## MEETING OF THE AUDIT COMMITTEE

**TIME/DATE 17th June 2021**

**VENUE remote by way of Microsoft teams due to Coronavirus pandemic.**

**PRESENT:**

Paul Christian Co-opted Member

Alison Cannon External Governor

Debbie Calderbank (Chair) External Governor

***John Heritage External Governor***

Andrew Lang External Governor

**IN ATTENDANCE**

Karen Musgrave RSM

Jonathan Creed ICCA

Lorna Lloyd-Williams Governance Director

Rav Garcha CFO

Simon Pierce Principal

**Italics denotes absence MINUTES**

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|  | **The meeting started at 14.01 and was quorate.**  |
|  | **MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS** The Chair welcomed Andrew Lang to the committee and introductions were made. Auditors were given the opportunity to raise any concerns. Internal auditors advised there was nothing to raise, the audit plan was progressing as it should and there were no issues. The process was now more efficient from ICCA’s point of view.ICCA raised the issue of the mock funding audit and explained that changes to the audit Code of Practice (ACOP) means assurance arrangements have changed and the ESFA certificate can no longer be relied upon. Mr Creed advised that the committee needs to be clear who is doing what. RSM advised that the audit proposed by them will be entirely substantive and there will be no controls aspect so it would be different from the mock funding audit.  |
|  |  **APOLOGIES**Apologies were received from John Heritage. |
|  | **DECLARATIONS OF INTEREST**There were no declarations of interest.  |
|  |  **MINUTES OF THE MEETING HELD ON THE 18th March 2021**The minutes of the meeting were approved as a true and correct record of the meeting.  |
|  |  **MATTERS ARISING**The Governance Director advised that risk 25 had decreased because the College had complied with the public equality duty but then had remained at the same level because of another matter. The committee were also advised that Risk 25 had been removed from the corporate risk register.  |
|  | **Curriculum Efficiency and Teaching Staff utilisation**ICCA advised they had been able to give a substantial assurance opinion. Mr Creed advised that the audit was an important piece of work, looking at how the curriculum was constructed and the utilisation of teaching staff in delivering that. Mr Creed took the committee through the audit and explained that it was an overall view of how efficient the College’s teaching model was. He advised that overall staff utilisation was just below 94% which was very good as most colleges would aspire to be over 90%. He advised that there were some areas which were below 90% and the recommendation suggested that these areas should be investigated. He added that there were some good processes and controls in place. Governors commented that it was good feedback and asked the Executive for their thoughts on the low recommendation regarding the three areas highlighted. The CFO advised the College had just completed a review of the curriculum planning which would be going to FR&C as part of the draft budget and the plan was to improve curriculum efficiency even further next year. It was explained that the College is in consultation with the trade unions and affected staff. Governors asked about the 450+ group in that the average hours per student seemed to be at odds. Mr Creed explained that these were learners where the planned activity is 450+ hours but actual activity is something different. The committee discussed the issue of optimisation. **Action: Send report to FR&C (Governance Director)** **Learning Support** Mr Creed advised that ICCA had been able to give a reasonable assurance opinion which was still positive but one step down from substantial. He advised that the College was very good in providing the support but some of the record keeping needed to be improved. The committee were informed that there had been a couple of issues with the local authorities regarding agreeing contract levels and the key point for the College was to ensure that it knows which learners should be receiving funding. Governors commented that it was an insightful report and asked the CFO whether the College could go backwards and correct some of the issues. The CFO advised that the College would be both going back and correcting and looking forward. Mr Creed advised that on balance he believed that it was most important to go about correcting the systems going forward. Governors asked about possible consequences and were advised that local authorities tend to be concerned with the quality of the support. However, the committee were also advised that going forward that there may be audits because currently there were pilot programmes for such audits taking place. The CFO added this area was chosen because of the concern around Learning Support. The approach of internal audit was discussed and it was commented that it was a healthy approach to look at high risk areas.**Action: Send report to Q&O (Governance Director)** **Internal Audit Progress report** Mr Creed informed the committee that there was nothing to suggest that ICCA would in any way need to limit or modify their internal audit opinion. It was noted that the Learning Support report was finalised after this report. Regarding changing the current internal audit plan and removing the funding audit because of the changes to the ACOP, Mr Creed explained that ESFA are now saying their certificate can no longer give assurance. Governors were informed that this responsibility has now been passed to auditors and Governors and it was suggested that ICCA should not undertake the mock funding audit and instead Governors rely on the report from RSM regarding assurance in respect of the Colleges funding claim. Mr Creed advised that he had no objection to this. Further to this, the CFO advised the MIS department were involved in several audits and explained that it would be problematic in terms of timing to have a mock funding audit. It was therefore recommended by the CFO that the College rely on the work from RSM as they have to undertake this audit. RSM added they would expect to undertake assurance around funding and would substantively audit the income from the ESFA but that the audit would not be akin to what the funding body had previously done. RSM advised the committee that the funding experts team within RSM would undertake this work and that RSM would come back to the committee on quantitative issues rather than qualitative i.e., looking at the numbers. Governors questioned when the last time was that the College had a more controls based mock funding audit and whether there had been any issues arising from that. Mr Creed advised that he believed it would have been 18/19. Mr Christian confirmed that this was the case. Mr Creed added that issues had been raised in relation to apprenticeships because of the complexities of these. RSM added that apprenticeships would be deemed to be an area of significant risk so there would be a greater proportion of testing in that area. Governors questioned whether it would therefore be better to have an audit sooner rather than later or whether there were any other sources of assurance regarding apprenticeships. The committee were advised that the ESFA have undertaken a funding audit. Mr Creed added there had been changes in the management of apprenticeships. Mr Creed was asked where his biggest concerns were and replied that in terms of funding it would be apprenticeships but that a lot had changed. The committee then asked the management team to advise how comfortable they were with apprenticeships and the CFO advised that he was comfortable and added that there were outstanding recommendations that were completed and would be looked at by ICCA when they do their follow up. Mr Creed added that they had looked at the Apprenticeship process in 19/20 and had been able to give a substantial assurance opinion. As part of the audit ICCA would have looked at the paperwork but would have not tested compliance which the funding audit would test. The committee agreed the College had to have the financial statements audit and it was asked whether there could be discussion of the output with the internal auditors. RSM advised that what they provide could be enhanced regarding any issues, specifically any quantitative issues would be fed back and if they find systematic issues around apprenticeships and if there was a commonality of theme that would be fed into the report. Governors commented that this sounded comprehensive and it was suggested that if there were problems the internal audit plan for next year could be amended to include a mock funding audit. It was**Resolved** to recommend to the Governing Board the removal of the mock funding audit from this year’s internal audit plan.   |
|  | **INTERNAL AUDIT PLAN 2021`/22**Mr Creed explained the scope of the proposed audits which were noted to be:* OFS mock funding audit-follow up of findings of the current OfS audit which is part of the OfS pilot audits.
* ESFA External Assurance of Sub-Contracting Controls
* 16 -18 Learner Journey: Retention, Internal Progression and Success
* HR and Payroll
* Review of the business planning
* Risk management
* Support Cost Benchmarking

And equated to a total of 37 days at a cost of £17,020.Mr Creed reiterated that the plan could be flexed going forward. Governors asked whether the updated risk register should be cross referenced against the plan. Governors also asked whether there should be an internal audit looking at risk of breaches of legislation. The CFO advised that this risk was now lower too. Governors also asked about GDPR and cyber security and where the College was getting assurance from. Mr Creed advised that there was a review in for 22/23 and the Executive were therefore asked if the College was comfortable with this risk. The CFO advised that a lot of controls had been put in by the Head of IT and advised that a desktop study had been undertaken in relation to cyber security which had resulted in some improvements and further controls. Having considered the proposed plan, it was **Resolved** to recommend the internal audit plan to the Governing Board for approval.  |
| **8** | **. INTERNAL AUDIT RECOMMENDATION TRACKER**The CFO advised there had been two audits and that recommendations needed to be added from the ALS report although one had been completed. He advised the committee there were three overdue recommendations relating to estates. The committee were advised that one recommendation required appointment of a design firm which the College was in the process of doing. The second related to a survey of the estates teams but that firstly there needed to be some service standards in place which the team were in the process of doing. The third was in relation to risk assessments and having one for each area of the college. The committee were informed that overall, 20 of the 24 recommendations had been completed. The committee noted the report.  |
|  | **EXTERNAL PLANNING MEMORANDUM** *for recommendation to the Governing Board*RSM took the committee through the scope, timing and key risks of the draft planning memorandum. The committee were advised that any changes would result in the plan being reissued to Governors. RSM were asked if they placed reliance upon the work of internal auditors and advised they did not but that if there was anything of concern in internal audit this would be borne in mind as to how they did their work. Governors advised they would need substantial warning of any further increase in fees.It was **Resolved** to recommend the external planning memorandum to the Governing Board for agreement. |
|  |  **POST 16 AUDIT CODE OF PRACTICE 2020 TO 2021**Governors had been provided with the emerging issues document and RSM spoke about the changes in the ACOP. It was noted that RSM would need to attend the Governing Board in December. **ACTION GOVERNANCE DIRECTOR:** RSM to be invited to December Board meeting. |
|  | **APPROACH TO FUNDING AUDIT** This was dealt with in agenda item 6 above.  |
|  | **RISK REGISTER****4pm The Principal left the meeting.** The committee considered the revised corporate risk register which had been discussed at the college risk management group and discussed a number of risks that had been removed from the corporate register and were to be managed locally. The committee were informed that nearly all the risks that had been removed were either moderate or low and therefore more suitable to be managed in local risk registers. The CFO explained that only the key strategic risks should be on the corporate risk register. Committee members concurred with the changes and asked about the process for escalating risks from local risk registers. The CFO explained the involvement of the colleges risk management group and how this worked. The CFO was asked what were the risks that were concerning him and advised that generally for the sector what will the impact be of Covid on income. It was **Resolved** to recommend the corporate risk register to the Board for approval***.***  |
|  | **GOVERNANCE*** Review of committee performance and training needs
* Schedule of Business 2021/22
* Review of terms of Reference

The committee considered the committee performance review and graded performance as good. Regarding development areas, Governors agreed it would be useful to have deep dives with managers attending committee for example the Head of IT in relation to IT and cybersecurity.The corporate risk register having been considered at this meeting the Governance Director advised that she would remove that from the schedule of business for the September meeting. The Governance Director advised that she had amended the terms of reference in accordance with the new Audit Code of Practice. It was **Resolved** to agree the schedule of business and recommend the proposed terms of reference to the Governing Board for approval. **16.22 Auditors left the meeting.** |
|  |  **ANY OTHER BUSINESS**Internal auditors’ contract The CFO advised that ICCA were appointed in 15/16 and Mr Creed became Head of Internal Audit Service after that in 17/18. The CFO endorsed ICCA’s service and the committee confirmed they were happy with the service provided by ICCA. It was**Resolved** to recommend to the Governing Board that ICCA’s contract be extended for a year.  |
|  | **ANY MATTERS TO BE REFERRED TO ANOTHER COMMITTEE**There was no other business.  |
|  | **DATE OF NEXT MEETING**Provisionally Thursday 16th September 2pm |
|  | **The meeting closed at 16.29.** |