

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: THURSDAY 20 MAY 2021 AT 1600 VIA MICROSOFT TEAMS

Present	In Attendance
Ann Kendal (Chair)	Graham Gillespie (WB)
Steve Roberts	Stephen Pringle (WB)
Tiffany Lythgow	Mark Day (DCEO)
Azim Kidwai	Zohayb Mohammed (Director of Finance & Procurement)
	Susan Gott (Head of Facilities Management)
	Sarah Cooper (DPS)
	Sarah McKenzie (Clerk)
	Allison McEvoy (Assistant Clerk)

The quorum was two committee members

L/J Denotes the time any individual left/ re-joined the meeting.

Item		Action/ Report Item
Closed Session		
1.	<u>Members to meet with Auditors in the absence of management</u>	
1.1	RSM noted that preparations were underway regarding the audit and that communication was good.	
1.2	Wylie Bisset noted that there had been lots of activity and that the delayed Staff Utilisation audit was complete. It was also noted that the DCEO has indicated the Fraud Response Plan and that Wylie Bisset was engaged to carry out an investigation. The outcome of the investigation will be shared with the Audit Committee when complete.	
Open Session		
2.	<u>Introductions, Apologies for Absence and Disclosure of Interest</u>	
2.1	Apologies were noted for Richard Woods. Ann Kendal agreed to Chair the meeting in his absence.	
2.2	The Chair welcomed the new DCEO to the meeting and introductions took place.	
2.3	There were no disclosures of interest.	
3.	<u>Minutes of the meeting held on 4 March 2021 and Matters Arising</u>	

3.1	RESOLVED: That the Minutes of 4 March 2021 were approved as an accurate record and can be signed by the Chair.	
3.2	The Matters Arising Report was reviewed.	
4	<u>Chair's Actions</u>	
4.1	The Clerk confirmed that there had been no use of Chair's action since the last meeting. <i>J- TL</i>	
Internal Audit		
5.	<u>Internal Audit Reports:</u> <u>Wylie Bisset gave an update on the Internal Audit Reports:</u>	
5.1	<u>Staff Utilisation</u> <ul style="list-style-type: none"> • The Staff utilisation report has an overall conclusion of SUBSTANTIAL assurance. • There are 5 medium graded recommendations to improve control. • There are 4 areas of good practise. • It is recommended that the College compile a report immediately on the progress of its Academic Staff Utilisation, and this report should be presented to the next available meeting Senior Management. • It is also recommended, if appropriate, reporting should also be made to Governance Committees. • It is recommended that the College introduce validation checks to ensure that data being reported by EBS and AWAM's is accurate. • It is recommended that the College produces full policies and procedures that encapsulate all the systems and methodologies used for Staff Utilisation. This should include all the stages and methodologies, documenting guidance and regulatory requirements, check lists, risk analysis and strategies. • It is recommended that Key Performance indicators should be introduced by which performance can be measured. • It is recommended that for 2021/22, College Management ensure that all such cases are reviewed by the Staff Utilisation Group, and action taken to address areas where parity may not be seen to be occurring. 	
5.2	<u>Business plan monitoring</u> <ul style="list-style-type: none"> • The Business plan monitoring has an overall conclusion of STRONG assurance which is the highest level of assurance we provide. • There were 12 areas of good practise. • There were no recommendations to be made. 	

	<ul style="list-style-type: none"> • The College has also addressed the recommendations raised by the FE Commissioner's Report of November 2017. • Overall this is a very positive report with a positive outcome. 	
5.3	<p><u>Estates strategy</u></p> <ul style="list-style-type: none"> • The Estates Strategy has an overall conclusion of STRONG assurance. • There was one area of recommendation which is graded as low. • It is recommended that as part of the ongoing work to develop the Estates Management of the College, the Estates Team produces full policies and procedures that encapsulate all of the systems and processes used for Estates Management. • This should include all the stages and methodologies, documenting guidance and regulatory requirements, the reviews process, production of results and reports. • There are 15 areas of good practise. 	
5.4	<p><u>Key Financial Controls</u></p> <ul style="list-style-type: none"> • The Key Financial Controls has an overall conclusion of STRONG assurance. • There are 17 areas of good practise. • There is one recommendation which is graded as low. • It is recommended that the College Asset Register is reviewed in full, and adjustments are made for assets where inclusion in the Fixed Asset Register can no longer be deemed appropriate. • It was observed that the College breached its financial covenant twice in the last 6 months. However, the College was able obtain waiver letters from Lloyds Bank confirming the bank would take no further action. The College is in discussion with Lloyds Bank to review the conditions of the covenant. 	
5.6	<p>The Director of Finance confirmed that the fixed assets task was underway and that it was a business as usual task for the team to complete at the year end, ahead of the external audit.</p>	
5.7	<p>The Clerk confirmed that the F&GP Committee had discussed the issue of covenant resetting and that a key meeting with between the College and the bank was imminent.</p>	
5.8	<p>The Committee welcomed the reports, thanked the relevant managers for their input to the audits and congratulated them on the positive outcomes.</p>	
5.9	<p>The reports are to be shared with the Corporation for information.</p> <p><i>L- SG & ZM</i></p>	<p>Clerk</p>

<p>6.</p> <p>6.1</p> <p>6.2</p> <p>6.3</p>	<p><u>Internal Audit Recommendations- Follow up</u></p> <p>The DCEO presented the Internal Audit Recommendations follow up report. It was noted that an additional two items relating the Payroll are now complete and that staff are working hard to complete all of the other outstanding actions before the end of year.</p> <p>The DCEO welcomed feedback on the format of the report. It was agreed that exception reporting was to be used going forwards with a full tracker annually.</p> <p>It was also noted that Wylie Bissett will be completing the annual follow up for report to the September meeting.</p>	<p>DCEO</p>
<p>7.</p> <p>7.1</p> <p>7.2</p>	<p><u>Internal audit plan 2021-22</u></p> <p>Wylie Bissett presented the proposed Internal Audit plan. It forms the third year of a three-year contract. Wylie Bissett had met shortly before the meeting to review the proposed plan for 2021-22 that had been developed at the beginning of the contract. It was proposed that an audit of the recently brought inhouse catering and security services takes place. It was also proposed that the Business Continuity & Disaster Recovery audit will cover the management of IT and resilience & succession planning.</p> <p>The external auditor (RSM) commented the plan and suggested that the Estates might be incorporated into the plan again in 2021-22 as this was a special focus of the ESFA. It was agreed that this would be explored further with a proposal to the next meeting as appropriate.</p> <p>RECOMMENDED: That the Internal Audit Plan 2021-22 is recommended to Corporation for approval.</p>	<p>WB/Clerk/DCEO</p>
External Audit		
<p>8.</p> <p>8.1</p>	<p><u>External Audit Strategy and Plan</u></p> <p>RSM presented the proposed external audit strategy and plan. It was explained that the ESFA is no longer providing assurance to external auditors over income recognised in the financial statements from the main funding grants generated through ILR returns. This is a late in the year change and RSM are still in the process of considering how this will affect the level of audit work required and hence are not currently in a position to finalise the fee. The proposed fee excludes amounts in respect of this work. With the fee in respect of this work expected to be in the</p>	

8.2	<p>range of £5,000 - £10,000. RSM will keep the Committee informed of progress in respect of this matter and resulting impact on the audit fee.</p> <p>Q. Will this have a material impact on the audit from the management’s perspective?</p> <p>A. We don’t expect it to be too onerous. We will work together to make it as smooth as possible.</p> <p>RSM gave an overview of the proposed timeline, risk areas and reporting. The audit will give a group opinion to include the College subsidiaries.</p>	RSM
8.3	It was noted that the ESFA has prescribed that for the 2010-21 accounts, the auditor needs to present the audit findings to the whole board.	
8.4	An <i>Emerging Issues</i> document developed by RSM was shared with the Committee for information.	Clerk
8.5	RECOMMENDED: The External Audit Strategy Plan is recommended to Corporation for approval.	
Policies		
9.	<u>Risk Management Policy</u>	
9.1	The DCEO advised that there are were some policies due to be presented to the Committee but that these are deferred until September owing to the need for updating to address inconsistencies.	
9.2	The DCEO advised that there was very little change to the Strategic Risk Policy and that this was the annual update of it.	
9.3	RECOMMENDED: The Risk Management Policy is recommended to the Corporation for approval.	
Strategic Risks and Governance		
10.	<u>Report on Whistleblowing, Fraud and Other Irregularities</u>	
10.1	The DCEO advised that there have been no instances of whistleblowing, but some irregularities had been detected as follows:	
10.2	Education Companies –four entities (all with the same Director) were registered at Companies House using the College’s address. This has been reported to Companies House (for removal) and Action Fraud. There is no evidence of any financial loss and the action taken serves to protect the College’s reputation.	

<p>10.3</p> <p>10.4</p>	<p>Company Credit Card – a single transaction of £79.00 queried with Lloyds Bank is currently being investigated. No further instances and detection demonstrate the effectiveness of the College’s monitoring systems.</p> <p>Insurance Claims There are currently 12 open insurance claims with a total potential settlement value of £237,427. Five Employer Liability claims were settled in March 2021 (totalling £46,686) with two resulting in a settlement fee. The DCEO reported that the total number of settled claims is higher this month as the College has resolved some issues with missing historic information.</p> <p>IT services continues to maintain a high level of vigilance, proactively detecting and addressing suspicious activity, protecting students and the College.</p> <p>The Committee noted the report.</p>	
<p>11.</p> <p>11.1</p> <p>11.2</p> <p>11.3</p>	<p><u>Strategic Risks</u></p> <p>The Committee reviewed Strategic Risk register and were satisfied that the mechanisms in place for identifying and managed risk were fit for purpose.</p> <p>The Committee discussed risk appetite and it was felt that this should be reviewed again soon.</p> <p>The DCEO advised that a reduction in the rating on SR6 was proposed at the last F&GP Committee and will be recommended to Corporation for approval.</p>	<p>DCEO/Clerk</p>
<p>12.</p> <p>12.1</p> <p>12.2</p>	<p><u>Committee Terms of Reference</u></p> <p>The Clerk advised that the current Terms of Reference had been reviewed against the latest guidance, predominately the Post 16 Audit Code of Practice and a number of changes were identified.</p> <p>A checklist showing compliance against the updated Terms of Reference was produced and two actions were identified:</p> <ul style="list-style-type: none"> • To source appropriate and tailored training for Audit Committee members • To develop a policy for the regular retendering of the external and internal audit services which also includes the performance management arrangement of those services. 	<p>Clerk</p> <p>Clerk</p>

12.3	RECOMMENDED: That the updated Audit Committee Terms of Reference are recommended to the Corporation for approval.	
13.	<u>2021-22 Schedule of Business</u>	
13.1	The Committee reviewed the Schedule of business which covered each meeting for the coming academic year.	
13.2	AGREED: That the schedule of business for 2021-22 is agreed.	
Any Other Business		
14.	<u>Any other business</u>	
14.1	The Chair closed the meeting at 17.30.	
15.	<u>Meeting Evaluation</u>	Assistant Clerk
15.1	To be circulated by the Assistant Clerk.	

Approved by the Committee:

J. Williams
Signed by the Chair

28.09.21
Date

Agreed Actions

#	Minute	Action	Who
1	5.9	Internal audit reports are to be shared with the Corporation for information	Clerk
2	6.2	It was agreed that exception reporting was to be used going forwards with a fill tracker annually.	DCEO
3	7.2	The external auditor (RSM) commented the plan and suggested that the Estates might be incorporated into the plan again in 2021-22 as this was a special focus of the ESFA. It was agreed that this would be explored further with a proposal to the next meeting as appropriate.	WB/Clerk/ DCEO
4	8.1	RSM will keep the Committee informed of progress in respect of this matter and resulting impact on the audit fee.	RSM

5	8.4	An <i>Emerging Issues</i> document developed by RSM was shared with the Committee for information.	Clerk
6	11.2	The Committee discussed risk appetite and it was felt that this should be reviewed again soon.	DCEO/Clerk
7	12.2	To source appropriate and tailored training for Audit Committee members	Clerk
8	12.2	To develop a policy for the regular retendering of the external and internal audit services which also includes the performance management arrangement of those services.	Clerk