

**Minutes of the Audit Committee Meeting held via MS Teams on
Wednesday 23 June 2021 at 3pm**

Present: Carla Kennaugh (Committee Chair)
Christine Bampton
Diane Hutchinson
Mo Kundi

In Attendance: Laura Bell (Independent Member of the Corporation) (to item 14)
Michelle Brabner (as an observer by invitation from the Chair)
Jonathan Creed (ICCA) (to item 14)
Maura Cummins (Deputy Principal) (Item 6 only)
Claire Dalrymple (Wylie and Bisset) (to item 14)
Kevin Williams (Director of Finance and Funding)
Andrew Winrow (Head of Finance)
Lisa Farnhill (Clerk)

Apologies: Eilidh Templeton (Wylie and Bisset)

Absent:

Minute No.	Minutes	Action
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A.21.53 Item 1: Apologies for absence

The Clerk confirmed that no apologies for absence had been provided by members, however, the external auditors had submitted apologies for Eilidh Templeton.

Item 1 - Noted.

A.21.54 Item 2: Declarations of Interest

The clerk invited members to declare any interests. The Clerk declared an interest in relation to her role as the Clerk to the Governing Board at St Mary's College.

Item 2 - Noted: The Committee noted the declaration.

A.21.55 Item 3: Approval of the Minutes Of The Audit Committee Held By Video Conference On 3rd March 2021

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

Item 3: Approved: The Committee resolved to approve the minutes of the Audit

Committee Meeting held on 3rd March 2021.

A.21.56 Item 4: Matters Arising / Actions Summary

The Clerk provided an overview of the action summary report, noting that the VP Services had indicated the outstanding action from December relating to the mapping of Fraud and Irregularity to the work of the internal audit would be included in the hand over to the Dir. Finance and Facilities. The Clerk advised that this report had been scheduled to be presented with the Fraud Report in November, however, as it had been drafted, it was added as an annex to the Actions Summary and is now noted as complete.

The other action, relating to the superseding of outdated internal audit actions was noted as incorporated into item 7.

Item 4 - Noted : The Committee noted the update.

A.21.57 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.21.58 Item 6: Internal Audit Reports

The Committee Chair invited the internal auditors to summarise the key findings from the report.

The study programme context was provided, noting that the last review which had been the year following the merger, had highlighted some concerns relating to inefficiency. The Committee were advised of the improvements, noting the outcome of substantial assurance, with the programme well designed and meeting the ESFA funding methodology.

The Committee were given details of the scope and outcomes of the review, highlighting the cross college target group size as 16, being an aspiration of many colleges, with financial planning with a 50% contribution for all activity also considered to be an aspirational benchmark.

The progress against the ESFA benchmarking tool moving from considerably below the sector average income per learner at £4330 in 18/19, to marginally above it at £4762 in 19/20 was commended, with further improvements expected based on additional work completed for 20/21 and planning in place for 21/22.

Samples and assurance against funding requirements, including for the enrolment to English and maths were provided, noting correct ILR records and retention of evidence.

The Committee were advised that the only recommendation, around the development of a data dash board for the live monitoring of curriculum efficiency, was already in progress.

A member asked about the increased income per learner, how and why this had increased and what could be done to improve this further. The Committee were informed that although the funding methodology increased in the period, the efficiency of the curriculum has also improved with articulate use of curriculum planning. The Committee were advised that this had to be balanced with maintaining and improving quality, which had been evident.

A member asked if different courses had different levels of funding, with the Committee advised that there was a standard level of funding with some uplift for particular courses, however, what was more critical was how efficiently the use of the funding was. Research relating to performance for varying class sizes was provided. It was noted that contrary to expectation, there was no improvement evident for smaller class sizes, with evidence of poorer performance in some instances, however, indicating there was a point at which the class became too large to maintain quality delivery, highlighting the need to find the optimum balance between quality and efficiency.

A member highlighted concerns raised within the preparatory meeting over the length of the internal audit reports, with a large amount of standardised content. The in meeting delivery by ICCA representatives was noted to provide the Committee with a more effective understanding of the review. Jonathan (ICCA) agreed, the in meeting presentation was an essential part of the process and provided the rationale for the information in the report, conceding that whilst excess detail detracted from the key information, some background information was essential to contextualise the review.

A member asked if the relevant member of the SLT could provide an executive summary of each audit for the Committee when the reviews were received in sufficient time.

Dir F&F/
SLT

A member asked if there was an aspirational level of income per learner the College should be aiming towards, with the Internal Auditors informing the Committee that it was difficult to compare due to the sector differences between pure SFC's, land based colleges and GFE. It was proposed that there was no optimum target, with benchmarking the college against itself considered the most appropriate target, aiming for year on year improvements, reminding the Committee of the need to balance quality against financial targets. The Dir. Finance and Facilities added that deprivation indices and London weightings would impact the sector average, preventing Southport from being in the top quartile, supporting the notion for the College benchmarking against its own improvements.

A member highlighted the work of the Standards Committee in looking at staff utilisation and the quality of provision, noting the improvements seen recently, adding how pleasing it was to see this had also resulted in improved efficiency from a financial perspective without compromising on quality.

The Internal Auditors concluded by confirming that the college had a broad curriculum offer, with different principles for the different provisions and that the review had concluded that the College curriculum was well designed, efficient and operating in accordance with funding rules.

Item 6 - Noted: *The Committee noted and accepted the details of the internal audit of the study programme set-up.*

The DP left after this item.

A.21.59 Item 7: Implementation Of Audit Recommendations (delivered after item 8)

The Committee Chair welcomed the Head of Finance who summarised the report, noting the addition of an annex for items that had been superseded, including the pathways for curriculum and now, the data dashboards as highlighted under item 6.

The Committee were informed that four recommended actions that had been scheduled for completion were still outstanding, noting that those relating to governance were close to completion however, would be superseded by an external review currently underway. The data protection walks were deferred due to the national lockdown, while the AP was undertaking a cost benefit analysis for the e-portfolio system and was still considering whether it was considered appropriate for students to record their own on the job hours for apprenticeships.

A member asked for reassurance that those carried forward would be completed in a timely way, suggesting colour coding the report to highlight those past their completion date, close to completion and completed. **The member expressed** concern over how long actions were being deferred, noting how hard it was to ascertain where progress had been made.

A member stated that staff sickness was not a valid reason for the delay of implementing actions, indicating that absence needed to be managed through the process of delegation.

Concerns over deferment were reiterated by other members, with the Head of Finance offering the inclusion of a further annex. Members however suggested this would exasperate existing concern over the length of papers, unanimously supporting the request for the report to be colour coded, with an executive summary providing a narrative to the changes, noting how effective the visual summary for item 8 (high risks) had been, requesting tabular colour coded executive summaries for future reports.

**Head of
Finance**

To conclude, the Head of Finance was asked to highlight any concerns, to which he confirmed, although not concerned, he felt the completion of Cyber Essentials was critical as a requirement of the funding body. **A member asked** if this was on track and if there were sufficient resources to complete it in time, with the Committee assured that the activities were on schedule, providing details of the outstanding works to be completed.

Members discussed the external review of Governance, currently being overseen by the Governance Committee. The Internal Auditors advised the Audit Committee also needed assurance from the review and an action was noted for the subsequent report and recommendations to be presented to the Committee. This would support the Committee Chair with the drafting of the annual report with the external opinion providing assurance to the Committee of the effective management of governance processes.

Clerk

Item 7 - Noted: *Members noted the details of the report.*

Actions:

- *The report should be colour coded report and an executive summary providing a narrative and management analysis.*

- *The ERG report would be presented to the Committee*

A.21.60 Item 8: Risk Management - Summary Of Changes In High Risks (delivered before item 7)

The Dir. of Finance and Facilities confirmed that movements had been summarised on a cover sheet following the Committee's request at the previous meeting.

The content of the summary was provided to the Committee, noting four risks had reduced, three remained the same and one had escalated from medium, to high. The circumstances surrounding the escalation of the risk relating to the claw back of grant monies were outlined, including the mitigating actions and the drafting of a paper to the Resources Committee.

The Committee were advised that more asbestos had been found and the funding available was insufficient for full removal, with a re-tender undertaken that would involve a combination of removal and containment. The risk was escalated as the restricted time frame and risks relating to asbestos were both considered high. **A member asked** which funding body had provided the grant and if this had been discussed with them. The Dir Finance and Facilities confirmed that they had been alerted and responded to reject the request for a further extension, noting that one had already been awarded from March to September.

The circumstances surrounding the failed tender were provided, informing the Committee that the successful contractor later indicated they could not undertake the works for the quoted amount or in the required timeframe. The Dir. Finance and Facilities advised the Committee that all companies that had submitted a tender had been contacted to submit an alternative bid. The Committee members were notified that the new application was for a fixed sum of £110,000 with the successful tender bid being the one that could undertake the most work in the required timeframe for the sum stated.

A member expressed concern over the disturbance of the asbestos if full removal was not being undertaken. The Dir Finance and Facilities advised that an asbestos management plan would be drafted, adding that full containment had been investigated as an alternative option, however, due to the location the area could not be sealed off due to water and heating pipes running through the affected area.

Members discussed this at length, concluding that the asbestos needed to be addressed and if the grant lapsed, the full cost would fall to the college, therefore the alternative opportunities for post tender negotiations were considered permissible. It was noted that the integrity of the tender framework was maintained by inviting all original applicants to be reconsidered and the Resources Committee Chair being kept informed throughout.

Committee members raised concerns over the college's procurement processes, noting the frequency of failed tenders and post contract negotiations and **asked** if the college could be part of a consortium to improve

knowledge and buying power.

The Dir Finance and Facilities indicated that the short timeframes involved with grant funding impeded the tendering process and that further problems had arisen due to the surveyor stating a survey would not have found any new asbestos, resulting in further lost time.

A member asked for the tender process to incorporate quality and reliability into the scoring matrix and not solely rely on price. The Dir Finance and Facilities advised that there had not been any indications earlier in the process that the asbestos problem would have been as big as it was found to be, noting that had the survey have been undertaken, it is likely that a significant proportion of the grant would have been utilised for this purpose.

The Internal Auditors informed the Committee that a project management review had been undertaken after the merger and recalled previous issues with tenders taken on price, with projects overrunning and ending up costing more than the higher quotes.

A member suggested a task and finish group for finalising the projects and to look at system and process improvement. This was discussed at length, with the Dir Finance and Facilities proposing it was not necessary due to the projects being near completion and no capital expenditure in the medium term financial plan. **Members, however, suggested** that the maintenance contracts still needed procuring. **A member added** that whilst there was no urgent need, this would be the ideal time to plan and prepare to ensure that future projects were efficiently managed with suitable tendering processes in place.

The Principal reminded members that despite the pandemic, the Pennington project had come in under budget, and although there had been some time slippage this was in the context of a national lockdown. It was noted that the College had a small team and therefore, did not have a dedicated team to manage projects and this was done in addition to other responsibilities, acknowledging that more support and training was necessary.

It was agreed that more work on procurement was necessary and the policy, approach and training should be addressed ahead of any future projects.

**Dir F&F/
Principal**

A member asked for the reasoning behind the downgraded risks. The Dir Finance and Facilities advised that time had passed for this risk to materialise in this financial year, noting that this could be increased again in the next academic year

The risk that the Pandemic would prevent the delivery of the adult education budget had also been reduced as the modelling suggested this was now above the threshold for clawback.

Curriculum planning had been lowered as the report from the Internal Auditors provided reassurance that the multifaceted approach was effective.

F3, relating to external economic pressure had been lowered following the announcement of the extension of the 16-19 Tuition Fund.

The item concluded with the Dir Finance and Facilities being complemented for the summary and supportive verbal explanations, adding that the colour coding of the document had been helpful, however the rationale of the changes had not been as clear.

Dir F&F

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

Actions:

- *Training and policies in relation to procurement and tendering need to be considered*
- *The summary should include rationale for any movements.*

A.21.61 Item 9: Post 16 Audit Code of Practice

The Dir. Finance and Facilities indicated the report, as drafted with the support of the Clerk, intended to highlight key issues relevant to the Committee, noting poignant areas relating to the appointment of auditors and additional auditing of the student ILR.

A member asked if the new requirements had been addressed. The clerk explained the additional requirement for retendering went beyond requesting that tendering takes place every five years, now requiring a policy to be in place to support the tendering process. It was confirmed that this had been incorporated into calendar of reports and would be presented for approval at the first meeting of the new academic year, ahead of commencing the tender process for the internal auditors. The benefits of this as a standalone policy or an annex to the Financial Regulations, were considered, with the Committee concluding that their preference was for a standalone policy.

Dir F&F

Item 9 - Noted: *The Committee noted the updated Post 16 Audit Code of Practice.*

Action:

- *Policy for tendering to be presented for approval*

A.21.62 Item 10: Internal Audit Plan For 2021/22 (to recommend for approval)

The internal audit plan report was summarised, with the Committee advised that this had been drawn up in collaboration with the former VP Services, along with the SLT and reviewed again with the Dir Finance and Facilities.

The context scope and benefits of the apprenticeship review were outlined along with highlighting the areas of focus for the commercial income strategy review, to include financial strategies, management and financial controls.

A member asked for clarity around the division of days, highlighting that

safeguarding had regular external assurance from a variety of sources, questioning if this then warranted 5 full days, whereas areas of concern including apprenticeships, attendance and retention had minimal external assurance, had less days allocated.

The Committee were advised by the Internal Auditors that the scope for safeguarding was wide with, frequent statutory updates, adding that safeguarding and prevent were incorporated into one review. It was also noted that this covered every age range served by the business and failure to consider and address inefficiencies in this area would have critical consequences.

Members and attendees discussed at length the division of days, concluding that this could be reviewed and amended through collaborative discussion between the Auditors, Dir. Finance and Facilities and the Principal.

Members questioned the timing of the reviews, noting the early inclusion of the commercial review, noting reduced activities in this area of the business due to ongoing restrictions, whilst raising concern over minimal statutory and legislative changes in GDPR since the last review.

The Internal Auditor explained that the increased risks of home working had been the primary focus of the GDPR review, to ensure the control framework standards were upheld with remote working.

The Committee noted the rationale for the timing of the Commercial Income Review, with the intention to undertake audit work in the autumn term that would not put pressure on the academic staff at a time of increased workload. The Committee requested that the review was deferred due to the ongoing restrictions and the reduced activity in the commercial businesses.

As the single largest element of expenditure, payroll was considered to be of greater priority and consideration would be given to moving this to term one. This would be reviewed in line with the workload of the department, noting that this would be a pressurised time with considerable recruitment over the summer period and supporting new starters in the autumn term.

ICCA/ Dir
F&F

Item 10 - Approved: *The Committee resolved to recommend the plan to the corporation for approval subject to some minor revisions on the timing of reviews and allocation of days.*

Actions:

- Allocation of days to be reviewed
- Consideration to be given to moving Payroll to Term one and the deferment of Commercial Income

A.21.63 Item 11: External Audit Plan for 2021/22 – Financial Statements Audit (to recommend for approval)

The External Auditors presented the Audit Plan to the Committee, highlighting key points, noting that there were no significant changes in the content.

The attention of the Committee was drawn to page 3 (128 of the pack) where the changes as noted under item 9 were highlighted, explaining that the change to the Post 16 Audit Code of Practice now necessitated additional funding assurance work, with the ability to rely on the ESFA ILR data now removed by this updated clause.

The Auditors explained that the scope and depth of the work necessary had not been provided by the ESFA. Detail was expected to be given at training scheduled for July 8th, after which, more specific details relating to the time requirement and cost could be provided, highlighting that it would not be a no cost option.

The Committee were assured that this would not interfere with the main audit work as scheduled. **A member asked** what guidance had been provided. The Auditors explained that in substantive testing, no reliance was placed on internal audit or internal controls and the auditors could make a decision on how to test. It was reiterated that the training was needed to provide clarity on the element of control expected in substantive testing, assuring the Committee that this would be put in writing to the College, with an expectation that the ESFA may provide details to the Colleges ahead of providing it to the auditors.

WB

The Committee were advised that the objectives and risk areas remained the same, reminding of the increased risks relating to the Pandemic as introduced in the previous year.

The roles of the main contacts were clarified, ensuring continuity and independence, with dates to be included following approval by the Corporation.

A member asked for clarification on the categorisation of risks as low in the table on page 7 of the report, with the Committee advised that the plan was to take a substantive approach where these are scaled in line with the risk, confirming this represents prevention and detection, not a presumed risk.

Item 11 - Approved: *The Committee resolved to recommend the plan to the corporation for approval, noting that dates and the additional work needed to be confirmed.*

Matter arising/action:

- The external auditors would write to confirm the details of the additional work including time and cost

A.21.64 Item 12: Audit Engagement Letters

The Dir Finance and Facilities summarised the content of the letters inviting questions and comments from the Committee. None were received.

Item 12 - Approved: *The Committee resolved to approve the Audit Engagement Letters.*

A.21.65 Item 13: Committee Terms of Reference (to recommend for approval)

The Clerk summarised the recommended changes as highlighted in the executive

summary. These were accepted by the Committee.

Item 13 – Approved: *The Committee resolved to recommend the Terms Of Reference to the Corporation for approval.*

A.21.66 Item 14: Audit Committee Work Plan 21-22 (to approve)

The Chair confirmed that discussions had taken place relating to the distribution of work and had concluded that two autumn meetings was the preferred approach. The Clerk added that the plan had been reviewed with the Dir Finance and Facilities, Head of Finance and Committee Chair and it was hoped that the reports as scheduled would be timely and evenly distributed.

Item 14 – Approved: *The Committee resolved to approve the work plan for 2021/22*

The internal and external auditors were thanked for their time and contributions and left after item 14 along with attendee Laura Bell.

A.21.67 Item 15: Review Of Internal Audit Performance Indicators

The Dir. Finance and Facilities informed the Committee that there had been some difficulties in appraising the performance of the auditors due to being new to post, with only one report seen and some areas of the appraisal left without comment.

It was noted that they had been flexible throughout the pandemic, with the Dir. Finance and Facilities advising that he had worked with them previously and they had always presented as capable.

Concerns over the length of the contract were discussed. It was noted that the initial 3 year contract had since been awarded a number of extensions, with the Dir Finance and Facilities indicating that the College now needed to test the market and go out to tender, however, it was considered unduly disruptive to do it within this academic year, due to the change in management, committing to undertake the process in the next 12 months.

The time frame for the tendering process was outlined, with the policy to be drafted over summer, approved in October with the process to commence in early January, and the contract offered by March to commence in September 2022.

A member asked if ICCA would be invited to submit a tender. The Dir Finance and Facilities confirmed that the sector had noted reduced interest in recent tenders therefore, wanted to avoid excluding any interested parties, noting that the size of the College also reduced how attractive the proposition would be.

Members discussed the benefits and drawbacks of accepting a tender from the existing contractor, with the Clerk confirming that this was permissible

under the updated audit code of practice, with the requirement for a tender process to be undertaken every five years, specifically indicating that this did not need to result in a change in contractor, however consideration should be given to maintaining independence and objectivity.

A member noted the number of days at 30 seemed high, with the Chair of the Committee advising that information and clarity had been sought from the Clerk, who had provided details of sector averages and the ability to provide internal assurance from 30 audit days.

Members concluded that the service needed to bring benefit to justify the 30 days, noting that reducing days for cost savings may not be beneficial if the service provided identifies savings or ways for increased income generation and that for this, the reports needed to provide recommendations in addition to reassurance.

Members held further detailed discussions over priorities and division of days, reiterating the need to gain reassurance and insight into key areas of the business. There were further comments on the need to focus on opportunities around apprenticeships, with a member noting that more young people are moving away from traditional higher education and considering an apprenticeship, with a review able to improve the provision for the benefit of the College and the young people.

Members concluded that the auditors had performed in line with expectations, with no cause for concern.

Item 15 – Noted: *The Committee resolved to note the performance review of the internal auditors*

A.21.68 Item 16: Reappointment Of The Internal Auditors (to recommend for approval)

The Dir. Finance and Facilities summarised the position as outlined earlier, with the need for continuity while internal changes were made. The commitment to running the re-tender process during the next academic year was reiterated, with this to be followed in 22/23 with the tendering of the external audit contract.

The 1% fee increase was noted and members offered their approval for a further one-year extension, subject to the audit plan being further reviewed to reflect the current priorities. The number of days was reconsidered, however, with ongoing financial and FEC scrutiny, it was considered appropriate to maintain the 30 days and only revise how it is utilised.

Item 16 – Approved: The Committee resolved to recommend the reappointment of the internal auditors to the Corporation for a further term of one year.

A.21.68 Item 17: Any Other Business

The Dir of Finance and Facilities noted his appreciation for member Mo Kundi

for the support in the recent tendering processes for security and cleaning contracts.

Members revisited the meeting content to consider whether any aspects needed to be maintained as a confidential minute. Members agreed that the reappointment discussions were not sensitive and could be maintained in the public record, with the Dir Finance and Facilities agreeing to discuss this with them ahead of publication.

Dir F&F

Concern was raised over the risks in relation to publicly noting the presence of asbestos. The Dir Finance and Facilities reminded the Committee that a paper would be presented to the Resources Committee meeting and that there should be parity in the approach. Members concluded that good governance centred around transparency, and this should be maintained in the public records unless considered as confidential by the Resources Committee.

Ahead of concluding, The Dir Finance and Facilities was thanked for all his hard work and the impact made in a short period of time, noting the improved executive summaries. The Dir Finance and Facilities assured the Committee that further improvements would be made, with work underway to overhaul the risk register.

Item 17 – Noted:

Action:

- The Dir Finance and Facilities would advise the auditors of the outcome and intention to run the tender process
- Parity on confidentiality of reporting asbestos would be made across the committees

Item 18: Date of the Next Meeting

The meeting date was advised as tentative, with confirmation to follow after the approval of the calendar by the Corporation.

The meeting closed at 4.50pm