

## Additional Meeting of the Audit Committee

<b>Date:</b>	6 December 2023	<b>Room number</b>	Via Teams
<b>Present</b>	Bim Osunsami (Chair), Bal Panesar (Vice-Chair), Nick Kavanagh (NK)		
<b>In attendance</b>	Victoria Eastwood (Chief Governance Officer) (CGO) Steve Dowbiggin (Interim Principal/CEO) (invited to attend by the Committee) Wijay Pitumpe (Interim Deputy Principal – Finance & Resources) (IDPFR) Paul Goddard (Scrutton Bland) (PG) Mark Eagle (MacIntyre Hudson) (ME)		
<b>Apologies</b>	N/A		
<b>Circulation</b>	Audit Committee/Corporation		

<b>1.</b>	<p><b>Welcome and apologies for absence</b></p> <p>The Chair welcomed all present to the meeting and introductions were made. There were no apologise for absence.</p>
<b>2.</b>	<p><b>Declarations of Interest</b></p> <p>Governors were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. Bim Osunsami and Bal Panesar declared an interest in agenda item 3.</p>
<b>3.</b>	<p><b>Annual Appointment of Committee Chair and Vice-Chair</b></p> <p><i>The Committee agreed that the current Chair and Vice-Chair did not need to leave the meeting for this agenda item.</i></p> <p>The Committee unanimously approved the re-appointment of Bim Osunsami as Chair of the Audit Committee and Bal Panesar as Vice-Chair of the Audit Committee for the 2023/24 academic year. The CGO thanked the Chair and Vice-Chair for their hard work and commitment to the Board and the Committee which was seconded by NK.</p> <p>The Chair thanked the Committee for their hard work and team work.</p> <p><b>Approved: That Bim Osunsami be appointed as Chair of the Audit Committee and Bal Panesar be appointed as Vice-Chair of the Audit Committee for the 2023/24 academic year.</b></p>
<b>4.</b>	<p><b>Minutes of the Previous Meeting – 6 October 2023</b></p> <p>The Minutes of the Meeting held on 6 October 2023 were agreed as a true and accurate record.</p> <p><b>Approved: That the Minutes of the Meeting held on 6 October 2023 be agreed as a true and accurate record.</b></p>

5.

**Matters arising**

Outstanding actions from the October Audit Committee Meeting:

Agenda Item	Action	Responsibility	Timescale	Update
3.	Annual Appointment of Committee Chair and Vice-Chair to be deferred to the November Meeting.	CGO	6 December 2023	Complete
7.	HR update report and proposed Apprenticeship restructuring paper to be shared with the Internal Auditors.	CGO	ASAP	Complete
8.	External agency report on Apprenticeships to be circulated to the Committee.	CGO	ASAP	Complete
8.	Evidence of review of apprenticeship costing model to be presented.	IDPFR	6 December 2023	Complete
8.	Presentation on integration of Smart Assessor into visualisations to be provided at the next meeting.	IDPFR	6 December 2023	Complete
8.	Ageing creditor report to be circulated to the Committee once completed and considered at monthly management accounts meetings from November 2023	Interim Principal/CEO/ IDPFR	6 December 2023	Complete
12.	Interim Principal/CEO to contact NK to arrange a discussion.	Interim Principal/CEO	6 December 2023	Complete

The Interim Principal/CEO reported that the College was now prepared for consultation with JCC to merge the apprenticeship and business development unit. The Ofsted monitoring visit had taken place since the last Audit Meeting and despite assurances that smart assessor was being used it was clear from the feedback that this was not sufficient. The use of smart assessor was now being closely monitored. The Committee were advised that detailed work on targets for 2023/24 to achieve less than 2022/23 through consolidation and a reduction in frameworks from 44-20.

NK asked how the reduction of the framework would impact on staffing levels. The Interim Principal/CEO replied that the current staffing position had been structured against an income of 2.6 million therefore merging business development and apprenticeships would reduce the structure in line with the reduction in income. The Interim Principal/CEO agreed to share the proposal paper with NK to provide further clarity.

**Action: Apprenticeship proposal paper to be shared with NK.**

6.	<p><b>Matters requiring College staff to withdraw</b> There were no matters requiring College staff to withdraw.</p> <p>PG stated that he had no matters that required College staff to withdraw for this meeting but it would be beneficial for this agenda item to be continued going forward to allow discussion if required. This was agreed.</p>
7.	<p><b>Audit Committee Terms of Reference 2023-24</b> Discussion took place on membership of the Committee and it was noted that an increase in co-opted membership was being explored to strengthen the Committee further. Applicable CV's would be shared with the Chair.</p> <p>PG suggested that point 3.3 be amended to 'we will provide opinions in line with the audit code of practice' to future proof the terms of reference as this statement was subject to change in the audit code of practice. This was agreed and the current statement would be amended to reflect the code.</p> <p><b>Approved: The Audit Committee Terms of Reference 2023-24 were approved, subject to the suggested amendment.</b></p>
8.	<p><b>Internal Audit Reports:</b> <u>Health &amp; Safety</u> PG stated that this was a 23/24 audit which had received limited assurance last year but all recommendations had now been implemented. It was unusual to issue strong assurance for Health &amp; Safety (only 5% of reports in the sector) and this was testament to the hard work of the team.</p> <p>NK advised that it was very reassuring to see the turnaround. He noted that he had met with the team previously and was comforted by their technical experience. The College now needed to ensure that there was an up to date legal register to be able to track changes to statutory regulations and provide reminders for these changes. The Chair added that the speed of improvement was commendable and noted her gratitude to the team and it was hoped that these efforts would continue moving forward.</p> <p>The Chair questioned whether the College had a fixed Health &amp; Safety team to ensure continuity. The Interim Principal/CEO replied that there was a Facilities team in place and the Head of Health &amp; Safety reported to the Assistant Director for Estates to ensure a strong structure and clear lines of accountability.</p> <p><u>Key Financial Controls</u> PG reported that this had been the final audit for 2022/23 and had provided reasonable assurance for the areas of income, debtors and financial forecasting. This had been a difficult audit which closed at the end of November 2023 when additional evidence had been provided which had lifted the assurance levels. The College now needed to keep the momentum going on the improvements made eg links between MIS and Finance and reporting on student debt. In addition, a cash flow based on live business intelligence needed to flow through cash flow reporting.</p> <p>The Vice-Chair stated that it had previously been thought that cash flow forecasting was in reasonable shape and was being managed closely. The Interim Principal/CEO replied that as the College had relatively a lot of cash this may not have been a priority. The internal audit looked at best practice and although the two-year cash flow was adequate for the ESFA the College needed more detail. The revised cash flow format and increased profiling would ensure the management accounts made more sense going forward. PG added that the challenge was that the cashflow ended at the end of the academic year. The ESFA two-year cashflow was high level but did not provide sufficient operational information to assist the management team and the Board.</p>

The Interim Principal/CEO reported that the College was looking at systems in terms of student debt and changes in line management for MIS had assisted in bringing Finance and MIS together. All current student debt had been recognised and written off as appropriate in the accounts alongside increased provision in case debt could not be recovered. Meetings were taking place with Finance and CIS to make sure the processes and protocols were in place to understand the position better and this would be reported as part of the management accounts.

Further discussion took place regarding student debt, noting at present this was a provision in the accounts and not a write off at this time. The Chair stated that the Finance department should have increased stability and culture going forward therefore improvement should be seen next year.

In response to a query from the Vice-Chair, PG advised that the fixed asset register had been received late therefore an opinion had not been made but comments regarding responsibility of staff and awareness had been included. The Vice-Chair questioned whether the fixed asset register was accurate, the assets were verified and whether the policy included acquisition and disposal. The Interim Principal/CEO replied that the Financial Regulations and Procedures would need to be reviewed to make sure the points were clearly addressed. This would be considered at the next meeting of the Policy & Resources Committee.

The Vice-Chair stated that aged creditors needed to be considered in more detail rather than a snapshot. The Interim Principal/CEO responded that a detail of the difference from the previous year re creditors would be provided to the next meeting of the Policy & Resources Committee. The current report submitted to the Committee was only 46K which was much improved. The Interim Deputy Principal Finance & Resources (IDPFR) added that an additional update showing the reconciliation from 31 July 2023 to present would be issued.

The Chair thanked the Internal Auditors for revisiting this area and also the Interim Principal/CEO and IDPFR for their work on this.

**Action: Aged creditors reconciliation update from 31 July 2023 to present to be provided to the Committee.**

#### Risk Management

PG reported that this was an advisory piece of work within the 23/24 audit schedule as the College was in the development stage of integrating the Board Assurance Framework (BAF). Overall risk management was in a good place but quality control was needed in some areas re scoring. There were two low recommendations and eight added value points.

The Vice-Chair noted that the value added points were useful and the risk management presentation provided by PG at the Corporation Strategy Event had been good. Historically the risk register had been huge but this was improving in terms of target score and the plan to achieve where the College needed to be.

The IDPFR stated that the Board had approved the BAF at the end of the previous year. Through the business planning process, each business area had their own risk register and all budget holders were trained against the BAF. This would be reviewed at the end of this year and it was noted that all incorrect scoring had been amended. In response to a query from NK, the IDPFR confirmed that the College had in place a corporate strategic register, corporate operational register and individual department registers.

Discussion took place on changing the name of the Committee to include risk and the CGO highlighted the Committee's responsibilities for this area. After further discussion it was agreed that the Committee name be amended to the Audit and Risk Committee (subject to approval from the Board).

	<p>The Chair thanked PG for the reports.</p> <p><b>Agreed: That the current position be noted.</b>  <b>Approved: That the Committee be renamed Audit and Risk Committee, subject to Board approval.</b></p>
<p><b>9.</b></p>	<p><b>Internal Audit Annual Report 2022-23</b>  PG presented the internal audit review on 2022/23, highlighting the following key sections:</p> <ul style="list-style-type: none"> <li>- Opinion – green adequate and effective on risk management and governance – not able to provide a clean opinion on controls overall due to the assurance levels for Health &amp; Safety, apprenticeships and payroll</li> <li>- Summary of all work completed during the year and relevant assurance levels</li> <li>- One high risk recommendation and a lot of medium risk</li> <li>- Key work next year following up on these recommendations</li> <li>- Assurance level benchmarking – 25% of opinions across all clients were in amber/red category – the College was 50% amber/red</li> <li>- Audits moved to allow for changes etc</li> </ul> <p>PG recorded his thanks to the CGO for the good communication that had taken place throughout the year.</p> <p>The Vice-Chair stated that the benchmarking information was useful and it was clear that payroll and HR needed attention. The Interim Principal/CEO reminded the Committee that at the last Audit Committee meeting it had been noted that a ‘revamp’ of payroll and HR was taking place and this was in progress. The Vice-Chair added that timelines for the work being undertaken on payroll were needed to allow the Committee to evaluate pre and post implementation.</p> <p>The CGO noted her thanks to the Internal Auditors for their support, patience and commitment during a very difficult year. NK seconded this and added that it was pleasing to hear that the teams were taking on board the findings and feedback from the audits. The Chair recorded her support for both comments and added her thanks to PG and his team.</p> <p><b>Agreed: the current update was noted.</b></p>
<p><b>10.</b></p>	<p><b>Draft Financial Statement Audit Management Letter</b>  ME presented the Draft Management letter, highlighting the following:</p> <ul style="list-style-type: none"> <li>- Report on two areas the true and fair report</li> <li>- Regularity report – procedural point re Managing Public Money – situation arose and appears appropriate approval was not provided – anticipating a letter which has not yet arisen – needs to be mentioned in the regularity report</li> <li>- Misstatements – bad debts c236k short on the provision (immaterial) – making good progress</li> <li>- Audit findings – student debt findings</li> <li>- Advisory matters – corporation tax and vat review</li> <li>- Broadway - risk to the College of assets given to the Theatre but future plans in place</li> <li>- Fees</li> </ul> <p>The Vice-Chair asked what was the consequence of the regularity audit point. ME replied that this was low risk from a reporting level as the ESFA were fully aware of the position.</p> <p>The Vice-Chair queried whether the work in the Borough re Broadway Theatre would help to increase the level of revenue. The Interim Principal/CEO replied that there had been a need to focus on core business and the Director of Broadway had not been sufficiently engaged in terms of review of management accounts and monthly reviews. There had also been the impact of Covid. Three-month</p>

	<p>accounts were now in place and these would be monitored monthly. The Theatre was also running its own pantomime this year and ticket sales were ahead of the previous year.</p> <p>NK asked whether there was a business plan in place for the next two years to ensure year on year losses were not made. The Interim Principal/CEO responded that lease negotiations were currently taking place which was an added complication. NK volunteered his support with lease negotiations.</p> <p><b>Agreed: that the report be received and the current position noted.</b></p>
11.	<p><b>Draft Report &amp; Financial Statements for y/e 31 July 2023</b></p> <p>ME referred the Committee to the executive summary provided by the IDPFR which was discussed. The Committee noted that the Policy &amp; Resources Committee had considered the Draft Financial Statements and recommended them to the Committee for approval.</p> <p>The Vice-Chair stated that there had been substantial improvement and a clean audit – at the beginning of the year the Committee were expecting a more negative picture. The key point was that there were no reservations based on the points discussed.</p> <p>The Vice-Chair recorded his thanks to the Finance Team. The Interim Principal/CEO added that the Chair of Policy &amp; Resources and the Corporation Chair would be writing to the staff involved to thank them for their hard work.</p> <p>After detailed discussion, the Draft Financial Statements were approved for recommendation to the Corporation subject to the required amendment for the regularity opinion.</p> <p>The Chair recorded her thanks to the External Auditors for their work.</p> <p><b>Approved: the Committee approved the Draft Financial Statements 2022/23 to be recommended to the Corporation for approval subject to the agreed amendment.</b></p>
12.	<p><b>Annual Report of the Audit Committee to the Corporation 2022/23</b></p> <p>The CGO presented the Annual Report of the Audit Committee advising that this would need to be updated to reflect discussions on the regularity audit point before being presented to the Board. This would be discussed and agreed with ME.</p> <p>The Vice-Chair noted that the Board were aware of the regularity issue and this was not perceived as a significant risk. However, compliance against DfE procedures need to be adhered to going forward.</p> <p><b>Approved: The Committee approved the Annual Report of the Audit Committee to the Corporation 2022/23 subject to the required addition re regularity.</b></p>
13.	<p><b>Risk Register</b></p> <p>The IDPFR reported that this was the first risk register to come to the Committee for 2023/24. High and medium risks were highlighted and it was noted that the College's Senior Leadership Team would review both operational and strategic risks. The key risk was apprenticeships and the Post Inspection Action Plan (PIAP) had its own plan which was risk based.</p> <p>Discussion took place on the risks related to the ONS re-classification. The CGO advised that work was taking place to fully document the specific risks for the College against the measures in place to mitigate the risk and this would be shared with the Committee once complete.</p> <p><b>Agreed: That the Risk Register be received.</b></p> <p><b>Action: ONS risk matrix to be shared with the Committee once complete.</b></p>

<b>14.</b>	<b>Matters requiring Auditors to withdraw</b> There were no matters requiring Auditors to withdraw.
<b>15.</b>	<b>Date and time of next meeting – Monday 4 March 2023, 4pm, Boardroom</b>

The Chair thanked all those in attendance for their contributions for a productive meeting. The meeting closed at 17.59pm.

<b>Agenda Item</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timescale</b>	<b>Update</b>
5.	Apprenticeship proposal paper to be shared with NK.	Interim Principal/CEO	ASAP	Complete
7.	Terms of Reference to be amended to reflect wording from Audit Code of Practice and to include reference to Audit Code of Practice going forward (3.13).	CGO	ASAP	Complete
8.	Aged creditors reconciliation from 31 July 2023 to present to be provided to the Committee.	IDPFR	ASAP	Complete
13.	ONS risk matrix to be shared with the Committee once complete.	CGO	January 2024	Complete

Signed.....  
Bim Osunsami (Chair)

Date.....