

**Minutes of the meeting of the
Audit Committee held on
Monday 7 December 2020, at 3.00pm via Microsoft Team**

Present: Mark Bass - Chair
Sarkis Mazmanian – Vice Chair
Balbinder Panesar

In attendance Wijay Pitumpe - Chief Finance & Enterprise Officer (CFEO)
Maxine Deslandes – Director of Finance & Estates
Mike Cheetham – RSM (MC)
Mark Eagle (MacIntyre Hudson) (ME)
Victoria Eastwood – Chief Governance Officer

1. Appointment of Committee Chair and Vice-Chair

The Chief Governance Officer reported that it was proposed that Mark Bass remain as Chair of the Committee and Sarkis Mazmanian remain as Vice-Chair of the Committee for the remainder of the academic year. This was unanimously agreed.

Mark Bass, Chair, stated that this would be his last year as Chair of the Audit Committee but if any member was currently interested in taking over the role of Chair he would stand down and act as Vice-Chair for support. Sarkis Mazmanian responded that Mark had been an amazing Chair and it would make sense for him to continue for this academic year. Discussions could then take place going forward around succession planning.

Approved: Mark Bass be re-appointed as Chair of the Audit Committee and Sarkis Mazmanian re-appointed as Vice-Chair of the Audit Committee for the remainder of the 2020-21 academic year.

2. Welcome and apologies for absence

Apologies for absence were received from Nick Fanning, RSM.

3. Declarations of Interest

Members were reminded of their responsibility to declare an interest in relation to specific items on the Agenda if appropriate. Mark Bass and Sarkis Mazmanian declared an interest in Agenda item 1 prior to the opening of the meeting.

4. Minutes of the Previous Meeting – Monday 12 October 2020

The Minutes of the previous meeting held on Monday 12 October 2020 were agreed as a true and accurate record.

5. Matters Arising

An update on outstanding actions from the October 2020 Committee meeting were provided:

Ref.	Action	Responsibility	By (Deadline)	Update
1.	Appointment of Chair and Vice Chair to be discussed at the December Meeting.	CGO	07.12.20	Complete
6.	Example of DBS system and Exams booking system to be shared on screen at the next meeting of the Committee.	CGO	07.12.20	Complete

The Chair referred to the examples of the DBS checking and Exam booking system provided and advised that the screenshots did not provide evidence of the workings of the system. There was no

doubt that the system existed but a series of screenshots would have allow the Committee to at least follow the process.

The CFEO reported that the Internal Auditors would certify the system through the follow up audit and during the next internal audit they would be asked to note this. The Chair expressed his frustration that this issue continued to roll on and a simple demonstration of the system was not an unreasonable request. The Chair felt that the Committee had spent more time talking about this than it would actually have taken to provide the evidence. Mike Cheetham added that this would be followed up through the internal audit, however, this was a request from the Audit Committee to the management. The Chair noted that the action remained open.

**6. Post 16-Audit Code of Practice 2019-20
Review of Committee Terms of Reference**

The CGO reported that the full version of the Post-16 Audit Code of Practice 2019-20 had been uploaded to the BoardPacks portal and the changes from the previous version highlighted. The Audit Committee Terms of Reference had been reviewed against the Code and no changes were proposed.

In response to a query from the Chair, it was noted that the version on Boardpacks showed some items within the Terms of Reference as highlighted in bold and point 2.9 referred to the Clerk to the Corporation instead of the Chief Governance Officer. It was noted that these issues would be amended.

Approved: Subject to the suggested amendments, the Committee Terms of Reference for 2020-21 were approved for future use subject to ratification by the Corporation. The changes to the Post 16-Audit Code of Practice 2019-20 were noted.

7. Committee Schedule of Business 2020/21

The CGO reported that the schedule of business was presented for approval and ensured all statutory business for the Committee was included. The CFEO noted that ESFA deadline for sub contracting controls had changed and this would now be presented at the first meeting of the academic year. It was agreed that the sub-contracting controls assurance report 2019/20 would be removed from the schedule of business and noted for the October 2021 Committee.

Approved: That subject to the amendment regarding the Sub-Contracting Controls Assurance Report 2019-20, the Committee Schedule of Business for 2020/21 be approved for future use. This would be ratified by the Corporation.

8. Internal Audit Annual Report 2019/20

Mike Cheetham reported that the Internal Audit Annual Report followed the same format as previous years. It was noted that as the Learner Numbers audit had been deferred this had not been included in the scope.

The Committee were referred to the Internal Auditors overall opinion on page two of the report advising that the College had been assessed as “having adequate and effective framework for risk management, governance and internal control to ensure that it remains adequate and affective”.

The Chair referred to the partial assurance for the IT Business Continuity audit and the reasonable progress made during the follow up audit and questioned what it took to achieve good progress. Mike Cheetham replied that reasonable progress was often seen across Colleges. To achieve good progress there should be no high level management actions in progress and a minimum of 50% of actions cleared.

Agreed: That the Internal Audit Annual Report 2019/20 be received.

9. Draft Financial Statement Audit Management Letter

Mark Eagle provided the financial statements management letter 2019-20, highlighting the following:

- Issues at the planning stage and how these had been resolved to ensure an effective audit
- Income and expenditure- income had held up and student numbers were similar to the previous year. There were a few small ups and downs with apprenticeships but overall income figures were the same.
- Affected deficit - main point was increase in staff costs and other costs. Teaching costs had reduced with the College being closed

- Increase in value of tangible fixed assets due to the redevelopment of D block as well as equipment additions for ELIOT.
- Debtors similar year in year
- Cash at bank figure fallen to c£5 million reflecting spending on capital additions
- Creditors - deferred income in respect of revenue grants and total capital grants greater than one year have increased
- Barclays loan amount had been reduced in line with the repayment schedule
- Defined benefit pension scheme – c£18m – noted all Colleges were affected in proportion to the size of the College
- Materiality - no specific adjusting or non-adjusting errors – it was noted that this was a credit to the CFEO and Director of Finance & Estates
- Very challenging year
- Control issues regarding the subsidiaries had been resolved
- Subsidiary bad debts - system error on some of the subsidiary payments for HMRC caused them to be late which could lead to penalties. The College would put in additional controls to address this.
- Regularity audit – unqualified opinion
- Internal benchmarking

Internal Control Review

Sales Cut Off

The Chair stated that four out of six invoices were incorrectly recognised and questioned whether these were generally small or whether this posed a risk. The DOFE confirmed that these were small and referred to a sample for 2018/19 but for 2019/20 there had not been any issues. A lot of work had taken place with the Finance team to address this by managing cut off points but sometimes this referred to invoices submitted late from other companies. Mike Cheetham added that there had been a definite improvement this year - there was always a danger with cut off that something was missed which resulted in incorrect results the following year.

Slow processing of purchase invoices

The Chair asked whether if something huge was outstanding this would be captured. The DOFE replied that this would accrue by both the invoice and the purchase order. The relevant manager would be contacted to ensure this was captured.

Employment contracts not signed

The Chair commented on the finding that through payroll testing it was noted that of a sample of 12, 2 employees did not have signed contracts. This was a very serious issue as ensuring consistency was extremely important. This should be picked up in the internal audit of HR processes this academic year and it was expected to see a plan to correct this.

In response to a query from the Chair, the DOFE reported that the College had a lot of high needs students and this number had increased last year. Additional 1:1 support had been put in place which was costly and led to an increase in agency staff. Mike Cheetham asked where the extra income came from. The DOFE responded that this was part of the income for education contracts.

Recommendation: That the Draft Financial Statement Audit Management Report/Letter be recommended to the Corporation for approval.

10. Draft Report & Financial Statements for y/e 31 July 2020

The CFEO acknowledged the hard work of the Finance Team over the last four to five weeks. The DOFE reported that both the Auditors and the Finance Team had been working remotely but the process had worked well. The Committee were informed that the group operating deficit excluding FRS 102 was £1.099m and including FRS102 was £2.661 m – this was the first time the College had made a deficit in ten years however, given the covid situation this was not surprising.

The Chair advised that he was surprised at the size of the deficit and there were no management accounts available from January 2020 to be able to refer to. The DOFE replied that the College had been submitting the forecast reports instead of management accounts since the lockdown. The Chair noted that there were not as easy to follow and therefore find the required information. It was noted that

the forecast reports would also be uploaded to the portal. The DOFE advised that the original forecast deficit was £1.9m excluding FRS102.

The DOFE reported that the Headjogs Subsidiary had ceased trading and the accounts had closed as at 31 July 2020. Broadway, Apprenticeship Works and Aspire would continue to trade. £195K bad debt forgiveness for Aspire Training & Enterprise Ltd had impacted on the accounts.

The DOFE provided the trend for the last five years advising that this had dipped due to FRS102 which was a large transaction this year. The CFEO added that FRS102 last year was £568K and it was now £1.5m. Some of the assumptions from the actuaries had been challenged by the College.

Action: Forecast reports to be uploaded to the Boardpacks portal.

Recommendation: The Committee approved the Draft Financial Statements y/e 31 July 2020 to be recommended to the Board for approval.

11. Annual Report of the Audit Committee to the Corporation

The Chair reported that he was happy with the content of the report but a few minor changes would be proposed after discussion with the CGO. *Post Meeting note* the following paragraph to be included: 'It should be noted that through academic year 2019/20 there had been an increasing delay in follow up actions being completed on time or dates being extended without prior consultation. As previously reported to the Board, one of these was a serious safeguarding issue. This has led to a new process being implemented for 2020/21 which required more involvement and accountability for members of the Executive and SLT.

Approved: The Annual Report of the Audit Committee to the Corporation was approved subject to the proposed inclusion of the additional paragraph.

12. Risk Register

The Chair reported that cyber security was coming to the fore for academic institutions who were now being considered a soft target. There was a need to make sure this risk remained highlighted. The CFEO advised that the Chief Technology & Innovation Officer (CTIO) was managing this risk.

In response to a query from the Vice-Chair, the CFEO confirmed the risk regarding cyber security was currently small, assurance checks had taken place alongside external checks.

The CFEO stated that there had been a few changes to scoring within the register and highlighted that the learner targets risk had increased to high. This was being monitored weekly by the SLT and appropriate remedial action was being put in place. The College's Step 2 programme to directly target learners seemed to be working.

The Committee were informed that a separate risk register was in place for risks associated with Covid-19 and the Coronavirus Action Group met weekly to review this. The corporate risk register was updated almost every week and in line with government advice.

The Chair stated that the CTIO had reported at the recent Infrastructure & Estates Strategy Group meeting that JISC would be undertaking a further audit of the College's systems with regards to cyber-security. It was agreed that this would be included on the March Committee agenda and the CTIO and Head of IT would be invited to attend.

The Chair thanked the CFEO for the report noting that highlighting the changes within the Executive Summary have been very useful.

Action: CTIO and Head of IT to be invited to attend the March meeting of the Audit Committee to discuss cyber-security.

13. Subcontracting Controls Assurance

The CFEO reported that as required by the ESFA Financial Memorandum, the College's External Auditors had undertaken an assessment of the College's system of internal control in relation to its subcontracted provision. The assessment was conducted in July 2020 and the report confirmed that the College met the expectations outlined by the ESFA in their June 2018 document "Providing External Assurance on Subcontracting Controls".

The Chair asked what percentage of sub-contracted provision the College had in place. The CFEO responded that the College's sub-contracted provision was c3-4% and the ESFA recommendation was c15%.

Agreed: That the current position regarding sub-contracting controls be noted.

14. Any Other Business

The Chair advised that a meeting would be convened in January 2021 to discuss the progress against internal audit recommendations as they were not ready for this meeting.

Action: Additional meeting to be convened in January 2021 to discuss progress against internal audit recommendations.

The Chair thanked all present for their contributions. The CFEO thanked the Auditors for their support during the year.

College staff and the Auditors withdrew from the meeting.

15. Matters requiring College staff to withdraw

Action: Re-appointment of Auditors – a meeting between the Governors of the Committee to be convened to discuss this.

16. Date and time of next meeting – Monday 15 March 2021, 4pm

Additional Meeting – January 2021 to discuss Progress against Internal Audit Recommendations

The meeting concluded at 4.00pm.



ACTIONS FROM MEETINGS OF THE AUDIT COMMITTEE

Ref.	Action	Responsibility	By (Deadline)	Update
12.	CTIO and Head of IT to be invited to attend the March meeting of the Audit Committee to discuss cyber-security.	CFEO/CGO	15/03/21	
14.	Additional Meeting to be convened to discuss progress against internal audit recommendations.	CGO	January 2021	
10.	Forecast reports to be uploaded to the Boardpacks portal.	CGO	ASAP	
15.	Additional meeting of the Governors of the Committee to be convened to discuss re-appointment of Auditors.	CGO	ASAP	

Signed.....
Mark Bass (Chairman)

Date.....