

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: Thursday 8 December 2022 at 16.00 in 4F07 DHB Boardroom

Present	In attendance
John Williams (Chair)	Richard Lewis (RSM) (Via MS Teams)
Umar Rafique	Chris Malish (VPF&CS) (Via MS Teams)
Emmanuel Osei Boateng	Marc Gillham (VPD&F)
Ann Kendal (Via MS Teams)	Sarah McKenzie (Clerk)
Apologies	Allison McEvoy (Assistant Clerk)
Andrew McCulloch	

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 RSM (external audit). RSM gave a summary update in terms of the 2021-22 audit work. The audit was not fully complete but management and RSM were working together to finalise in time for the Corporation meeting on 15 December 2022.	
Open session		
2.	<u>Introductions, Apologies for Absence and Disclosure of Interest</u>	
2.1	The Chair welcomed Emmanuel Osei Boateng to his first Audit Committee meeting.	
2.2	Apologies were noted for Andrew McCulloch.	
2.3	There were no disclosures 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 15 September 2022</u>	
4.1	RESOLVED: That the Minutes of 15 September 2022 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	Q. Is there an update regarding the whistleblowing concern raised around examination procedures that was being investigated? A. A member of staff has been suspended and the disciplinary process is being followed.	
5.3	Q. Was multi-factor authentication implemented? A. It was due to be rolled out across the College and fully implemented by the end of October 2022 but the dates have had to be revised.	
5.4	Q. When will the scanning of historical HR documents be completed? A. That is still on track for end of December 2022.	
5.5	Q. Did TIAA attend an S.L.T meeting to discuss the Internal Audit process and the importance of management response times? A. Yes that session took place on the 5 October 2022.	
5.6	Q. Was there a review into the types of apprenticeships the College offers and the sustainability of those apprenticeships carried out? A. Yes, it is currently underway.	
5.7	Q. Can we have the verbal update on the policy wording regarding police involvement is fraudulent staff activity? A. The policy wording is that where fraud is found we will report to the police. However, given value of the fuel card fraud and the amount of management time required to pursue with the police, this was not actioned.	
5.8	Q. Did we make a plan for the training for the Audit Committee. A. We would suggest some training around the Apprenticeships risk on funding due to the everchanging landscape and as we are move forward in with T- Levels.	
5.9	ACTION: The VPD&F to provide a completion percentage on the multi factor authentication roll out.	VPD&F
5.10	ACTION: Clerk to organise training session with RSM.	Clerk/RSM
Internal Audit		
6.	<u>Internal Audit Recommendations: Follow Up (management)</u>	
6.1	The VPD&F advised that there were 3 ongoing recommendations from 2019-20. That all fall under the responsibility of the Director of People	

6.2	<p>Services. Areas covered are the scanning of contracts and succession planning. Revised deadlines have been agreed with actions to be fully implemented by the 1st January 2023. There was no request to extend these deadlines.</p> <p>Of the 4 outstanding actions remaining in 2020-21, 3 had were closed and moved to business as usual. One remains open but will be completed by 1st January 2023.</p> <p>27 actions were flagged for completion resulting from the 2021-22 internal audits. Only 3 remain open, all the responsibility of the Vice Principal Data & Funding. These relate to the GDPR Audit and extension requests were made of the Committee. Two are directly linked to the formation of a wider GDPR working group, which will be established in the new year. The third is related to a data mapping exercise which is now being conducted by the newly formed Information Services Team.</p> <p>RESOLVED: That the 3 revised dates are agreed by the Audit Committee.</p>	
Governance and Risk		
7.	<u>Audit Committee Annual Report</u>	
7.1	<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 2022 and concluded that the Audit Committee is of the opinion that for 2021-22:</p> <p>a) The Committee has operated effectively and has considered issues in detail;</p> <p>b) 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>c) During the year to 31 July 2022 and up to the period of approval of this report, the fraud response plan was invoked once. An investigation was carried out by the internal auditors, resulting in an opinion that fraud was likely with a total financial impact of £1,954 relating to the miss- use of College fuel cards. Five high rated recommendations were made and these have been addressed by management.</p>	Clerk
7.2	<p>ACTION: The Clerk will enhance the report to include for action taken as a result of the fuel card investigation and the follow up internal audits that happened in year, in response to the weak assurance initially identified.</p>	
7.3	<p>RESOLVED: That with the changes identified the Audit Committee Annual Report is approved by the Audit Committee and will be presented to the</p>	

	<p>Corporation before the Statement of Corporate Governance and Internal Control in the annual report and financial statements is signed.</p> <p><i>UR/J</i></p>	
8.	<u>Report on Whistleblowing, Fraud and Other Irregularities</u>	
8.1	The VPF&CS summarised the Report on Whistleblowing, Fraud and Other Irregularities:	
8.2	In the last report to the committee, the committee were informed of two instances on whistleblowing, though there was a query if the whistle-blower had been informed. It was confirmed that the whistle-blowers have been informed of the outcomes by members of the SLT.	
8.3	Since September 2022 there have been no fraud or irregularities with regards to Finance or the College bank account.	
8.4	There are currently ten open insurance claims with a total potential settlement value of £585,375, which is made up of two employer liability, two public liability and six property related and theft related. The largest potential settlement value is £439,400, which is a claim from a student who was injured whilst undertaking an activity with College in 2018, the College is currently awaiting an update on this as all activity seems to have stalled. The change from the prior report is one employer liability case has been settled at nil value and a new theft claim has been raised as a result of it being identified that a number of graphics cards have been removed from a number of PCs. The claim currently stands at £10,300 and the estates and IT departments are currently investigating this and how to reduce this risk of reoccurrence.	
8.5	The Committee noted the report.	
9.	<u>Value for Money Report</u>	
9.1	The VPF&CS provided an overview of the Value for Money Report, highlighting a number of areas of Non-Pay Expenditure.	
9.2	<p>The report identified a number of areas for 2022-23 where value for money could be further enhanced:</p> <ul style="list-style-type: none"> • Capital costs associated with regards the Capital projects including; <ul style="list-style-type: none"> ○ Building Costs ○ Equipment Cost ○ IT Hardware Costs • Subscriptions' renewals 	
9.3	The utility contract had been retendered in year. Due to the rise in utility costs, members sought reassurance that there were provisions in place so	

<p>9.4</p> <p>9.5</p> <p>9.6</p> <p>9.7</p>	<p>that students had somewhere warm to frequent outside of college hours. They were pleased to hear that the College was open until 6.00 p.m. on Tuesday's and Thursday's and open until 9.00 p.m. on Monday's and Wednesday's.</p> <p>Q. Is there a specific area where we expect to spend more? A. There were 2 areas that were over budget last year, one was due to VAT submissions on our outsourced providers and the other was utilities.</p> <p>Q. What does subscriptions compromise of? A. It's things like academic journals and FE week subscriptions, anything where we are paying a service on that kind of model. We can do a breakdown next time to demonstrate what kind of things it covers</p> <p>Q. Subscriptions were twice the cost of utilities, are we happy we aren't duplicating anything? A. In Business Planning every HoD fills in a subscription tab and we review them from there. The figure has come down significantly from what it was.</p> <p>The Committee noted the report.</p>	
<p>10.</p> <p>10.1</p> <p>10.2</p> <p>10.3</p> <p>10.4</p>	<p><u>Strategic Risk Management</u></p> <p>The Committee reviewed the Strategic Risk Register which had been updated by each of the Committees.</p> <p>The VPF&CS reported that the close out meeting on audit risk management internal audit had taken place and it expected that it will receive an assurance rating of SUBSTANTIAL with no recommendations.</p> <p>Q. Do we need to consider fixing more of the debt that isn't already fixed, even if it just on a short- term basis for 2- 3 years? A. The issue with that is it falls in to new lending and we can't do anything without DfE approval since the new restrictions relating to the ONS reclassification of Colleges. We are going to look at what loans we have and speak to DfE about what we can and can't do with it.</p> <p>The Committee noted that the risk monitoring was effective.</p>	
Policies		
<p>11.</p>	<p>None</p>	
Any other business		
<p>12.</p>	<p><u>Items for report to the Corporation</u></p>	

12.1	<ul style="list-style-type: none"> • Draft Meeting minutes of 8 December 2022 • Audit Committee Annual Report • Audit Management Letters • Letters of Representation • RSM FE Update 	
13.	<u>Any other business</u>	
13.1	RSM will submit a final version of the audit report to the Clerk which will be presented at Corporation on 15 December 2022.	
13.2	The next Audit Committee Meeting will take place on 9 March 2023.	
14.	<u>Meeting Evaluation</u>	Assistant Clerk
14.1	To be circulated by the Assistant Clerk.	
<i>The next session will be a joint meeting with members of the Finance & General Purposes Committee</i>		
15.	<u>Annual Report and Financial Statements/Audit Management Letters/Letters of Representation</u>	
15.1	Richard Lewis of RSM gave members of F&GP Committee and Audit Committee 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 include some outstanding audit work and inclusion of commentary around the recent ONS announcement that Colleges are classified as public sector.	
15.2	<p>Key items highlighted by RSM were:</p> <ul style="list-style-type: none"> • The governors report - relating to public benefit and how this has been delivered. • Governance and internal control – information relating to the work of the Audit Committee and the assurance they offer the Corporation • Statement of regularity – one matter of non-compliance relating to procurement of IT and equipment amounting to £426,557, internal policy for approvals was not followed. Management have responded and the amount is below the level of materiality and therefore does not alter the audit opinion. • 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 College’s affairs as at 31 July 2022 and of the College’s deficit of income over expenditure for the year then ended; ○ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and ○ have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency. <ul style="list-style-type: none"> ● 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. ● Pension liability was reconsidered by the actuary to take account updated CPI levels. ● The College invested £1.3m in fixed asset additions during the year 21/22 ● Reported year end reserves are £58.3m. The college held £9.3m in cash and bank balances at that date. ● The audit opinion is expected to be unqualified. ● The regularity opinion is expected to be unmodified. <p>15.3 Q. How can you offer an unqualified opinion if the audit is not yet complete?</p> <p>A. We know what is left to complete the audit and the amounts in question are within the materiality threshold and therefore won’t impact on the opinion.</p> <p>15.4 RSM gave an overview of the draft Audit findings report, explaining that there were a few outstanding issues to resolve with management but that these were not material and the report would be updated accordingly prior to the Corporation meeting on 15 December 2022.</p> <p>15.5 Q. There seems be a significant number of audit actions in the report?</p> <p>A. There are no actions relating to significant control issues. In terms of the number of actions, it is not dissimilar to what is seen across the sector.</p> <p>15.6 The draft letters of representation were reviewed by the Committees.</p> <p>15.7 RECOMMENDATION: That the Annual Report and Financial Statements 2021-22 be approved by the Corporation for signing by the Chair and Accounting Officer, along with the letters of representation.</p>	
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Approved by the Committee:

Agreed actions

No	Minute	Action	Who?
1	5.9	The VPD&F to provide a completion percentage on the multi factor authentication roll out.	VPD&F
2	5.10	Clerk to organise training session with RSM.	Clerk
3	7.2	The Clerk will enhance the report to include for action taken as a result of the fuel card investigation and the follow up internal audits that happened in year, in response to the weak assurance initially identified.	Clerk
4	14.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk