

**Minutes of the Meeting of the Audit Committee
held remotely on Monday 14 June 2021**

Present: - Mike Rookes (Chair)
Graham Briscoe (Co-opted Member)
Joe Hedges

In attendance: - Tim Williams (Finance Director)
Jane Simons (College Accountant)
Linda Watkins (Clerk to the Governors)
Abigail Appleton (Principal)
Jennette Arnold OBE (Governor)
Judy Balderson (Observer)
Karen Gentles (RSM)
Jon Marchant (Mazars)
Carol Davey (Mazars)

The meeting was quorate as three members of the Audit Committee were present. The Chair welcomed Jennette Arnold and Judy Balderson to the meeting as observers who would be joining the Committee next year.

1. Apologies for Absence

Apologies were received from Kay Sandford-Beal.

2. Declarations of Interest

There were no declarations.

3. Minutes of the Last Meeting

The Committee agreed that the Chair should sign the minutes of the meeting held on 29 March 2021 as a true record.

Matters arising from the Minutes

- I. RSM confirmed that the difference between timetabled and delivered hours on the ILR for students was between 0.5 and 4 hours with no significant impact on students. The report presented at the last meeting had subsequently been amended which had stated that there were 65 hours difference.
- II. RSM confirmed that the recommendation relating to maintaining minutes for the estates team would be reviewed as part of the next follow up audit.
- III. An example risk register showing principal risks had been sent to Finance Director.

The Committee agreed: -

- To approve the minutes

4. RSM Internal Auditor's Reports

Karen Gentles presented the following reports.

- I. The progress report outlined progress against the audit plan including client briefings which were presented for information. The latest Audit Code of Practice has removed ESFA's assurance of colleges' funding claims which had been allocated to the Financial Statements Auditors. This was also identified in Mazars audit strategy which would have cost implications.
- II. Higher Education Framework was given reasonable assurance, which is a positive opinion, with three medium recommendations. These include the requirement to produce an annual equality and diversity report, two Governors who had not completed eligibility and declaration forms and that there was no annual timetable for statutory returns to OfS.
- III. The follow up audit was an interim draft report with further work scheduled in August to review progress of recommendations. Progress was limited which reflected the sector and impact of workload and pressures created by the pandemic, particularly managed by a small team. The follow up audit from the previous year had been deferred which had increased actions. Limited progress was likely to reduce the assurance opinion in RSM's annual report; however, Governors understood the position and reasons.
- IV. Internal Auditor's Strategy 2021/22-2023/24 was outlined, particularly the audit plan for next year proposing auditing data protection, safeguarding framework (sexual harassment and misconduct), IT (cyber security controls), Key financial controls (general ledger, cash and banking), HR (training and development, appraisals and performance management) and a follow up audit. Governors were asked if there were other areas to address with a comment that staff wellbeing and cyber security are key areas. The third line of assurance was stated as the independent review and assurance from the internal audit reports asking what the other lines of assurance would be. These are obtained from management assurance and risk management controls. Following discussion about risk management and the option to introduce a risk assurance framework to provide additional checks and balances. A Governor expressed concern about wellbeing and the additional workload for management to introduce this. Governors require assurance that robust controls being embedded to ensure that the College is compliant to applicable regulation. It was agreed to use existing processes to provide assurance to the Board where possible.

The Committee agreed: -

- To note the Internal Auditor's reports and useful sector updates
- To recommend the Board approve the Internal Auditor's Strategy 2021/22-2023/24

5. **Mazars Audit Strategy Memorandum to 31 July 2021**

Mazars presented the strategy outlining the approach to the audit, significant audit risks and areas of key judgements. This would include the impact of COVID-19 and how the organisation responded to operate remotely.

A substantial risk resulting from the revised ACOP includes removal of ESFA's assurance of funding claimed made by colleges. ESFA previously provided this to the financial statements' auditors based on colleges' ILR returns which were relied on to confirm that funding income was accurate. The ACOP requires the financial statements' auditors to provide assurance of colleges' income. It is anticipated that c80 ILR student records will need to be sampled which will increase the amount of work for the auditors and college staff. An option could be to rely on work completed by the internal audit service subject to agreement by ESFA. There is significant uncertainty regarding the impact of the ACOP in the sector. As a result Mazars are unable to confirm their audit fee to incorporate the additional work which will also add pressure to the timeframe to complete the audit. Mazars had attended a meeting with the ESFA who confirmed it is anticipated that an addendum will be issued to the ACOP regarding the ILR and requirements.

There was discussion about the auditing standard regarding college's being assessed as a going concern. The Board of Governors is responsible for the assessment of the College's ability to continue as a going concern, particularly to challenge management. Mazars will obtain sufficient appropriate audit evidence to form an opinion whether there is any material uncertainty related to going concern and to consider the appropriateness of Governors' use of the going concern basis of accounting in the preparation of the financial statements.

The pension scheme is the biggest assumption which will be calculated using valuations from actuaries.

The Committee agreed: -

- To recommend that the Board approve Mazars Audit Strategy Memorandum to 31 July 2021

6. **Risk Management Register and Report**

The risk register was noted with changes outlined by the Finance Director.

Post-18 funding review had been increased pending the outcome of the review and potential changes to HE.

HE student retention is good with extended term dates introduced this year to compensate for the effects of lockdown. HE Learner support will be available to some students to fund an additional month's rent. Completion of Station Approach accommodation has been delayed to August 2021 but will accommodate students from September 2021.

The score for the relationship with Herefordshire Council had decreased reflecting positive working relationship and collaboration.

The risk of cyber security had increased. Several actions are being introduced to mitigate this including multifactor authentication with a report to the next F&GP Committee. RSM will audit cyber security next year.

HE applications had not increased this year which will have an impact on income.

Staff morale and wellbeing are being measured using a staff survey. It was noted that staff are completing the survey at the end of an extremely busy year with added pressures of teacher assessed grades and summer shows. There is an option to undertake two surveys during the year to consistently measure wellbeing.

The format of the risk register will be reviewed with discussion and input from some Governors. SLT have prepared a draft operational risk register. There was a suggestion to add health and safety, safeguarding and reputation as principal strategic risks. **ACTION FINANCE DIRECTOR**

The Committee agreed: -

- To note the risk register

7. Recommendation Tracking

SLT had discussed progress of recommendations agreeing completed recommendations for removal. Dates have been revised for some recommendations. GDPR consultants and an IT Manager will be appointed before the next Audit Committee which will progress several actions.

The Finance Director acknowledged that systemic operational issues need to be addressed explaining that progress was limited due to significant pressures on SLT during a challenging year managing the effects of the pandemic. The Principal thanked the Committee for their understanding.

The Committee agreed: -

- To note the tracker and progress agreeing to remove recommendations which have been implemented, namely, 20, 21, 32, 33, 36, 39 and 40

8. Counter Fraud Assessment

The Clerk and Finance Director had completed the assessment providing evidence of measures to prevent fraud. Questions and comments were invited from Governors with a comment that it is crucial to have robust procedures to prevent fraud.

The Committee agreed: -

- To note the annual counter fraud risk assessment which showed robust measures to prevent fraud

- The Clerk would include a summary of the counter fraud risk assessment in the Audit Committee's Annual Report **ACTION: CLERK TO THE GOVERNORS**

9. **Annual items for Committee**

Jennette Arnold outlined her background which included over twenty years serving on Audit Committees with an interest in assurance, compliance and risk. She had served in Local Government and has been a member of London Met Police Authority and Greater London Authority.

The Committee agreed: -

- To appoint Jennette Arnold as Chair of the Committee for 2021/22
- The Committee self assessed its performance concluding that it was effective and adequately met the requirements of its terms of reference.
The Search and Governance Committee would be requested to discuss training requirements for the Audit Committee to ensure skills and knowledge are up to date; this could be delivered to the Board or at the start of Audit Committee meetings. **ACTION: CLERK TO THE GOVERNORS**
- The Clerk will review the terms of reference against the new ACOP
ACTION: CLERK TO THE GOVERNORS

10. **Any Other Business**

Appreciation was recorded to Graham Briscoe who had served as a Co-opted Member of the Committee for ten years being an invaluable source of assurance and information. The Principal also thanked him for his constructive contribution outside of the meeting sharing information. Graham Briscoe responded that he enjoyed contributing to the Committee and was sorry his term had ended.

The Clerk reminded Governors that this was the last meeting Mike Rookes would Chair, but he had agreed to stay on the Committee for the remainder of the year as a Co-opted Governor. It was agreed that Mike Rookes had chaired meetings effectively with appreciation recorded.

11. **Date and Time of the Next Meeting**

The next meeting was arranged for Monday 29 November 2021 commencing at 2.00pm.