

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: Wednesday 15 December 2021 at 16.00 via MS TEAMS

Present	In attendance
John Williams (Chair)	Richard Lewis (RSM)
Azim Kidwai	Chris Malish (VPF&CS)
Steve Roberts	Sarah Cooper (DPS)
Apologies	Marc Gillham (VPD&F)
Tiffany Lythgow	Sarah McKenzie (Clerk)
Ann Kendal	Allison McEvoy (Assistant Clerk)
Stephen Pringle (Wylie Bisset)	
Graham Gillespie	

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	A closed session took place between the Audit Committee members and RSM (external audit). RSM gave a summary update in terms of the 2020-21 audit work. There had been a number of changes in personnel which had caused some issues with collating data on time but everything back on track. The ILR element of the audit had been delayed due to the ESFA funding review, which was concluded in late October.	
1.2	The Chair thanked RSM for their perseverance in dealing with the delays and noted that it was a good outcome considering the extra audit work.	
1.3	RSM thanked the teams and the Clerk for their support.	
1.4	Q. Where are we in terms of finding a replacement for the DCEO? A. Further information will be discussed at the Corporation but the Senior Post Holder Appointments Committee are currently working on a revised job description.	
	<i>J-AK</i>	
Open session		
2.	<u>Introductions, Apologies for Absence and Disclosure of Interest</u>	
2.1	The Chair welcomed everyone to the meeting and also welcomed Marc Gillham (VPD&F) to his first meeting.	
2.2	Apologies were noted for Tiffany Lythgow, Ann Kendal, Stephen Pringle,	

	Graham Gillespie.	
2.3	John Williams- disclosed an interest in relation to his position on the Askham Bryan College Board, the Committee noted the disclosure but could not foresee any conflicts of interest.	
3.	<u>Chair's action</u>	
3.1	There had been no use of Chair's actions since the last meeting.	
4.	<u>Minutes of the meeting held on 16 September 2021</u>	
4.1	RESOLVED: That the Minutes of 16 September 2021 were approved as an accurate record and can be signed by the Chair.	
5.	<u>Matters arising</u>	
5.1	The Matters Arising Report was reviewed.	
5.2	The VPF&CS provided a verbal update on the Critical Incident Internal Audit. The Audit had looked at Business Continuity from an I.T perspective. It was reported that there were no issues around the Critical Incident Plan itself but a number of high recommendations on the implementation of the plan. Including a gap in the documentation. The final report will be presented at the next Audit Committee.	
5.3	The Clerk is working with Procurement to develop the Invitation to Tender for the Internal Audit Contract, which will go out at the end of January 2022.	
5.4	It was noted that the Business Case to attempt clawback on the AEB shortfall had not been successful.	
5.5	The election of an Audit Committee Vice Chair will be deferred to the next meeting when it is hoped that all members will be present.	Clerk
External Audit		
6.	<u>Annual Report and Financial Statements/ Letters of Representation</u>	
6.1	Richard Lewis of RSM gave members a tour of Financial Statements. Members were advised that there will be some changes to the Draft Annual Report and Financial Statements as issued with the meeting papers, although not material, the changes related to strengthening of the commentary and the updated version will be made available to the Corporation meeting on 16 December. Key items highlighted by RSM were:	

	<ul style="list-style-type: none"> • The governors report - relating to public benefit and how this has been delivered. • The impact of Covid 19 relating to extra resources required for students throughout the pandemic and the use of the government's furlough scheme. • Governance and internal control – information relating to the work of the Audit Committee and the assurance they offer the Corporation • Statement of regularity – no matters of non-compliance • Budget and Cash flow forecasts have been examined by the Corporation and its conclusion that that the College is a going concern. RMS agrees with this conclusion. • The audit opinion - In our opinion the financial statements: <ul style="list-style-type: none"> ○ give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's deficit of income over expenditure for the year then ended; and ○ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. • The audit opinion is unqualified • Highlighting of a material uncertainty related to going concern arising from the forecasted bank covenant breaches. The Auditors opinion is not modified in respect of this matter. • A surplus of £16.2m is reported with main trading of teaching and learning reporting a loss. • Reported year end reserves are £10.8m • FE Capital grant of £1.5m does not go onto the balance sheet because of the performance model of accounting policy adopted by the College. • The transfer of buildings and funds from the subsidiaries can be seen in the accounts. • Regularity opinion is unqualified and unmodified. <p>RSM also explained that the letters of representation use standard text and theses should be signed at the same time as the Annual Report and Financial Statements.</p>	
6.2	The Committee concluded that there were no surprises within the documents and that they were confident to recommend for approval.	
6.3	The Chair thanked RSM for their excellent overview of the documents.	
6.4	ACTION: The Chair had picked up on a small number of typos, which he will feed back to RSM via the Clerk.	Chair
6.5	RECOMMENDATION: That the Annual Report and Financial Statements 2021-22 and the letters of representation be approved by the Corporation for signing by the Chair and Accounting Officer.	

Internal Audit		
7.	<u>Fraud response plan - actions and management responses</u>	
7.1	The VPF&CS advised that an investigation into suspected fraud had taken place in May 2021, which resulted in five high grade recommendations.	
7.2	All of the resulting actions were around ensuring various elements of the Financial Regulations are followed. Therefore, all actions were reported to be picked up by the VPF&CS who was planning to deliver training around the Financial Regulations to all the Heads of Department during December.	
7.3	The Committee heard that in addition, the Financial Regulations are circulated to all HoD's annually and they are required to confirm via email or through signature that they have read and understood them. It was expected that the planned training session will test their knowledge and enable the VPF&CS to highlight the key points arising from the investigation.	
7.4	It was noted that recommendations in relation to procurement procedures will be addressed with the procurement team.	
7.5	The Committee noted the report.	
Assurance		
8.	<u>ESFA Funding Assurance Review</u>	
8.1	<p>The Committee received a copy of the report dated October 2021 summarising the Funding Assurance Review conducted by the ESFA/Mazars. The VPD&F explained that the review had looked at the following funding streams in the 2019/20 ILR Return:</p> <ul style="list-style-type: none"> • Carry-in Apprenticeships • Adult education budget provision • Apprenticeships (from 1st May 2017) • 16 to 19 Provision <p>And that areas of non-compliance were identified in Apprenticeships, 16 to 19 Study Programmes, Advanced Learner Loans and ESF Match Funding. 17 errors had been identified resulting in a funding overclaim of £180,754. The VPD&F explained that the majority of errors (£171,300) relate to the claiming of Learning Support within Apprenticeship Provision and that the College is disputing this error with the ESFA and Mazars.</p>	
8.2	In receiving the report, the Committee noted that the complexity of Audit Rules for Apprenticeships mean that this area is the biggest risk for the College in future funding reviews and therefore income, but were assured	

8.3	<p>that further work, and a focused internal audit will be put in place during the 2021/22 academic year to mitigate risk.</p> <p>ACTION: The VPD&F will provide an update on the disputed figure at the next Audit Committee.</p>	VPD&F
Governance and Risk		
<p>9.</p> <p>9.1</p> <p>9.2</p> <p>9.3</p> <p>9.4</p>	<p><u>Audit Committee Annual Report</u></p> <p>The Committee reviewed the draft Audit Committee Annual Report that had been prepared in accordance with the post 16 Audit Code of Practice (ACOP) for the twelve-month period to 31 July 2021 and concluded that the Audit Committee is of the opinion that for 2020-21:</p> <p>a) The Committee has operated effectively and has considered issues in detail;</p> <p>b) In spite of the disruption caused by the Covid pandemic, the Committee has continued to meet and fulfilled its Terms of Reference by agreeing a suitable and balanced calendar of business throughout the year, and ensured that all duties and responsibilities are covered;</p> <p>c) The College’s assurance arrangements; framework of governance; risk management and control; and processes for securing economy, efficiency and effectiveness are adequate and effective and reviewed regularly.</p> <p>ACTION: The Clerk will action minor amends relating to items 1.5 and 4.2.</p> <p>RESOLVED: The Audit Committee Annual Report is approved by the Audit Committee and will be presented to the Corporation before the Statement of Corporate Governance and Internal Control in the annual report and financial statements is signed.</p>	Clerk
<p>10.</p> <p>10.1</p>	<p><u>Report on Whistleblowing, Fraud and Other Irregularities</u></p> <p>The VPF&CS summarised the Report on Whistleblowing, Fraud and Other Irregularities:</p> <ul style="list-style-type: none"> • There had been no instances of whistleblowing, however one irregularity was detected. This involved an attempt to change a supplier’s bank details, whilst the request looked genuine, it was checked with the supplier in question and therefore not processed. • There are currently eight open insurance claims with a total potential settlement value of £522,282, which is made up of three employer liability, two public liability, two property related and two as a result of previous computer thefts. 	

	<ul style="list-style-type: none"> IT services continues to maintain a high level of vigilance, proactively detecting and addressing suspicious activity (such as attempted log on from outside the UK), protecting students and the College. <p>The Committee noted the report.</p>	
11.	<u>Strategic Risk Management</u>	
11.1	The Committee reviewed the Strategic Risk Register and noted that the mechanism for identifying and managing risk continues to be effective.	
Policies		
12.	<u>Whistleblowing Policy & Procedure</u>	
12.1	The DPS presented the Whistleblowing Policy & Procedure and advised that it had been updated to clarify roles and responsibilities and to provide a clear definition of what constitutes whistleblowing.	
12.2	ACTION: The DPS will make the mechanisms by which the individual can blow the whistle more explicit.	DPS
12.3	RECOMMENDATION: That with the changes identified, the Whistleblowing Policy & Procedure is recommended to the Corporation for approval.	
Any other business		
13.	<u>Items for report to the Corporation</u>	
13.1	<ul style="list-style-type: none"> Audit Committee Annual Report – to receive Audit Management Letters/Letters of representation – for approval Whistleblowing policy & procedure – for approval 	
14.	<u>Any other business</u>	
14.1	ACTION: Clerk to share the RSM report ‘Emerging issues’ with all governors.	Clerk
14.2	The Chair closed the meeting at 17.50.	
15.	<u>Meeting Evaluation</u>	Assistant Clerk
15.1	To be circulated by the Assistant Clerk.	

Approved by the Committee:

Agreed actions

No	Minute	Action	Who?
1	5.5	The election of an Audit Committee Vice Chair will be deferred to the next meeting when it is hoped that all members will be present.	Clerk
2	6.4	The Chair had picked up on a small number of typos, which he will feed back to RSM via the Clerk.	Chair
3	8.3	The VPD&F will provide an update on the disputed figure at the next Audit Committee.	VPD&F
4	9.3	The Clerk will action minor amends relating to items 1.5 and 4.2.	Clerk
5	12.2	The DPS will make the mechanisms by which the individual can blow the whistle more explicit.	DPS
6	14.1	Clerk to share the RSM report 'Emerging issues' with all governors.	Clerk
7	15.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk