



AUDIT COMMITTEE

WEDNESDAY 20 OCTOBER 2021

Report: Minutes of the meeting held on Wednesday 16 June 2021
Author: Clerk
Action: Approve
Status: Open

Present: Michael Wood-Williams (Chair)
Aneela Ali
Neil Weddle (co-optee)

In attendance: Andy Cole (Interim Principal / CEO)
Steve Campion (Financial Consultant)
Keith Oxspring (Interim Finance Director)
David Keetley (Financial Controller)
Karen Finlayson (PwC – Internal Audit)
Claire McHaffie (PwC – Internal Audit)
David Hoose (Mazars– External Audit)
Emma Moody / Sally Cooper (WBD, Clerk)
Suzanne Clark (Minutes)

A/753 Welcome to new Chair and External Auditors / Apologies / Conflicts of interest

The Clerk welcomed the newly appointed Chair to the meeting. The Chair then welcomed everyone to the meeting including the new external auditor. Apologies were received from Sara Vening.

Members were invited to declare any interests on any item on the agenda. No interests were declared at this stage in the meeting; however, members noted that should the direction of debate on any item result in a potential conflict of interest, this should be indicated in the meeting.

A/754 Minutes of the last Audit Committee meeting dated 10 February 2021

The minutes of the Audit Committee meeting held on 10 February 2021 were agreed as a correct record.

A/755 Minutes of the joint meeting of Audit and Finance and General Purposes Committees dated 26 March 2021

The minutes of the joint meeting of Audit and Finance and General Purposes Committees held on 26 March 2021 were agreed as a correct record.

A/756 Matters Arising

The Clerk confirmed that a special meeting of the committee took place on 26 March 2021 to approve the annual accounts.

The Interim Finance Director confirmed that the financial statements were amended, in relation to internal audit activity, and have since been finalised and approved.

The internal auditor confirmed that details of the PwC team undertaking the annual subcontracting audit were shared. The Clerk asked that this information be circulated to members of the committee to give a comprehensive overview of activity with PwC.

The Clerk confirmed that the annual plan has been approved and is now in place.

The Interim Finance Director confirmed that reporting on subsidiaries within the financial statements was amended and the statements were concluded.

The Clerk confirmed that the Audit Committee Annual Report was updated and presented at the meeting on 26 March 2021.

The internal auditor advised that they were not currently aware of any specific requirements in the FE sector to include anything on value for money within audits. This will be kept under review and, if desired, can be built into reviews. The Committee will be kept updated with anything relating to the sector.

The Interim Finance Director confirmed that the external audit tender presentations took place and the College appointed Mazars who were present at the meeting.

The Interim Finance Director confirmed that issues on the formatting of schedule 3 of the draft budget have been resolved.

The Interim Finance Director confirmed that there is now a system in place to identify bad debtors who the College would not wish to deal with again. This was reported to the Finance and General Purposes Committee. The Clerk confirmed that the discussion is recorded in the minutes.

A/757 Committee Self-Assessment

The Clerk gave a verbal update.

The Clerk reported that the Governance Committee had met recently and considered Board and committee self-assessment. Members were advised that the external review of governance, undertaken by ETF, took place towards the end of the previous year. A number of new governors have been appointed since the review. Self-assessment is an annual process and there will be an internal board effectiveness review over the next six months. The committee was asked to note that Board members will be appraised over the next six months. The Clerk will recommend that any co-opted members are included in that process. The Clerk highlighted that as part of the Audit Committee Annual Report, the committee reports on the systems in place to measure Board and its own effectiveness.

The report was noted.

A/758 Review of Risk Register

The report was presented by the Clerk with input from the Interim Principal / CEO and Financial Consultant.

The Clerk reported that there is now collective ownership of the risk register. The register has been reviewed over the last year and has been revised significantly by the Executive.

The Interim Principal / CEO advised that the register is reviewed regularly at Executive Team meetings. Each risk has an owner within the Executive Team and risks are also assigned to the Board and relevant committees. R14, serious breach of legislation, and R16, failure to detect fraud, are specifically allocated to the Audit Committee, although the Audit Committee also takes on responsibility for holistic oversight of risk management, on behalf of the Board. There have been some minor adjustments made since the register was last reviewed in April 2021.

The Financial Consultant reported that the register adopted a format similar to one he had previously used when working at an outstanding college. The register has evolved significantly during the recovery period and replaces the previous register which was felt to be too long. He added that best practice in the sector is considered to be a register of around 20 to 30 items. This ensures that those responsible are able to react and challenge appropriately. There is a comparator table included on the register to give an overall summary of the College's risk profile and easy identification of any changes. Over the last year there has been substantial progress to address high risks.

A member, recognising the risks allocated to the committee, questioned whether there should be a regular report or update from the risk owner at each meeting. He felt that this would give members assurance. The Chair asked whether there was a preference for reporting at each meeting, or only if there are any changes. The member indicated that they would expect more regular reporting based on the category of risk. The Clerk agreed that this would be appropriate for the committee, it allowed an opportunity for challenge, and suggested that the annual report would be an appropriate time to review the register as a whole, with more regular reporting in between for any change of risk status/rating. She added that the Audit Committee could also consider the appropriateness of receiving reports from the other committees on their associated risk, to give additional assurance. It was suggested that this be built into reporting to the Committee.

In addition to the assurance from the College management team, the Clerk asked the internal auditor whether there is an approach they would recommend on how the committee can satisfy itself that mitigating actions are appropriate. The internal auditor recommended the undertaking of deep-dive activity. The committee need assurance from the risk owners on how risks are being managed. In terms of evidence, it was suggested that the committee consider KPIs and management information within the College to triangulate information around risk. It was also suggested that early warning signs are built into the risk register. The Interim Principal advised that all committees report to the Board, making this relatively easy to be included. He felt that this would give assurance that the other committees are undertaking regular reviews. The Clerk suggested that the review of items on the risk register is included on the committee annual cycles of business, along with any strategies for mitigation. The Financial Consultant indicated that he was supportive of the suggestions made by the internal auditor. He was aware of deep-dive activity being used more frequently and very effectively. In terms of best practice, he suggested testing out the ownership of risks. He has seen this develop quite effectively by having an extract of the register at the start of each committee meeting with members then reflecting at the end of the meeting whether there has been anything that impacts on the register. This can then be reported up to Board. The Chair felt that it would be good to capture any misalignment of risk and strategy as part of deep-dive activity. He felt that it had been a useful discussion, recognising that there was some further work to do. The Clerk confirmed that she would look to progress with the Executive Team and design a process that would capture the discussion points.

Action: Clerk to design a process to review and report on the risk register, how review and reporting would be included in the annual cycles of business, and would work with Executive Team members.

The report was noted.

A/759 College Contracts Assurance Work

The report was presented by Steve Campion, Financial Consultant.

The Clerk confirmed that the recommendation from this piece of work will be considered by the Board. It will be confirmed that the Audit Committee has received and recommended the review.

The report was noted.

Steve Campion left the meeting at 4.35pm.

A/760 Health and Safety Governance

The report was presented by the Clerk.

The report was noted and the recommendations therein approved.

It was resolved that:

- (a) the Audit Committee oversee the adequacy of the Corporation's strategy in relation to health and safety;
- (b) an assurance framework be drawn up, agreed by the Committee and in place for the Autumn term; and
- (c) the Board receive an annual report from the Committee on each of the areas outlined above; and
- (f) the Committee members receive training on their duties in relation to health and safety.

A/761 Internal Audit Report – Learner Numbers

The report was presented by PwC as internal auditors.

In response to a question from a member, the internal auditor confirmed that sample is normally 10% but this is capped at 25 for anything over 250. The internal auditor was not able to advise on the total number of learners.

In relation to the recommendations, another member questioned whether the committee should be looking to ensure that controls are implemented, and the tracking and recording of this. The Clerk advised that an action plan would normally come out of the report, to give assurance that recommendations had been followed up appropriately. The Interim Principal / CEO added that each of the recommendations has a management action plan with an assigned responsible person. The allocated managers will give a proposed response which is then either agreed or challenged by the Executive Team and feeds into the overall action plan. The report has been discussed by the Executive Team to ensure that reported issues are not repeated and required actions are taken, even for low level risks. There will be reporting from relevant members of the Executive Team and they can be invited to the committee meetings if this is required. The member welcomed this response. The internal auditor reported that as part of their follow-up work, PwC would carry out a follow up exercise at year end on all high and

medium risks. Actions would be tested and this would be reported on as part of annual reporting. This provided assurance to the Committee.

A member highlighted the low risk finding recognising issues around staff training and questioned whether this could be linked to some of the higher risk findings. Is there an element of staff being uncertain of what is required of them? The internal auditor recognised the point made and indicated that some of the instances found during audit were prior to the introduction of the apprentice portal. In addition, some mitigating factors were considered around record keeping.

The report was noted.

A/761 Internal Audit Report – Subcontractors: Record Keeping and Safeguarding

The report was presented by PwC as internal auditors.

In response to the recommendation around recording conflicts of interest, the Clerk suggested that the College's employee handbook could include a broader requirement on staff where there are partner arrangements in place, proportionate to role. This may be something to consider including in employee protocols, to set out standards for staff where there could be a conflict of interest. The internal auditor indicated that action plans can regularly change once there has been time for management to reflect on the report.

The report was noted.

A/762 Internal Audit Progress Report

The report was presented by the Interim Finance Director.

The report was noted.

A/763 External Audit Planning Process

A verbal update was given by Mazars as external auditors.

The external auditor reported that he had met with representatives from the College. He was conscious that a detailed external audit planning document would normally be presented at the meeting and advised the committee that planning was not quite at the stage required for this. A detailed planning meeting will be arranged soon to confirm the plan. The external auditor proposed that the planning document be circulated to members via email to enable any questions outside of the meeting to be answered. In response to a question from the Chair, the external auditor indicated that he was fairly comfortable that there would be no impact on the schedule. The only caveat to this is planned changes to the post 16 audit code of practice.

The report was noted.

A/764 Sector Update on Changes to the Post 16 Audit Code of Practice

The report was presented by Mazars as external auditors.

The external auditor advised that audit firms will be meeting with the ESFA to discuss planned changes. Colleagues were assured that this is not an additional way for auditors to increase their work. Mazars are currently unable to confirm audit fees until there is a complete understanding of the additional work required. The Chair recognised the potential impact on the work of the College's MIS team. The Interim Principal / CEO advised that there is an awareness across the sector that audits are becoming a lengthy process. There is potential challenge across the sector in response to the planned

changes. The ESFA have been asked whether there is potential to extend the filing date for financial accounts. They have indicated that the filing date of December will remain as it currently is. Depending on progress, organisations may need to make a representation for an extension.

In addition, there is also an expectation that external auditors will present their findings to the Board. The ESFA have indicated that it would be sufficient for the Chair of the Corporation to attend an Audit Committee meeting. Following this, the external audit findings report could then be included in Board papers, rather than the external auditors having to also present to the Board.

The Chair concluded that he would welcome clarification for the committee when it is available.

The report was noted.

Claire McHaffie and Karen Finlayson left the meeting at 5.10pm.

A/765 Internal Audit Tender Process

A verbal audit was given by the Financial Controller.

It was reported that Tenet are being used to run the internal audit tender process. A proposed timeline for the tender was shared. Members were advised that it is normal for companies not to submit their tenders until very close to the deadline. Currently six firms have expressed an interest although RSM have since withdrawn from the process.

The Chair commented that it was positive to see a number of initial interested parties. The Clerk suggested that the new Finance Director, and perhaps the new Principal, should be on the panel. The external auditor advised that the long list is indicative of the internal audit sector. Many companies are moving away from this type of work and internal audit does not seem to be the direction of travel in the sector. The Interim Finance Director confirmed that he had spoken with RSM who had indicated that they are looking to move away from this type of activity as they don't see the value in this kind of work.

Sally Cooper joined the meeting at 5.15pm and Emma Moody left the meeting.

The report was noted.

A/766 Any Other Business

There was none.

A/767 Date of the next meeting

To be confirmed on the 2021/22 meeting schedule.

Andy Cole, Keith Oxspring and David Keetley left the meeting at 5.20pm to allow the committee time for a confidential discussion with the external auditors.

It was agreed that at future meetings, the discussion without the executive present would take place at the start of the meeting.

The meeting ended at 5.25pm.