

**Minutes of the Audit Committee Meeting held on
Wednesday 24th June 2020 at 3.00pm via Microsoft Teams**



Present: Carla Kennaugh
Mark Grutters
Mo Kundi – Chair
Jim Turner – Associate Governor

In Attendance: Michelle Brabner – Principal CEO (Observer)
Jonathan Creed – ICCA
Claire Dalrymple – Wylie & Bisset
Anne-Mare Francis – VP Curriculum & Quality
Eddie Green – Vice Principal Services
Caroline Jenkinson – Director of Governance
Alison Sadler – Head of Business and Adult Education

Action

A.20.45 Item 1: Apologies for absence

There were no apologies for absence.

A.20.46 Item 2: Declarations of Interest

None.

A.20.47 Item 3: Minutes of the Previous Meeting of 23rd January 2020 and the Extraordinary Meeting of 3rd June 2020

The Board resolved to approve the minutes as an accurate record.

A.20.48 Item 4: Matters Arising/Actions Summary

No matters arising from the minutes or Actions Summary.

A.20.49 Item 5: Confidential Items

No agenda items were considered to be confidential.

Item 6: Internal Audit

A.20.50 Item 6.1: Terms of Reference: Remote Processing of Payroll and Purchase Ledger

Jonathan Creed, ICCA, presented the report and explained he had received instructions from the Director of Governance on behalf of the Committee to move forward with a review of the remote processing of payroll and purchase ledger since the College went into lockdown on the 23rd March 2020. He confirmed the review would be undertaken remotely with the aim of giving assurance that the normal financial controls are continuing to work as usual..

In response to a governor question regarding approving payments via IT Jonathan confirmed the review would be looking at the payment authorisation trail rather than data security. The VP Services acknowledged that there was an inherent risk with people using their own

devices to work from, however, emails with regards to salaries, for example, were password protected and staff had received IT guidance on security and remote working. Remote desktop being a secure end-to-end platform.

The Committee resolved to receive and accept the report and recommend to the Corporation approval of the review of Remote Processing of Payroll and Purchase Ledger

A.20.51 Item 6.2: Internal Audit Reports 2019/2020 – Semester 1

Item 6.2 i) Adult Provision Strategy

ICCA concluded that the College's overall level of assurance opinion was Reasonable, which is a positive assurance. The areas of the control environment tested during the audit were considered to be designed and operating effectively with no significant weaknesses.

The audit had identified four areas for improvement (3 medium and 1 low) and the resulting recommendations were set out in the Action Plan. Management's response to each recommendation was also set out in the Action Plan and ICCA confirmed they were content with these responses with work on them already progressing for 2020/21.

The VP Services referred to the financial forecasts noted in the fourth recommendation and explained the ESFA had requested an additional return by the end of July 2020, however, the September 2020 implementation date was still correct.

In response to a governor questioning whether other Committees received sight of the audit recommendations and if they were aware of where the actions had come from, the VP Services agreed this was something that could be considered.

**VP Servs/
Dir of Gov**

Alison Sadler, Head of Business and Adult Education (BAE) joined the meeting at 15.23.

When questioned how well the College's recruitment plan compared to others seen Jonathan confirmed it was consistent with other plans. The audit had looked at the relevance of the curriculum offer to local needs and labour market information. The Head of BAE added that the curriculum offer was based on market intelligence, including what local employers needed now and in the future together with current LCR priorities. The curriculum was reviewed annually with constant contact being made with local employers.

The Committee resolved to receive and accept the report.

Alison Sadler, Head of Business and Adult Education(BAE) left the meeting at 15.30.

A.20.52 Item 6.2 ii) Support Cost Benchmarking

ICCA provided management and the Audit Committee with an advisory report detailing their findings and suggested areas for further consideration.

Jonathan outlined the basis of the report and noted the review was completed in line with the College's 2019/20 Internal Audit Plan as 'advisory' work. As a result ICCA offered no assurance opinion to management and the Audit Committee for the areas reviewed.

ICCA had benchmarked the overall difference between Southport College and:-

- a) 'Similar Size Median' colleges for each functional area; and
- b) a comparator group of 'larger' colleges, with a level of turnover similar to that included within the College's 'post-merger financial plan'.

He explained the results were a management tool to aid the understanding of the rationale behind particular results, for example, why the College appeared to have more staff under the LLC than the median similar size college. The details within the tables at 2.1 and 2.4 were to be considered as a starting point for management to address the reasons behind the higher staffing costs, where applicable.

In response to a governor question regarding future plans for reducing staffing costs now it was two years post merger, the VP Services responded that the merger had always been based on achieving growth. Business support staffing levels would remain the same as growth is achieved thus costs would be reduced under economies of scale.

The VP Services explained that the findings of the review would be considered by management, particularly with reference to factors that may be skewing the figures. For example, the College's participation in the Capacity and Delivery Fund which due to it being relatively new may not be included in the median figures. Jonathan agreed to check this.

ICCA

The VP Services observed that, excluding work placements, the College's rate of pay against other benchmarking reports was usually lower than other colleges. Jonathan added that internal benchmarking was also an important consideration when looking at costs.

The Committee resolved to receive and accept the report.

A.20.53 Item 7: Implementation of Audit Recommendations

The Head of Finance presented his report showing the action taken with regards to outstanding audit recommendations from the previous meeting on 23rd January 2020. He confirmed 1 recommendation had been completed, 3 were due to be completed and 8 were still outstanding. He acknowledged that the effects of Covid-19 and lockdown had impacted on progress in some areas, although work was still being progressed.

In response to a governor question he confirmed there were no financial risks arising from the outstanding recommendations and they should have progressed by the time of the next meeting.

As suggested by a governor the Head of Finance agreed to put revised dates in the 'comments' column.

Head of
Finance

The Committee resolved to receive and accept the report.

A.20.54 Item 8: Risk Management

The VP Services presented his report and confirmed the risks were looked at annually as a whole in advance of presenting them to the Board who consider the overall Risk Management Plan. He advised that it had not been considered appropriate to have a separate Covid risk register, instead the Risk Management Group had assessed the impact of Covid 19 on each risk and, where appropriate, the risk scores/control procedures were amended.

A governor noted that only risks with a net high score had an action plan against them and questioned why this was. The VP Services responded that the action plan aimed to try to control and mitigate risk as much as possible, however, a risk could remain high irrespective of the measures put in place. He added that ICCA consider all the risks when looking at the Internal Audit Report and risks are considered as a matter of course at all SLT meetings.

The governor also noted the difficulty in interpreting the Risk Action Plan and the ability to see clearly how high risks were being managed and questioned whether a new format could be introduced. The VP Services stated that Risk Management was in the Internal Audit Plan for next year and as the previous major review of the risk register took place in 2016 he agreed it would be an opportune time to undertake a new review. In accordance with the Plan a review would take place in the autumn term. A governor advised that during a pre-meeting he had agreed to spend additional time considering this report and would send questions to the VP Services following today's meeting to help inform the direction of the internal audit work next term.

**VP Servs/
ICCA**

The Committee resolved to receive and accept the report on condition a review of Risk Management would be undertaken by the Internal Auditors at the start of the Autumn Term 2020. They determined the Internal Audit Plan is sufficient to provide the required levels of assurance for the Corporation.

A.20.55 Item 9: Post 16 Audit Code of Practice

The VP Services confirmed the Post 16 Audit Code of Practice, usually issued early in the calendar year, had yet to be released. The college continued to work under the previous Code.

Jonathan Creed left the meeting at 4.25pm.

A.20.56 Item 10: Review of Internal Audit Performance Indicators

The VP Services presented his report and explained a standard set of KPIs were reviewed each year, this year had been made more difficult due to Covid-19. He confirmed ICCA continued to perform satisfactorily and had no issues with regards to their re-appointment.

A governor referred to the recommendation for the reappointment of ICCA for one year. The VP Services confirmed ICCA had completed the three years of their initial contract and were now in their fourth year with appointment reviewed on an annual basis. Following discussion the Committee agreed to review this report earlier in the cycle next year, ie March instead of June, to allow time to complete a tender if it was deemed necessary.

**VP
Services**

The Committee resolved to receive and accept the report and recommend to the Corporation the reappointment of ICCA for 2020/21 (subject to agreement of fees).

A.20.57 Item 11: Re-Appointment of Internal Auditors and Proposed Fees for 2020/21

The VP Services presented his report which set out ICCA's proposed fees for 2020/21. He confirmed the proposed fee increase from [REDACTED] equated to 1.1% compared to CPI of 0.8%.

The Committee resolved to receive and accept the report and recommend to the Corporation the reappointment of ICCA at a fee level of [REDACTED] for 2020/21.

Jonathan Creed re-joined the meeting at 4.35pm.

A.20.58 Item: 12: External Audit Plan for 2019/2020 Financial Statements

Claire Dalrymple, Wylie & Bisset, presented the report and explained the Plan gave an overview of preliminary audit planning procedures in relation to the Financial Statements of the College for the year ended July 2020. She confirmed the plan was in line with previous years with a couple of small changes outlined within the report.

A governor had raised a number of questions via email prior to the meeting which Claire had duly responded to. Director of Governance to circulate to members.

Dir of Gov

It was confirmed that as shown on the Risk Matrix, Wylie & Bisset's initial assessment based on their summary of systems and overall risk assessment had resulted in Low Total Overall Risk.

In response to a governor question Wylie & Bisset confirmed they continued to perform their audits remotely and this would remain until there was significant movement in lockdown rules. The VP Services and Head of Finance stated they could not foresee any problems with the remote audits as the information collated is in electronic format and uploaded via a secure portal.

It was noted that additional fees of [REDACTED] would be incurred this year due to the new OfS reporting requirements.

The Committee resolved to receive and accept the report and recommend to the Corporation approval of the External Audit Plan 2019/20 Financial Statements and the additional fees [REDACTED] for the new OfS reporting requirements.

A.20.59 Item 13: Audit Engagement Letters

The VP Services presented his report and confirmed there had been no changes to this year's Internal Audit Engagement Letter. However the External Audit Engagement Letter had been delayed pending the release of the revised Post 16 ACOP and would, therefore, need to be considered at a subsequent meeting.

VP Servs

The Committee resolved to receive and accept the report, approve the Internal Audit Engagement Letter and approve management to sign it.

A.20.60 Item 14: Items to be reported to the Corporation

- Review of Remote Processing of Payroll and Purchase Ledger
- Reappointment of Internal Auditors
- External Audit Plan for 2019/2020 Financial Statements and additional fees of [REDACTED] for new OfS reporting requirements

A.20.61 Item 15: Date of Next Meeting

Wednesday 11th November 2020.