported that, in the Head of Audit's opinion, based on the work undertaken over the year, the College could have confidence in the adequacy and effective management of the College's control and governance processes. Both audit reviews – of risk management and the ILR - had given substantial assurance with minimal or no recommendations respectively. Whilst not directly covered, there were no issues identified in terms of risk or governance. All recommendations from the 2020/21 reports had been completed (as had all from previous years). There were no issues or areas of significant weakness in controls which would need to be covered in the annual governance statement. He thanked the College for their support in the audits especially when in lockdown and looked forward to a return to a full programme in 2021-22. In response to questions, Mr Rising confirmed that the standard language of adequate assurance was the maximum ever provided. **(Action: MHA to make minor amendment to the final report.)**

b) **Strategic planning board assurance**

The Principal reminded members of the discussion and agreement to-date with regard to the appointment of a suitable reviewer with education experience to advise on the **College's strategic planning processes**. After much research, Mr Carville – a former SFC Principal of a fellow Mercer institution, Ofsted lead inspector and EQR reviewer and steering group member was proposed.

Mr Carville outlined the draft brief for the review which sought to reflect a comprehensive overview of the strategic planning process and take account of the Principal's discussions with the Committee Chair.

In response, members expressed confidence in the proposed adviser whilst raising questions about:

- the tight programme for delivery hoping there would be time for reflection and a forward as well as retrospective look. Mr Carville expressed confidence in the timetable whilst acknowledging that a focus on implementation and the impact of action taken would also be needed;
- the inclusion of environmental sustainability reflecting the College's Strategic aim 4 and the level of stakeholder interest;
- the absence of an HR strategy given the value placed on staff, the level of financial resource dedicated to them and the staff issues raised in the College risk assessment;

*Subject to further reflection on these points in preparation for the **Strategic planning review**, members confirmed their agreement to the proposals. (Action: Principal and Mr Carville)*

5. **Risk Management update**

Paper: Minutes of the Risk Management meeting 18th October 2021; Potential External Strategic Level Risks and Risk Assessment and Controls College Wide 21-22 updates; Covid risk assessment; Payroll controls enhancement

a) **College-wide and potential external risks**

The Chair introduced discussions explaining that the Risk Management Group (RMG) had recently met (attended by two members of the Committee) to review the external strategic risk register and College Wide risks with each member of staff also updating their underlying

risk management plans. He reflected on the College's refinement and more dynamic application of risk management processes in recent years e.g. in terms of identifying, scoring and actively managing risk.

Questions covered:

P1: Assurance descriptor on **tracking behaviour** issues by type;

C5: The potential for a reduction in the gross score rather than just residual score since the **BTEC review** outcomes now looked less sweeping;

F1: Again some potential reduction in gross risk given **superannuation** would be funded for the foreseeable future (but not the National Insurance rise);

H2: Whether the loss of a number of key support staff was an issue rather than a risk but, that aside, members recognised the ongoing mitigations e.g. in terms of increasing notice periods and proposed that market pressure on recruitment could be usefully added to 'cause';

Cybersecurity: the timing of the proposed review and need for constant alert.

The Principal thanked members for their comments, acknowledging the need to ensure *consistent review of all aspects/columns in the regular updates and not just the actions and scores.* (**Action: Principal and RMG**)

In response to a suggestion from the external auditor concerning the *potential value of a risk dashboard*, the Clerk explained that the recent internal audit had touched on similar potential refinements. (**Action: MHA and Clerk to provide examples**)

b) **Covid risk assessment**

The Principal explained that the Covid risks and mitigating actions had not changed significantly from the last update. The number of student cases in Collyer's 16-19 cohort had risen but relatively modestly compared with the school (5-16) age group. Some additional College measures such as a restriction on gatherings of 50 or more were expected to remain in place until at least the New Year. The number of staff cases was also low.

c) **Payroll controls**

The Clerk explained the background to the proposed changes and the delegation to the Audit Committee following Governing Body discussion in the summer. The Chair of the F&GP Committee and members of the Remuneration Committee had also been consulted on the enhancements.

Members thought the draft largely had the intended impact but could be made clearer, particularly to remove any implication that the Chair needed to authorise each monthly payroll for senior staff. *Members agreed delegation to the Deputy Chair to refine the document with the final version to be circulated to all members.* (**Action: Committee Deputy Chair and Clerk**)

6. **Financial Statements Audit**

Papers: Letters of engagement; draft Audit Findings Report (AFR), letters of representation, Regularity and Covid SAQs; Report and Financial Statements (RFS) year ended 31st July 2021;

a) **Audit Findings Report**

Mr Blythe explained that RSM expected to issue a clean report. The process – once more carried out remotely prior to a change in RSM company policy – had been challenging,

especially in view of the additional coverage required, but was now near to successful completion.

Looking at the risks at the planning stage, Mr Blythe explained:

- **Management override:** Data analytics had been used better to inform the scrutiny of journals;
- **Income recognition:** The reduction in ESFA input had necessitated a significant amount of additional work given the high proportion of ESFA funding. One relatively minor issue had been identified but, it was hoped, usefully so in this first year of the new approach;
- **Pensions:** The College was deemed to have made reasonable assumptions;
- **Going concern:** Whilst in a relatively strong position, the College's biggest challenge was its capital project plans. There was headroom but it would be important to ensure the funding was in place before a commitment was made to the expenditure. Also, the challenges presented by the increases in NI and superannuation applied across the sector where not centrally funded.

In response, members commented as follows:

- Requesting a refinement to the management response on ESFA income to be clear the recommendation was agreed (**Action: Finance Director**);
- Seeking clarity on the refinement of the College's procurement policy with RSM confirming that progress had been made;
- Clarifying the difference between triviality levels (below £12,400) and materiality (higher but not purely numerical);
- That the new RSM traffic light system was welcome in principle but rather unsophisticated and therefore potentially misleading;
- The 'Emerging issues' document was once again hugely helpful. The Deputy Chair noted in particular: the ESFA's move towards working with colleges in a more collaborative way; the new Subcontracting standard were the College ever to embark on such an approach; and the changes to the AoC Code of Good Governance to include environmental sustainability and further emphasis on working in local partnership.

The Principal reminded members of Collyer's participation in the recent joint Sussex coastal college bid. The Finance Director updated members on the VAT relief uncertainty, explaining that HMRC did not seem to have fully adopted the decision in the Colchester case. However, given the risk to Collyer's as it embarked on a capital project, RSM had been asked to put in an application to HMRC for clarity.

In concluding discussion, members endorsed the Audit Findings Report, revised letters of engagement and the two Regularity SAQs. (**Action: Committee Chair to e-sign the revised letters of engagement**)

c) Report and Financial Statements

Members noted the Clerk's summary of discussion by the F&GP Committee the previous day particularly with regard to the statement on 'going concern' and the scope for greater clarity on the College's Reserves Policy. The proposed amendments would be circulated to members prior to Governing Body approval to ensure the co-optees were kept in the loop.

Recommendation: that the Governing Body approve the Audit Findings Report (including Letters of Representation), Regularity and Covid SAQs and Report and Financial Statements subject to the amendments identified by the F&GP Committee.

7. Audit Committee Annual Report to the Governing Body

Paper: Audit Committee Annual Report to the Governing Body 2020-21

The Clerk noted that a small number of amendments would be necessary to reflect the discussion that day - to include the updates on the outstanding actions from the previous year's AFR. *Members agreed that it would also be helpful to include areas in the 'Going forward' section beyond the internal audit assurance proposed e.g. the monitoring of the effectiveness of the project management processes for the proposed capital build and committee succession planning.*

(Action: Clerk to circulate revised draft to Committee members prior to submission to the Governing Body).

Recommendation: That the Governing Body approve at its next meeting the Audit Committee Annual Report subject to the amendments identified.

8. Code of governance review

The Clerk apologised for the absence of a written paper advising on adoption of the *AoC Code of Governance* owing to pressure of work. She referred members to RSM's 'Emerging issues' report for a sector update on the status of the Code. It was disappointing that the AoC's major review of the Code had been postponed, meaning that signing up to it for the 2021-22 accounts would be in advance of potentially significant changes reflecting the Skills and Post-16 Education Bill. However, her previous inclination to move towards adoption of the AoC Code still stood and was to some extent strengthened by the external review proposals emerging from the DfE in draft form. *However a fuller appraisal would be submitted to the Spring meeting. (Action: Clerk)*

[Mr Blythe and Mr Rising left the meeting]

9. Retendering audit services

The Finance Director reported on the college's long association with RSM (in various incarnations). Whilst costs had been increasing markedly in recent years, this was common across the sector and the service remained of a high quality. That said, the new requirement to tender every five years for the external auditor had merit in seeking to secure vfm in the use of public money and to encourage competition in a small market.

Members discussed the best approach to testing the market taking into account of the experience with selection of the internal auditor and soundings of proposed practice in response to the latest requirement. There was some difference of view as to whether the process should include a face-to-face element. ***(Action: Finance Director and Clerk to circulate tender proposal with assistance from the RMG member/ co-optee to allow a decision to be made in the Spring term)***

Members noted too that the *internal audit provider's current contract* ended in Summer 22. In view of the more pressing tender for the external audit provider, members could see an argument for an extension. Given that time was short, it was proposed that the *recommendation be circulated with the external audit tender proposal. (Action: Finance Director and Clerk)*

10. **Any other business:** None

11. **Meeting assessment**

Members were content with the thorough reporting and time for discussion.

12. **Date of the next meeting: Wednesday 16th March 2022 at 08.00.** *(NB currently scheduled to be on Zoom which might need reconsideration if the meeting were to be used, at least in part, for a face-to-face tender appraisal.)*

The meeting ended at 18.10

Chair.....

Date.....

NCW 23/11/21