

**Minutes of the Audit Committee Meeting held via MS Teams on
Wednesday 3 March 2021 at 5pm**

Present: Carla Kennaugh (Committee Chair)
Christine Bampton
Diane Hutchinson
Mo Kundi
Jim Turner (Associate Governor)

In Attendance: Michelle Brabner (as an observer by invitation from the Chair)
Patrick Clark (ICCA)
Jonathan Creed (ICCA)
Maura Cummins (Deputy Principal) (Item 7 only)
Anne-Marie Francis (VP Quality and Standards) (Item 7 only)
Eddie Green (Vice Principal Services)
Jes Kelly (AP Quality and Standards) (Items 7, 8 and 9 only)
Andrew Winrow (Head of Finance) (Item 8 only)

Lisa Farnhill (Clerk)

Apologies: None

Absent: Mr J Lea

Minute No.	Minutes	Action
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A.21.39 Item 1: Apologies for absence

The Clerk confirmed that no apologies for absence had been provided. The Committee Chair proposed that the absent member may arrive later.

Item 1 - Noted.

A.21.40 Item 2: Declarations of Interest

The clerk invited members to declare any interests. None were received. The clerk noted that the VP Quality and Curriculum would be present for Item 7 and declared an interest due to the staff member being a member of St Mary's College Governing Board, also clerked by the Clerk.

Item 2 - Noted: The Committee noted the declaration.

A.21.41 Item 3: Approval of the Minutes Of The Audit Committee Held By Video Conference On 2nd December 2020

With no suggested amendments, the minutes were considered a true record of the meeting and were approved unanimously.

Item 3: Approved: The Committee approved the minutes of the Audit Committee Meeting held on 2nd December 2021.

A.21.42 Item 4: Matters Arising / Actions Summary

It was noted that the only action related to the mapping of the internal audit plans against the ACoP to identify gaps. The Vice Principal Services (VPS) confirmed this would be included in the handover to the Director of Finance and Facilities (DFF) and would be reported to the Committee in June.

**Director of
Finance and
Facilities**

Item 4 - Deferred: The Committee would receive an update against minute A.21.30 on 23rd June 2021.

A.21.43 Item 5: Confidential Items

No items within the agenda or approved minutes were considered confidential. The Committee Chair asked members to draw attention to any information considered confidential as the meeting progressed.

Item 5 - Noted.

A.21.44 Item 6: Risk Management

The VPS highlighted that as a standing item to open the meeting the high risks and changes were outlined to support the Committee in considering the impact of their work, particularly in relation to internal audit.

It was noted a formal meeting of the risk management group had taken place, during which the following risks were downgraded:

- S2, poor preparation and /or implementation of Government guidance
- O6, pressure on staff time leading to failure to perform a key task

The VPS explained that in the 12 months since the start of the pandemic, staff had become more confident in the management of controls in place, ensuring the ongoing pandemic had a minimal impact on operations resulting in a reduced risk rating.

A member acknowledged the work undertaken in managing the pandemic, **questioning** whether the timing of the decision was appropriate, just ahead of the reopening of the College. **The member highlighted** the transition back to working onsite may increase the pressures on staff time, **asking** if it would be pertinent to leave this as a high risk until the end of the academic year, **asking** what the operational impact of the change would be. In response, the VPS agreed that pressures on staff time remained high, with the risk remaining on the high side of medium, explaining that the mitigating controls in place meant that although pressures continued, and there remained some risk, it was not a high risk of significant adverse effects on the college due to the confidence in the controls and measures in place.

Another member added that they too had considered whether the timing of downgrading the risk was appropriate, adding that the reopening would increase the risk of virus spread and staff absence, giving the potential for increased not reduced risk of pressure on staff time. The VPS agreed that the risk of the spread of COVID-19 was still a risk, reiterating that what was being considered was the likelihood that the risk will materialize into

an adverse impact on the college, with the conclusion being that the mitigating actions were sufficient to minimize any impact, resulting in consideration for the downgrade.

A member asked whether the reopening, with increased activity in College should be included as a specific risk in the near term. The VPS, stated that this would depend on whether it was critical, resulting in significant financial impact or would prevent key college operations being undertaken. He clarified that the risk of bubble closures, staff and student isolation and in college transmission still existed, and were minimised through the controls including the asymptomatic testing, highlighting the importance for the risk to remain on the register as a medium risk.

A member asked if the register was a live document, **asking** how often the risk management group met, seeking reassurance that upcoming risks would be addressed. The VPS confirmed that the formal process of reviewing and assessing the register was undertaken termly, with a full review in June with a subsequent presentation to the full Corporation, however, the management of risk was alive through all working processes, with all report summaries asking the author to consider the risks associated with their report. The VPS services added that risk awareness and minimisation was included in SLT and Governor meetings, assuring the committee that the risks were incorporated throughout strategic and operational decisions made.

Another member expressed their continued discomfort at the reduced risk rating, highlighting that the overall risk rating provided by the government in relation to COVID-19 had moved from a level 5 to level 4, which was still high risk. The VPS clarified that COVID-19 remained a high risk generally, however, what was being considered was the college's ability to manage the risk and the risk of failing to carry out essential functions or of significant financial consequences. **The member added that** with a full review scheduled for June, they would be inclined to leave any downgrading until then. **Another member asked** if meetings would highlight a risk and if after being downgraded, would this still be a specific item considered weekly, with the VPS confirming that this would be the first item on the agenda every week at the meeting of the SLT.

A member asked how the risk would be treated differently as a high or medium risk with the VPS services confirming that it would not change the College's response, only the recording of it as it is now considered to be less of a risk of significant adverse financial impact, with controls to ensure a continued service.

The member thanked the VPS for the explanation, adding that they felt more comfortable following reassurance that mitigating actions would continue.

A member asked if there were links between insurance implications and high risks, **asking** where else the risks were reported. The VPS explained that the processes to mitigate and minimise risk were shared with insurers however; there was no indication that this impacted the premiums.

Again **members clarified** that the register and semantics of the risks were for internal use only. With the VPS services confirming it aided the management of the College, to ensure it is concentrating efforts on things that materially affect the College.

The Principal confirmed that within the College's contingency plan, which covered all aspects of the College, processes for delegation and support were outlined to ensure that if a department had to close or a manager

could not complete a task, each area knows what the next step would be to aid continuation of services. The Principal added that throughout the pandemic no key task had been missed, providing reassurance of the effectiveness of these processes.

In concluding the discussions regarding the downgraded risk, the VPS confirmed that COVID-19 continued to be reflected within the other areas of high risk, it was only the operational management of the College that had been downgraded.

A member asked about the risk to recruitment, **asking** about the indications for student numbers for the coming academic year, with the VPS confirming that the picture was mixed. It was noted that the overall 16-19 applications were up for KGV, with Southport on par with the previous year, however, there were more dual applications between the sites. The VPS added that it was unclear whether students were making multiple applications, which could impact conversion with ongoing risks that could affect the actual numbers at enrolment. Apprenticeships were highlighted as a continued concern, with the extended lockdown impacting the ability to generate business.

A final question was asked about the demographic, which was clarified as being the final year of the dip in the number of 16-19 years olds, with a slight increase in the coming year followed by progressive increases thereafter.

Item 6 - Noted: The Committee noted and accepted the details of the risk register.

A.21.45 Item 7: Internal Audit Reports

The internal auditors clarified the attendance of two staff due to a prearranged meeting for the audit lead to ensure any questions could be answered.

Student Journey

It was confirmed that the audit of the student journey reviewed the effectiveness of the process for converting enquiries to enrolments and concluded the process was good in design, adequate for application and reasonable overall, clarifying that reasonable was positive assurance and one step down from substantial assurance.

An in-depth overview of the audit process and report was provided, which looked at the way provision is planned, including the differentiation between KGV and Southport College noting that at the point of the review, the College had underperformed against its internal target, which was higher than the ESFA allocation to account for targeted growth.

Attention was drawn to departmental variance against recruitment targets, highlighting the need to analyse the differences at departmental level and understand the assumptions that underpin target setting at curriculum area level.

Also highlighted was the need to ensure conversion is as good and high as it can be including understanding the reasons for non-enrollment, noting that considerable marketing and applications work for 20-21 entry happened under COVID-19 restrictions with all of the activities for 21-22 having taken place under lockdown.

A member highlighted the focus on accountability, **asking** to what

extent staff had the power to underpin any accountability, and if there were funds and resources available to support marketing. The VPS informed the Committee that this was tied into the overall strategy with resources allocated within the overall corporation marketing budget which was constantly under review to ensure areas were sufficiently resourced. There was significant debate around the benefits of accountability and ownership of targets, including the need for clear and open communication, highlighting the need for a collaborative approach with a **member insisting** that benefits would be eroded if staff were frustrated at being given a target that they could not achieve through lack of resource. The VPS confirmed that this could be actioned in the same way attendance and achievements are influenced, with the ability to input and drive the strategy behind the targets.

A member asked about the impact of the failure to recruit viable numbers, with the Principal confirming that this formed part of the curriculum review and the efficiencies in delivery of the curriculum which had just begun within College.

A member raised concerns for the potential for students to be put onto the wrong course under the pressure of targets, again expressing the need to work collaboratively with staff for the benefit of the students, to ensure that the right students are enrolled onto the right course. **The member advocated** for a focus on the quality of the applications and the reliability on the conversion calculations, asking for more reserved and realistic expectations that take into account the dual applications and 'in-house' competition between applications to KGV and Southport College. The VPS responded to advise that the conversion analysis is done throughout the application journey to be as accurate as possible but it remains something that cannot be predicted accurately. **The member considered** whether students also needed to be provided with more realistic expectations of College life

The Deputy Principal (DP) advised that the process started ahead of applications and interviews, with an analysis of local needs, skills gaps, and local and national priorities and as a result of this analysis, resources were allocated. Highlighting the impact of the pandemic on those needing to retrain, the DP confirmed that the FE sector would be quick to respond with further curriculum development. It was noted that only once the curriculum had been developed, the team could look at how to resource the curriculum including the viability which indicated minimum numbers and maximum capacity. The DP stated that the process was collaborative, working with the heads of department to provide targets, who then work with school liaison and marketing teams to plan initiatives with any gaps to be further developed.

A member asked who takes responsibility for the implementation of the recommendations, including whether the report would be shared with other Committees. The VP Curriculum advised that there was an action plan drawn up which focused on targeting and building relationships. The details of the individuals responsible for the recommendations were provided, inclusive of a governor task group looking at the action implementation, adding that the responsibility for the reputation and brand was an integral responsibility for all staff, with the **member confirming** they were assured by this response.

Apprenticeship Delivery Model

The auditors confirmed that the overall assurance following their review was reasonable, with the design considered good and application and compliance adequate.

The content of the report was summarised focusing on the action plan, acknowledging the impact of the significant changes within the college management structure. The auditors advised that apprenticeships were embedded into college curriculum areas, making it difficult to ascertain their financial contribution. It was recommended that the College explores the financial return in apprenticeships to look at where the return could improve.

The next recommendation noted was for sales targets to be cascaded to increase accountability and prevent undetected underperformance.

The 3rd recommendation, the 1st control point, related to the out of funding learners. The Committee was informed that a proportion of apprenticeship funding was held back to be paid upon completion of the apprenticeship within the set timeframe, which was not paid when learners exceed the end date. Although no longer funded to do so, the College is obliged to get learners through to completion, with negative financial implications. It was acknowledged that the proportion of learners out of funding, at over 26% was due to the impact of the national lockdown, making it difficult to get learners through the process and end point assessments. The auditors recommended reviewing those out of funding and working with the learners to ascertain which are still engaged and active.

The next control point highlighted was linked to apprentice progress, and the need to regularly review progress to ensure that engagement remains high. The audit established that in December 75% had a monitoring review between October and December, however, a large number had not had a review for some time, some having not been contacted since August 2020. It was noted that some of these learners were still within funding, yet regular contact was not being maintained. It was recommended that contact is made to establish the progress and engagement levels of the apprentices

The final recommendation, an advisory point, was in relation to utilising the facility within ProMonitor that would allow students to record their own on the job training.

With no questions or comments, the second internal report was noted and accepted.

Item 7 - Noted: Members noted the recommendations of the auditors from the two internal audit reports.

The DP and AP Quality left after this item.

A.21.46 Item 8: Implementation of Audit Recommendations

The Head of Finance (HoF) provided the Committee with an update on actions undertaken since the last meeting in November, including the addition of recommendations from the internal audits discussed under

item 7.

It was noted that the external audit of the year-end financial accounts included no recommendations.

It was confirmed that now appointed, the clerk would resume responsibility for the outstanding actions in relation to governance, to be completed by June 2021.

The VPS added that the 2 outstanding actions relating to data protection recorded may not be completed ahead of his retirement, if there was not a full return to onsite college working. It was agreed that as low priority, if they could not be completed, they were to be carried forward.

A summary of other actions in Annex B, those still to be completed or not yet scheduled to be completed, included the 6 additional recommendations as a result of the new audits, 2 recommendations that were close to completion, awaiting approval which were the Disaster Management Plan and Cyber Security Policy, and 3 actions completed in the reporting period. It was noted that the completion of some recommendations was affected by COVID-19.

A member asked for clarification around point 7.4, delayed because the population numbers have not been reached, **asking** if there was a reason why progress had still not been made. In acknowledging the increased workload in relation to the pandemic, it was noted that this was a pre-pandemic recommendation asking what the reason was for the strategy needing to be built up. The VPS explained that without higher student numbers to increase the options available in the pathways, developing this could limit options and dissuade applications; therefore this could only be implemented and beneficial when numbers increased.

Further discussion was held regarding this point, with clarification sought that the strategy was in place, and not being delayed unnecessarily. It was confirmed that the College was awaiting an uplift in student numbers to be able to implement this. The Principal added that internal changes since the recommendation was made would impact on the ongoing relevance, indicating that it could now be superseded by the need to review the whole curriculum offer. The Principal suggested that clustering and combining BTEC and A levels can restrict choice. It was highlighted that the largest competitor is so large, they are in a position to offer everything, and therefore it was essential not to look like there is a restricted choice.

The member requested that the action plan was updated to reflect the current position. **Another member highlighted** how this raised a further point in relation to outdated recommendations, asking if points no longer relevant could be removed, **questioning** the implications of doing this.

The VPS advised that these were reviewed at each committee meeting, and where superseded this is noted and the points are removed.

A member clarified that it was within the remit of the Committee to remove actions it felt were no longer appropriate, questioning whether it needed to be on the action summary if it was only ever postponed and never actioned. The VPS advised that from a management point of view, actions were maintained as long as there was relevance within them, highlighting the importance to deliver recommendations through to conclusion.

Further discussion was held, with a conclusion that superseded actions should be removed and placed in Annex D, however, all other actions should be maintained until they are concluded, with the narrative clear on the actions undertaken and rationale for deferment. It was noted that traction should be demonstrated unless the reason for deferment was unavoidable and done as the exception and not the rule.

A member questioned whether any actions needed to be accelerated ahead of the retirement of the VPS, asking which actions the VPS was critical to the implementation of. The VPS suggested that there should not be any actions that were tied to an individual as highlighted by the contingency plan referred to earlier, reassuring the Committee that the handover would be comprehensive and robust.

With no further questions or comments, HoF was thanked for his time and he left the meeting.

Item 8 - Noted: The Committee noted and accepted the details of the report.

A.21.47 Item 9: Matters Relevant To The Committee Arising From Audit Reports

The VPS highlighted the attendance of the AP Quality for the outcome of the funding audit which was detailed in the circulated report. It was noted that the full funding audit undertaken in November 2020 was finalised in the 1st week of February, which had caused a delay in the submission of the accounts, with the ESFA granting an extension.

The VPS explained that the ESFA had undertaken full detailed review of all provision except advanced learner loans, which as detailed within the report, highlighted funding errors of just over £40,000. The VPS confirmed that it was unclear whether the funding would be clawed back as some related to funding not yet received under the lagged funding agreement. This had been raised with the territorial team, however, no response had been provided. The funding to be clawed back that had been received was £23,000, with provision in the budget for £25,000; however, if the full amount of £40,000 was to be clawed back, the financial implication would be minimal with this being less than 0.5% of the total funding.

The VPS drew attention to the 27 recommendations, some of which were fundamental, with some minor, with most relating to apprenticeship provision, including funding and control issues. It was acknowledged that many of the recommendations had been picked up by the internal audit, whilst noting that some were additional, inviting questions from members.

A member asked if the amount to be clawed back was an increase on the previous year and if it was in line with the sector. The VPS explained that funding audits were done at random, with the College receiving two in consecutive years when the regime was launched in 2010, however, had not had one since. In relation to the sector standard, it was confirmed that there was only anecdotal evidence regarding some substantial returns; however, the information was not generally made public. The internal auditor was invited to comment on their experience and knowledge of working across the sector, with further confirmation that only common themes for errors were made public. The auditor summarised the key points raised, noting the priority areas that required focus reflected those raised by the apprenticeship audit.

A member reiterated the point relating to the high number of management points raised, with some minor and one off, however, some notably more significant, **asking** if anything generally or specifically needed to go on the risk register around the points raised. The VPS confirmed that this was not necessary, the points, as summarised by the internal auditors, relating to apprenticeships and withdrawals were already raised. When considering the one off issues, in relation to a specific recording issue on the ILR having been missed, now awareness has been raised, these had been rectified and would not be replicated.

In concluding, the VPS confirmed that apprenticeships as a key area of the College needed attention in terms of overall management from a learner and efficiency perspective rather than funding audit control. **A member asked** what specific actions were necessary to take this forward, with the AP Quality confirming that responses had been written with the team, and behind this was an action plan. It was highlighted that the complex structure made management challenging, with a review under way to address that. It was confirmed that paperwork and sign up packs that caused issues had been reviewed, with work underway to look at streamlining processes including options and the way apprenticeships are tracked and recorded online. It was noted that some of the errors were human errors, with processes to be put in place to ensure these are minimised, however, conceding that there will always be some. **A member asked if** there was a training requirement, with the AP Quality agreeing that there was, with this included in the action plan for staff, with both internal and external training to be utilised to support staff.

With no further questions or comments, the funding audit report was noted.

Item 9 - Noted: The Committee noted and accepted the findings within the ESFA Funding Audit.

A.21.48 Item 10: Whistle Blowing and Fraud Policies

The VPS explained to the committee that it was a statutory requirement to review the policies annually, drawing attention to the minor amendments suggested. The Committee was informed that the unions had been consulted, and suggested the addition of the points relating to asking for advice from unions or HR. The VPS stated that he was not aware of any disclosures during the year, asking for the policy to be recommended for Corporation approval. This was given unanimously.

The VPS asked the Committee to review and recommend the Fraud Policy

to the Corporation for approval, adding that this was included within the financial regulations and no amendments proposed, with the Fraud Policy and the Whistle Blowing Policy both having been checked against the Audit Code of Practice to ensure compliance.

With no questions or comments, the Committee resolved to recommend both policies to the Corporation for approval.

Item 10 - Approved: The Committee resolved to recommend the policies to the corporation for approval.

A.21.49 Item 11: Review Of Performance Of The External Auditors

The VPS provided a summary of the Auditors performance against the standard KPI's, noting these were the ones utilised at appointment, confirming that they had performed satisfactorily in difficult circumstances. The challenges of the remote audit were highlighted, with the supply of information having been impacted, noting a delay compared to operating in normal circumstances, however, confirmed all key work was completed ahead of the key dates for the Audit Committee and Corporation meetings.

It was noted that the funding audit delayed the sign off, with the auditors commended for their handling of the situation. In conclusion the VPS confirmed that they had scored well against the KPI's and he would recommend continuing with the service for another year.

A member asked how long the auditors had been in place, with the VPS confirming that this was their 3rd review with the recommendation for a 4th year. **A member asked** if at this point they should be going out to tender with the VPS advising against this, adding that there was the provision in the agreement to continue for an additional year as it was considered the risk of being overfamiliar was limited and although the College could go out to tender, based on the performance and price, he would be comfortable to reappoint.

The Chair asked members to focus on the assessment of performance and not stray into item 12, the reappointment.

Members were asked to raise questions or concerns in relation to the performance of the auditors. With none raised, the report was noted.

Item 11 - Noted: The Committee noted the details of the performance report.

A.21.50 Item 12: Reappointment of the External Auditors and Proposed Fees

In confirming that the committee were happy with the performance of the Auditors the VPS highlighted the slight increase in the fee, equating to 1.4% overall. It was noted that the fee benchmarked very well compared to sector at appointment and it was anticipated that the fee level is acceptable based on the satisfactory performance, noting that performance had been satisfactory/good throughout the contract.

A member asked if the College were to consider a retendering exercise, would this be an appropriate time.

The VPS confirmed that there would be sufficient time, with the audit work due to start in September/October, with the previous process having been done as late as June/July following an unacceptable fee proposed for the

merger work by the previous auditors.

Members discussed the option at length and concluded that with the COVID-19 restrictions and retirement of the VPS and given the satisfactory performance and pricing, it would be appropriate to allow the contract to be extended for 12 months, with plans in place to ensure that the contract goes out to tender the following year.

The committee unanimously resolved to recommend the Corporation approves the reappointment of the external auditors.

Item 12 - Approved: The Committee resolved to recommended to the Corporation the reappointment of the external auditors (inclusive of the recommended fees) for a period of 12 months.

A.21.51 Item 13: Items to be Reported to the Corporation

The Chair confirmed that item's 10, the Whistle Blowing and Fraud Policies and item 12, the Reappointment of the External Auditors would be recommended to the Corporation for approval.

Item 13 - Noted

A.21.52 Item 14: Date of the Next Meeting

It was confirmed that the next meeting of the Committee would be on 23rd June 2021. Discussions were held regarding the feasibility of this being a face to face meeting, with it being concluded that a decision would be taken closer to the time based on the relevant government guidance.

With no further business, the members and attendees were thanked for their time, with the VPS being wished well in his retirement; with gratitude being extended from all members for all that he had done for the Committee and the College.