

**Minutes of the Audit Committee Meeting held in the Southport College Conference Room
Wednesday 30th November 2021 at 4pm**

Present: Mo Kundi (Committee Chair)
 Laura Bell (independent member)
 Diane Hutchinson (independent member, appointed as Committee Vice Chair under item 4)

In Attendance: Paris Bonwick (AP MIS & Apprenticeships (from item 4)
 *Jane Butterfield (TIAA) (via MS Teams)
 Claire Dalrymple (Wylie and Bisset) (up to and including item 9.4)
 Lisa Farnhill (Clerk)
 Kevin Williams (VP Finance and Facilities) (from item 4)
 Andrew Winrow (Head of Finance) (from item 4)

Apologies: Carla Kennaugh (Associate member)

Absent: **None**

The meeting was held onsite. Those marked with an * attended virtually via MS Teams.

Minute No.	Minutes	Action
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A.23.01 ITEM 1: WELCOME AND APOLOGIES FOR ABSENCE

The Chair opened the meeting by thanking everyone their time and attendance.

The Clerk confirmed that apologies for absence were received from associate member Carla Kennaugh, with it possible, she may attend virtually at a later point.

The apologies were noted and accepted, with the Committee Chair confirming he had received some questions and points to raise on behalf of Carla should she be unable to attend virtually.

Item 1 – Noted: *The apologies listed were accepted.*

A.23.02 ITEM 2: DECLARATIONS OF INTEREST

The Clerk as DPO declared an interest in item 11.

Item 2 - Noted: *The Committee noted the interest declared.*

A.23.03 Item 3: Private Meeting Between the Audit Committee and The Auditors

This item has been redacted.

A.23.04 ITEM 4: APPOINTMENT OF A COMMITTEE VICE CHAIR

Members approved the appointment of independent member Diane

Hutchinson as the Committee Vice Chair for 2022/2023.

Item 4 - Approved: *Members resolved to approve the appointment of Diane Hutchinson as Committee Vice Chair for 2022/2023.*

A.23.05 ITEM 5: MINUTES FOR APPROVAL

Members reviewed the minutes as circulated and agreed that they were an accurate reflection of the meeting held on 11th May 2022, with a minor typing error relating to a job title to be corrected. Members confirmed there were no actions or matters arising to discuss that were not already highlighted in the report under item 6.

Item 5 - Approved: *The Committee resolved to approve the minutes as an accurate record of the meeting held on May 11th, 2022.*

A.23.06 ITEM 6: MATTERS ARISING/ACTIONS SUMMARY

Members noted the request of the Standards Committee for parity in terms of assessing meeting impact, agreeing to introduce the three-question survey after each meeting of the Committee with immediate effect.

Members noted that actions relating to GDPR and the data protection policies would be covered under item 11

The Vice Principal Finance and Facilities confirmed that since the drafting of the report, the Head of Finance had agreed to act as Fraud Champion, with the Clerk agreeing to look further at whether the College could now confirm they were able to sign the Anti-Fraud Pledge.

**Clerk/ Head
of Finance**

Item 6 - Noted: *The Committee noted the update.*

**A.23.07
ITEM 7: CONFIDENTIAL ITEMS**

The Committee discussed the extensive challenge during the meeting of May 11th and agreed item 4.1, should be redacted from the public version of the minutes, with the remaining information to be published in the interests of transparency. Members concluded the earlier private meeting with the auditors needed to be held as a confidential minute. The Committee Chair asked members to draw attention to any information considered to be confidential as the meeting progressed.

Item 7 – Approved: *The Committee resolved to approve the minutes for publication.*

A.23.08 ITEM 8: ANNUAL REVIEW OF THE CO-ORDINATION OF THE COLLEGE'S AUDITORS

The Chair confirmed that although each service could not rely on the work of the other, the audit firms continued to communicate and use one another's findings to ensure no duplication or gaps with shared output. Both audit services agreed to maintain the open dialogue as had been initiated with the previous Internal Audit Service.

Item 8 - Resolved: *The Committee resolved to note the position.*

ITEM 9 FINANCIAL STATEMENTS

A.23.09 Item 9.1 Financial Statements Auditor's Management Letter - 2021/2022

Claire Dalrymple of Wylie and Bissett was invited to take the Committee through the report. The annual report was summarised, confirming it was presented in the same format as the previous year, which would remain in draft until receipt of the final documents required from the college. The Committee was assured that the expectation was for the final report to be an unmodified audit report, with the only updates being the removal of section 1.2 and wording updated to reflect that they had given an unmodified opinion, with 'expected to' and 'draft' removed.

Each section of the report was summarised, with members assured that there had been no concerns, with information from the college timely and of a good quality. It was confirmed that a substantive approach was taken, with Wylie and Bissett not relying on the reports of the IAS, however, they were reviewed for direction.

Members noted no concerns in relation to the going concern position, governance and internal controls and fraud and irregularity. The unadjusted errors were highlighted with it confirmed that these did not materially mis-state the final position, therefore were included for information only, with no intention to adjust the accounts.

In concluding, sections for approval and signing were reviewed, including the management letter and letter of representation. The Committee were assured that there were no indications or expectations that there would be a delay in completion, with the Head of Finance having sent through additional information as requested.

Item 9.1 – Resolved: *The Committee resolved to recommend the report to the Corporation as essential information, with the management letter and letter of representation to be presented for approval and signing.*

A.23.10 Item 9.2: Regularity Self-Assessment Questionnaire (RSAQ)

The Committee were advised that the auditors had reviewed and were satisfied with the responses provided to the RSAQ. Members were assured of ongoing financial safeguards and processes utilised during the closure, as tested by the IAS to provide additional assurance.

It was clarified that once approved by the Corporation, a signed copy would be provided to the Auditors.

Item 9.2 – Resolved: *The Committee resolved to recommend the self-assessment to the Corporation for approval and signing.*

A.23.11 Item 9.3: Report on the Consideration of Fraud and Irregularity

The VP Finance and Facilities informed the Committee that the information as summarised in the report had been reviewed with the auditors, with no incidents or concerns. Members noted they were assured that the controls in place were strong.

Item 9.3 - Resolved: *The Committee resolved to recommend the report as essential information to the Corporation.*

Item 9.4: Financial Statements – 2021/2022**A.23.12**

The VP Finance and Facilities confirmed the annex's summarised the information, noting how the financial position at the end of July had been better than anticipated.

Committee members were assured of a thorough review and interrogation by the Resources Committee with the latest version in the Committee pack incorporating the recommendations of the Resources Committee and requests for amendments by Wylie and Bissett.

Members discussed the impact of the actuarial gain, along with the release of the prudently held clawback. Full explanations were provided, with it clarified that the year end position was not unexpected, however, it could not be confirmed until the devolved authorities confirmed their thresholds, which were lowered during the Pandemic. The Committee were advised that the Resources Committee had asked that the amount was not released until year end, so that it did not cloud the in-year financial performance.

The Committee discussed the financial challenges and risks, including the pay award, rising energy costs and under-recruitment to adult courses, noting that without significant cost savings, the financial health could return to 'requires improvement'.

Mitigating actions and options currently under consideration were outlined, including feedback from the Resources Committee meeting. Members asked about approaches taken within the sector in relation to energy savings and staff pay awards, noting that the Resources Committee and SLT had begun a cost/benefit analysis for some of the options.

The item concluded with the finance team formally thanked and congratulated for the work done throughout the last year, whilst acknowledging and offering support for the challenges expected in the coming year.

Item 9.4 - Resolved: *The Committee resolved to recommend the Financial Statements for 2021/2022 to the Corporation for approval and signing.*

A.23.13 ITEM 10: REVIEW OF OTHER AUDIT SERVICES 2021/2022

The VP Finance and Facilities confirmed the IAS had been commissioned to

provide two days support with the development of the Risk Register in 2021/2022, clarifying this was at the standard rate and included separately within the annual report for transparency.

Members were also advised that following discussions with the Committee Chair, an additional review of the College's use of credit cards has been scheduled for 2022/2023. It was noted that this was initiated following the discussions and concerns raised by the Corporation in July relating to the tightening of budgetary controls.

It was clarified that the regularity audit and teachers pensions audit were considered part of the main work of the external auditors, therefore did not need declaring as additional work.

Item 10 - Resolved: *The Committee resolved to ratify the approval of the additional audit work to be undertaken by TIAA in 2022/2023 in relation to credit card use.*

A.23.14 ITEM 11: DATA PROTECTION POLICIES AND GDPR UPDATE

The AP MIS and Apprenticeships confirmed he had initiated a full review of the Data Protection Policies following the last meeting, with reasons for delay provided to the Committee. The Clerk, as DPO confirmed that the AP MIS and Apprenticeships had considered them from an operational perspective, with a secondary review by the DPO from a compliance and legislation perspective. Committee members agreed they were comprehensive, agreeing to recommend them to the Corporation for approval.

The Committee were informed that following the failure of GDPR Sentry to meet their SLA, the service had been cancelled, with a full refund obtained. It was noted that the SLT had reviewed the options for appointing an appropriate DPO, including further consideration for an alternative external provider. The Committee noted that the Principal had consulted with other colleges, who confirmed most managed this in house, with a large number appointing the Clerk due to their objectivity and status. The Clerk confirmed she had experience of the role and had the capacity for additional hours, with acceptance of the role supported by CPD and training.

Objectivity and independence were noted as key with the Clerk highlighting the aspects of the report that detail the mitigations in place to ensure this. Members asked the extent of the operational involvement of the DPO, with it clarified that this was an oversight and compliance role, with the Clerk working closely with the Head of IT, and AP MIS and Apprenticeships who would implement the policies and practices at an operational level.

Members congratulated the Clerk on her appointment and thanked those involved for the progress made in relation to GDPR.

Members discussed the reputational impact of data breaches, asking if there would be support from the marketing team to mitigate this. The DPO explained

that this was incorporated into the critical incident management plan, with it clarified that although informing those affected of a breach increased the risk of reputational damage through wider circulation, transparency with those affected was a requirement of GDPR.

Item 11 - Approved: *The Committee resolved to note the update and recommend the Data Protection Policy, Rights of the Subject Policy and Breach Policy to the Corporation for approval.*

ITEM 12: OTHER ASSURANCE REPORTS

A.23.15

The Committee noted the information from the LCR Adult Offer Assurance Review, JCQ Inspection Outcome and Governance Self-Assessment.

The AP MIS and Apprenticeships thanked the Clerk for drafting the report and provided members with an overview of the inspection, assurance reports, outcomes, and subsequent remedial actions. In response to questions from the Committee, the AP MIS and Apprenticeships conceded that the records referred to were not in place at the time of the review, however, this had been immediately rectified.

Members were advised of upcoming audits which would be reported to the Committee at the next meeting.

The Clerk summarised the process and outcomes of the Self-Assessment of Governance, advising that the areas for improvement and actions had been approved, however, the external report as included was yet to be approved.

Item 12 - Resolved: *The Committee resolved to accept the assurances provided.*

Item 13: INTERNAL AUDIT REPORTS

A.23.16 Item 13.1: Internal Report on Actions Against Previous Audit Recommendations

The Head of Finance summarised the update, confirming that two recommendations were superseded, eight actions had been completed and six recommendations were yet to be implemented, with progress discussed.

Members discussed at length the need for timely implementation of recommendations, noting the data dashboards implementation date was now passed by twelve months. The Committee was assured of progress, with two dashboards now available in draft.

Whilst agreeing that the building of dashboards was lengthy, specialised, and complex, members reiterated their concern was not over the progress or delay, but over the realistic setting of implementation dates. Members proposed reporting needed to reflect the complexity of the recommendation, suggesting milestones needed to be incorporated into the implementation date, so that

progress reviews are in-built, allowing the Committee to monitor progress towards the final implementation deadline.

The item concluded with members confirming that when implementation dates had been exceeded, these needed to be reviewed and replaced with realistic yet timely deadlines, to include progress points for Committee oversight, whilst ensuring that the original deadline is still detailed to make it clear that the original deadline has passed.

**Head of
Finance**

Item 13.1 - Resolved: *The Committee resolved to note the update, subject to the review of implementation dates and inclusion of progress points.*

A.23.17 Item 13.2: Internal Auditors Annual Report on the Progress Against Recommendations 2021/22

The VP Finance and Facilities confirmed that the report had been drafted by ICCA. Further clarification was provided on the progress against previous recommendations alongside further clarity and assurance for outstanding actions.

Members discussed at length IT resilience, cyber security and risks. Members were assured by actions undertaken to mitigate the risks, including the progress made by the previous Head of IT. Members discussed the high turnover of staff in the department, which had been unrelated to circumstances in the college and were due to unique personal circumstances.

Members considered the value for money implications of a high volume of low value IT investments which were not providing long term solutions, and proposed a full cost benefit analysis, to include risk reviews were necessary in relation to any further spending. Members suggested that technology (including the failure thereof) was the biggest risk the college faced.

Item 13.2 – Resolved: *The Committee resolved to note the assurances of the report.*

A.23.18 Item 13.3: Annual Internal Audit Report

The VP Finance and Facilities confirmed that the report had been drafted by ICCA and had been shared with TIAA and Wylie and Bisset.

The outcome and assurances were discussed, noting apprenticeships had been the only concern, with two high priority recommendations, which was an area identified internally as needing to improve.

Item 13.3 – Resolved: *The Committee resolved to recommend the report to the Corporation as essential information.*

A.23.19 Item 13.4 Internal Audit Reports

The Committee confirmed to the Vice Principal that within the private meeting, TIAA had already outlined the need to defer the reports due to staffing changes and paternity leave.

Previous issues in relation to apprenticeships and subsequent improvements to

address them were outlined. It was noted that both reviews will have concluded ahead of the next meeting of the committee.

Members clarified that the recruitment of a new Head of IT had taken into consideration the needs and priorities of the college. Members sought to ensure the appointment had suitable experience and that efforts had been made to ensure they are a good cultural fit for the organisation, to ensure some continuity in the department. The Vice Principal assured the Committee that the recruitment process had been thorough, with the interim Head of IT remaining in place to provide stability and support with the handover.

The item concluded with TIAA being thanked for being flexible and accommodating in relation to the updated timing for the reviews.

Item 13.4 – Resolved: The Committee resolved to note the update.

A.23.20 ITEM 14: RISK MANAGEMENT

The VP Finance and Facilities summarised the changes to the risk register, highlighting mitigations in place, with particular attention drawn to the high-risk action plan.

Reduced adult enrolment and the lagged effect of lower than targeted 16-18 recruitment were discussed in the context of increased economic pressures.

Members noted that a 7% increase in 16-18 learner numbers, resulted in a reduced risk score, however, this remained categorised as an area of high risk as recruitment was below target, which would reduce income by around £90,000 in 2023/2024.

Members noted the risk score relating to the threat of industrial action, had increased, although remained categorised as medium, with negotiations with the unions ongoing. Members discussed local action at other colleges and the reputational impact and were assured the unions acknowledged the limitations for a small college with it hoped an agreement relating to pay would be made in the coming weeks. Members discussed the awards publicised by some colleges, along with the caveats relating to how this was broken down. The Committee acknowledged pay remained a risk, with it unlikely that the college's financial position would allow them to have parity with the sector locally, however, needed to be competitive enough to support retention and recruitment.

When considering the increased risk relating to energy costs, members suggested the college should explore possibilities for investing in greener energy to reduce the impact of energy price rises and support with meeting sustainability targets. Members were assured that this was being built into any future capital investments, however, the college was currently prohibited by strong competition for the limited grants, with it hoped that the ONS outcome along with approval of the estates strategy would now put the college in a stronger position for accessing future allocations.

Members thanked the SLT for continuing to explore savings through investigating usage and educating staff around the impact of their usage.

Item 14 – Resolved: The Committee resolved to note the update.

A.23.21 ITEM 15: COMMITTEE SELF-EVALUATION 2021/2022

The Clerk summarised the report, highlighting how the Committee had met the requirements of the ACOP and delegated authority as laid out in the Committee's terms of reference.

Members noted areas for improvement, which included a review of the KPI's for the review of audit services, asking the auditors if they had any examples from the sector.

Members agreed that recommendations needed to be closely monitored, accepting the self-evaluation outcomes.

Item 15 – Resolved: *The Committee resolved to accept the self-evaluation as an accurate reflection of performance in 2021/2022.*

A.23.22 ITEM 16: ANNUAL REPORT OF THE AUDIT COMMITTEE

The Clerk summarised the report, highlighting that this drew upon information from the annual reports of the IAS and external auditors, the funding audit, the review of the Committee's own performance and other sources of external scrutiny, including the LCR funding audit, FEC DA and ERG. The Clerk reminded the Committee that the report needed committee approval ahead of being presented to the Corporation as a recommendation on control measures, which must be ahead of the signing of the Financial Statements.

The Clerk highlighted the conclusion, noting the Committee had met its obligations as laid out in the terms of reference and based on the assurances received throughout the year from a variety of sources, could provide assurance to the Corporation that measures for internal control and risk management were effective.

It was noted that the report stated the committee was in a position to recommend to the Corporation the signing of the financial statements as the Committee had received information that indicated internal controls are effective. The report summarised the position on risk, with adequate processes for managing and mitigating risk, with the Committee provided with substantial assurance from the IAS review of risk measures, which had been followed up by a further review and improvements to the risk management processes. The Clerk highlighted how this demonstrated a commitment to continued improvement and risk mitigation.

Item 16 - Resolved: *The Committee resolved to approve the annual report and present this to the Corporation ahead of the signing of the financial statements.*

A.23.23 ITEM 17: ITEMS TO BE REPORTED TO THE CORPORATION

The Committee agreed to summarise the work of the committee through the circulation of the minutes.

The Committee resolved to circulate the following as essential information ahead of the signing of the financial statements:

- Annual Internal Audit Report 2021/2022
- Fraud & Irregularity Report 2021/2022

- Audit Committee's Annual Report 2021/2022

The Committee agreed to circulate to the Corporation the following reports for approval:

- Regularity Assurance and Self-Assessment Checklist 2021/2022
- Audit Completion Report 2021/2022
- Financial Statements 2021/2022
- Management Letter and Letter of Representation (for signing)
- Updated Data Protection Policies

Item 17 – Approved: *The Committee resolved to recommend the information as outlined above to the Corporation at the meeting of 14th December 2022.*

A.23.24 Item 18: Next Meeting of the Committee and Closing Comments

The next meeting was confirmed as Wednesday 28th February 2023.

Members and attendees were thanked for their contribution and preparations and noted how reassured they had been from the detailed reports and responses to the questions of members.

The Finance team were thanked for their hard work and robust processes.

Item 18 – Noted: *The Committee resolved to note the date of the next meeting.*

The meeting closed at 6.11pm