

Minutes of the Audit Committee Meeting held via MS Teams on Wednesday 18 November 2020 at 3pm

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

In Attendance: Joanne Platt (Interim Director of Governance)
Michelle Brabner (by invitation from the Chair)
Eddie Green (Vice Principal Services)
Andrew Winrow (Head of Finance) (for item 10)
Jonathan Creed (ICCA)
Claire Dalrymple (Wylie & Bisset)

Minute No.	Minutes	Action
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A.21.01 Item 1: Apologies for absence

There were no apologies for absence.

The Interim Director of Governance confirmed the meeting was quorate.

A.21.02 Item 2: Declarations of Interest

None

A.21.03 PRIVATE MEETING BETWEEN THE AUDIT COMMITTEE AND THE AUDITORS



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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Michelle Brabner, Eddie Green and Andrew Winrow joined the meeting.

A.21.04 Item 3: Minutes of the Previous Meeting of 24 June 2020

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

A.21.05 Item 4: Matters Arising / Actions Summary

There were no matters arising from the minutes.

The Interim Director of Governance presented the Actions Summary from the meeting on 24 June 2020 from which it was noted that all actions were either complete or on the agenda for further discussion at this meeting.

In relation to A.20.51, the Committee agreed to the addition of a standing item on each Committee's agendas from the next cycle of meetings, to report the outcome of any internal audit findings relevant to the work of the Committee. This would take the form of a very high-level report outlining the assurance rating and the plans to address any recommendations.

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The Committee resolved to accept the report.

Minute No.	Minutes	Action
A.21.06	Item 5: Confidential Business	
	None.	
A.21.07	Item 6: Risk Management: Review of High Risk Action Plan	
	<p>The Committee considered a report in relation to risks scored as High on the risk register and noted that the risk relating to overspend on major capital projects had been removed as this was now unlikely to occur given the current forecast spend on the Pennington refurbishment and the level of contingencies remaining.</p>	
	<p>Risks in relation to IT system failures have also been reduced to medium and thus removed from the High Risks Register, following the completion of the IT infrastructure merger project over the summer.</p>	
	<p>Governors noted that there were no new high risks.</p>	
	<p><i>The Committee resolved to note the report</i></p>	
A.21.08	Item 7: Internal Audit Reports	
A.21.09	Item 7.1: Mock Funding Audit	
	<p>Jonathan Creed summarised the outcome of the Mock Funding Audit which had resulted in a substantial assurance rating with five low priority recommendations. It was noted that the scope of the audit was on 16-18 learners and other study programmes and that the work had not included apprentices, which was to be the subject of a separate ESFA Mock Funding Audit this year.</p>	
	<p>In response to questions from governors, Jonathan confirmed that the error rate was not unusual and that errors detected were all of a very minor nature. However, as the funding audit methodology was zero tolerance, the outcome appears worse than it is. In fact, most of the errors detected from the sample tended to be isolated incidents such as a start date for a student being recorded incorrectly. There was no funding impact in any event as there was no clawback on funding in relation to 16-18 learners.</p>	
	<p>Jonathan advised the Committee that it was inevitable that similar errors would arise from the ESFA audit. Governors noted that half the sample for that audit will be apprentices and that most funding errors found in the sector related to apprentices where the funding methodology was complex and subject to many changes.</p>	
	<p>A governor asked if this exposed the college to any financial risk and Jonathan confirmed that this was unlikely as apprenticeship income amounted to less than 10% of the College's income.</p>	

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No.**

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The Vice Principal Services confirmed to the Committee that all recommendations had been accepted and were being addressed.

Governors noted the additional impact of the ESFA audit being undertaken remotely, thereby reducing the ability of management to address minor issues at the outset which would make the work more challenging.

The Committee resolved to accept the report

A.21.10 Item 7.2: Remote Payroll and Payment Processing

Jonathan Creed summarised the outcome of the Audit which had focused on the cost side and had resulted in a substantial assurance rating with just one low priority recommendation in relation to payroll.

The Committee resolved to accept the report

A.21.11 Item 7.3: Follow Up

Jonathan Creed summarised the outcome of the Follow Up Audit, which resulted in a reasonable assurance rating. Governors noted that of 15 recommendations, nine had been fully implemented, four had been partially implemented and two had not yet been implemented.

All outstanding actions will be carried forward with revised implementation dates.

Governors queried the start dates for the actions with revised dates and it was confirmed that the report on the agenda under Item 10 addresses this.

In response to questions from governors, the Vice Principal Services confirmed that actions were tracked through SLT monitoring reports and it was thought that most of the revised dates were realistic and achievable. However, the GDPR and cyber essentials actions may take a little longer to fully implement. Despite this, delays will not expose the College to any risks.

The Committee resolved to note the report

A.21.12 Item 7.4: Annual Internal Audit Report

Jonathan Creed presented the Internal Audit Annual Report which followed a standard format. Governors noted that the report stood as the Head of Internal Audit's Annual Audit Opinion which no longer goes to the ESFA. However, the opinion is instead noted in the Audit Committee's Annual Report contained within the Financial Statements submitted to the ESFA.

The report gives a reasonable assurance rating which is in effect an unqualified opinion and governors noted that this is the maximum assurance rating achievable given that the rating is based on only six or seven systems out of a great many more, making it impossible to provide a substantial rating.

The Committee resolved to note the report

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A.21.13 Item 8: Post 16 Audit Code of Practice

The Vice Principal Services presented the Post 16 Code of Practice released in July 2020. It was noted that there were no fundamental changes and that the College was fully compliant with the Code.

The Committee resolved to note the report.

A.21.14 Item 9: The Scope of the Work of the Audit Committee

The Vice Principal Services presented the Scope of the Work of the Audit Committee released in September 2020 and confirmed that the College was fully compliant.

The Committee resolved to note the report.

A.21.15 Item 10: Implementation of Audit Recommendations

The Head of Finance presented a report providing an overview of the position in relation to implementing audit recommendations and an update on the position since the previous report in June 2020.

Governors noted that four recommendations scheduled to be completed by November 2020 were still outstanding and a further eight recommendations scheduled to be completed after November 2020 were not yet completed. Nine recommendations had been completed since the last report.

Governors noted that the report provides the original completion date alongside any revised dates to enable governors to track progress.

In response to questions from governors, the Vice Principal Services confirmed that most of the revised dates were realistic and achievable. However, the GDPR and cyber essentials actions may take a little longer to fully implement. Despite this, delays will not expose the College to any risks

Governors noted that the Corporation had accepted the need to review the Instrument and Articles of Government to incorporate maximum numbers of terms of office for governors to serve but acknowledged that this needed to be underpinned by a mapping exercise to ensure that the College didn't find itself with too few governors.

This work is planned to take place early in 2021 following which the Instrument and Articles will be reviewed to address this recommendation.

In response to a question from a governor, the Vice Principal Services advised the Committee that the most critical medium term action requiring attention related to Cyber Essentials. Whilst all actions need attention, the other actions were deemed not as critical.

The Committee resolved to note the report

A.21.16 Item 11: External Audit Engagement Letter

The Committee considered the External Audit Engagement Letter, which will be finalised when the financial audit is completed and Claire Dalrymple thanked management for their help in providing the information to enable the work to be undertaken in a timely way.

Governors noted that at this point in time, there are no concerns and that it was anticipated that there would be an unqualified opinion.

The Committee resolved to give approval to management to sign the Engagement Letter when finalised

A.21.17 Item 12: Review of Auditors other services

The Vice Principal Services presented a report which confirmed that no additional work outside of the agreed plan for both internal and external audit had been commissioned in 2019/20.

Governors noted that ICCA had been commissioned to provide some initial support in relation to the sample for the ESFA Mock Funding Audit in 2020/21 but that this will be the subject of a report to the Committee this time next year.

The Committee resolved to note the report

A.21.18 Item 13: Annual review of the co-ordination of the College's Auditors

Claire Dalrymple and Jonathan Creed confirmed working and report sharing arrangements between themselves and with management of the College, coupled with attendance at Audit Committee meetings.

It was noted that ICCA and Wylie Bisset can't rely on the reports of the other in formulating their audit opinions but did take each other's work into account alongside other evidence when doing so.

The Committee resolved to note the position.

A.21.19 Item 14: Items to be reported to the Corporation

The Chair summarised the actions from the meeting and identified the following items to be reported to the Corporation at its meeting on 14 December 2020:

- Annual Internal Audit Report
- Minutes of today's meeting
- Verbal update in relation to the External Audit Engagement letter
- Verbal update on monitoring of Internal Audit actions

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No.**

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A.21.20 Item 15: NAO Report on the Financial Sustainability of FE Colleges

The Vice Principal Services had shared a recent report from the National Audit Office on the Financial Sustainability of FE Colleges. It was noted that a summary of the report was provided by the Association of Colleges in the Annex to the report.

Governors noted that the report was for action by the ESFA but that the report provided a useful summary for governors' information which provided context for the College.

The Committee resolved to note the report

A.21.21 Item 16: Date of Next Meeting

Wednesday 2 December 2020 at 5pm

Meeting ended at 4.35pm.