

**Minutes of the Meeting of the Audit Committee
held remotely on Monday 8 June 2020**

Present: - Mr Mike Rookes (Chair)
Mr Graham Briscoe (Co-opted Member)
Mr Jo Hedges
Ms Emma Lewis (Co-opted Member)
Mrs Kay Sandford-Beal

In attendance: - Mr Tim Williams (Finance Director)
Miss Jane Simons (College Accountant)
Mrs Linda Watkins (Clerk to the Governors)
Ms Abigail Appleton (Principal)
Ms Laura Goodwin (RSM)
Ms Carol Davey (Mazars)
Mr Jon Marchant (Mazars)

The meeting was held remotely due to the COVID-19 pandemic. The meeting was quorate as five members of the Audit Committee were present.

1. Apologies for Absence

There were no apologies.

2. Declarations of Interest

None declared.

3. I. Minutes of the Last Meeting

Governors agreed the Chair should sign the minutes of the meeting held on 14 May 2020 as a true and accurate record.

Matters arising were noted with confirmation from the Auditors that the template for future internal audit reports would be changed to include management responses.

The Committee agreed: -

- To approve the minutes

4. RSM Internal Auditor's Reports

RSM presented the reports.

- I. The progress report against the audit plan 2019/20 had been marginally disrupted following the COVID-19 pandemic. Following changes to Government guidance and lockdown restrictions RSM would discuss options to visit College where necessary to complete audits as opposed to completing these remotely. Client briefings including potential for fraud, particularly in view of COVID-19. A Governor commented that health and wellbeing of staff should be recognised outside of physical activities resulting from the pandemic.
- II. The strategic planning audit was given substantial assurance with one medium recommendation for the future to consult with local employers to enable them to contribute towards the College's strategy. In discussion it was noted that Herefordshire Council had been involved in the process and intelligence for digital futures had

been gauged with the LEP which formed part of the strategy. Management had accepted that employer engagement needed be formalised both locally and nationally. Discussion progressed to the impact of COVID-19 on the strategy which was likely to evolve and could incorporate retraining opportunities in future.

- III. The Internal Auditor's strategy 2020/21-2022/23 had been prepared which would be kept under review in response to COVID-19. Any challenges as a consequence of COVID-19 would be tested in audits. The Principal suggested CMA as an area to be audited in the future. The allocation of days had been removed from the template which would focus on value and assurance of audit work.

The Committee agreed: -

- To note the Internal Auditor's reports and sector updates
- To recommend that the Board approve the Internal Auditor's strategy 2020/21-2022/23

5 **Mazars Audit Strategy Memorandum to 31 July 2020**

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.

One of the significant risks in the sector as a result of COVID-19 will be the reporting of colleges as going concerns. It is likely to have a potential impact on colleges both next year and the following year. The audit regulator has requested auditors to scrutinise going concern of clients thoroughly this year. This will be reflected in the report.

Potential judgements will include LGPS and potential liability. There is a requirement from the Office for Students (OfS) to show expenditure in the financial statements this year. A Governor asked about HE quality assurance and the impact from COVID-19. The Principal responded that some deadlines for completion of students' work have been deferred following discussion with the validating university. There are partnership review and quality assurance processes, including an online end of year show. FE awarding bodies are publicizing guidelines and working with providers to ensure that there is robust quality assurance.

Audit fees are in line with the previous year with an inflationary increase. There are increasing pressures in industry driven by the audit reform agenda and increased regulation.

The Committee agreed: -

- To recommend that the Board approve Mazars Audit Strategy Memorandum to 31 July 2020

6. **Risk Management Register and Report**

The risk register had been presented to the Board last week. The risk to the delay in completion of student accommodation at Station Approach had increased following the lockdown which had prevented contractors from working on site. The Principal confirmed that contractors have returned to work on site and that there is discussion between Engie and CityHeart regarding payment to fund double shifts for the contractors. Acceleration of the project will be required to complete accommodation to date which is being managed by the Finance Director at Herefordshire Council. Alternative temporary student accommodation is being explored in the event that completion of accommodation at Station Approach is delayed. It was noted that this creates some instability on

recruitment and the student experience which SLT are working to mitigate.

HE recruitment was comparable with firm acceptances received last year. The sector is reporting that c15-20% of students may defer places this year. This creates some uncertainty as HE income is unprotected. Student Loans Company have confirmed that the first two instalments of student loans will be paid to institutions in November 2020 to increase cashflow.

FE applications are buoyant with good numbers of acceptances. There was a possibility that the shortfall in apprenticeships could increase FE student numbers. Social distancing for teaching will need to be planned for September which will need to accommodate additional students.

Payroll costs exceed the target as a percentage of income. Forecasts and the revised budget to ESFA had impacted negatively on finances. The Board are discussing remedial action to create cost savings.

Discussion progressed to the impact of COVID-19. There was a suggestion to reflect this throughout the risk register as opposed to on the separate COVID-19 risk register.

FE skills and training will be crucial to the economy following the impact of COVID-19. In addition, this could create financial pressures causing students to decide to study locally as opposed to moving out of county. SLT are reviewing industry appropriate delivery of training. The volatility of HE recruitment in 2020/21 was acknowledged.

Level 6 students have been given an option to extend the timescale for completion of degree courses with later examination boards arranged. A celebration of students' work across the College will be launched online. In addition, an online talent hub is being launched for graduates to upload their profiles. Level 6 students are preparing for an online show.

The Committee agreed: -

- To note the risk register

7. Recommendation Tracking

The tracker had been updated with new items added in response to recent audits. SLT will review the tracker and remove completed recommendations.

It was anticipated that the significant IT recommendations would be finalised using external consultants; this practice would follow in some other areas. The follow up audit will track progress of recommendations and report to the Committee. In future the SLT administrator will support the Finance Director by project managing the audit tracker. Several policies would be drafted by a member of staff who has some spare capacity to ensure that these remain meaningful. Governors supported actions being taken.

The Committee agreed: -

- To note the recommendation tracker and actions taken to ensure completion of significant recommendations

8. Counter Fraud Policy and ESFA self assessment questions to counter fraud

The Committee agreed: -

- To carry forward this item to the next meeting
ACTION: FINANCE DIRECTOR/CLERK TO THE GOVERNORS

9. **Annual Items for Committee**

The Committee agreed: -

- To appoint Mike Rookes as Chair of the Committee for 2020/21
- The Committee self assessed its performance concluding that it was effective and adequately met the requirements of its terms of reference.
- No changes were required to the terms of reference; however, there was a suggestion to include oversight of business continuity management in the terms of reference. **ACTION: CLERK TO THE GOVERNORS**

9. **Any Other Business**

There were no items.

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

The next meeting was arranged for Monday 30 November 2020 commencing at 2.00 pm.