

Meeting of Audit Committee

MINUTES (Public)

Date	Wednesday 27th September 2023
Time	16:30 to 18:00
Location	Via MS Teams
Present (Governors):	Chair: Andrew Gilchrist Mary Hughes, Rick Parish – co-opted member
In attendance (officers)	Ashok Patel (Interim Executive Director Finance) Melissa Drayson (Director of Governance) Karen Champion (Head of MIS)
By invitation	Christine Ricketts (Principal and Chief Executive)
In attendance (auditors)	Kevin Moloney (TIAA)
Apologies for absence	Paul Stedman
Quorum (3)	The meeting was quorate throughout

Item	Action lead
1. Preliminary items	
1.1 Apologies for Absence Apologies were noted from Paul Stedman. The Director of Governance flagged that there was a vacancy on the committee following the resignation of Nicholas Woolf, and that recommendations regarding committee membership would be discussed at the next Search and Governance Committee meeting.	
1.2 Declarations of interest There were no new declarations of interests relating to matters on the agenda. Previously declared interests were carried forward.	
1.3 Urgent other business notified in advance No urgent matters of other business had been notified in advance.	
2. Minutes	
2.1 Minutes of the meeting on 23 May 2023 The Part One Minutes and Part Two Minutes were both APPROVED as an accurate record of the meeting.	

2.3 Matters Arising

The Committee noted completed actions and those on the agenda, and requested an update on any outstanding actions.

Item 2.3. The Director of Governance updated the Committee that the college's anti-corruption policies (including anti-fraud and anti-bribery) were due for their three-yearly review in March. It was recommended that the new fraud prevention policy would be developed in line with this timeline. This would also give the new Chief Operating Officer chance to settle into his role.

AGREED: That the fraud prevention policy would be developed in line with the review cycle for the existing anti-fraud and anti-bribery policies in March.

**COO/Dir
Gov**

3. Internal Audit

Supporting papers by the Internal Auditors, TIAA

3.1 Summary controls and assurance (SICA) report

The report covered finalised audits since the last meeting, along with an overall progress report and follow up on outstanding recommendations

i. Purchasing and Procurement

The audit had resulted in an overall opinion of limited assurance, due to there being one Priority 1, along with six Priority 2, recommendations. The high priority recommendation related to the approval of purchase requisitions above the delegated authority of the approver in 2022. Governors sought management's view about what went wrong, although it was acknowledged that neither the interim Executive Director of Finance or the Director of Governance had been in post at the time. The management view was that the right processes had been followed, but there was no clear audit trail relating to approvals, either in management records or governance minutes. Governors therefore queried the judgment of 'limited assurance' as, although technical breaches had occurred, no risk had been created for the organisation.

It was agreed that delegated authorities within the financial regulations and governance policies must be reviewed and strengthened in time for the next stage of the estates project. Ensuring the full functionality of the finance system would also be an important element in ensuring compliance.

ii. Progress report

It was reported that the learner numbers audit was nearing completion and that the final report would be brought to the November Committee meeting. Testing of apprenticeship records had raised no concerns so far. Work was also due to start on the 2023-24 plan, with the cyber-security and Key Financial Controls (Payroll and Budgetary Controls) audits scheduled to commence in October.

iii. Follow-up on previous audit recommendations

Of the 61 recommendations listed, 41 were assessed as having been implemented, and nine were overdue. Extensions had been requested for the remaining eleven recommendations. Management clarified that some delays were down to the timing of internal and governance processes. Other recommendations would, however, be followed up with the relevant departmental head.

AGREED: That overdue recommendations would be chased up as appropriate by management, and extended deadlines agreed and added to the next report (November Committee).

TIAA/
EDF

4. Financial Statements and Regularity Audit

4.1 Draft Regularity Self-Assessment Questionnaire

Supporting paper presented by the Interim EDF and Director of Governance

Governors were reminded that the RSAQ formed part of the external audit process. It would be drafted prior to the audit work commencing and would be signed off by the Chair of Corporation and Principal and Chief Executive. It was noted that the 2023 version had been updated to reflect the requirements of Managing Public Money, following the reclassification of Further Education Colleges as public sector institutions.

4.2 External audit initial work

Verbal update by the interim EDF

All audit planning was on track, with the audit due to commence in October. Due to the shorter timescale, management undertook to flag any issues as they arose with the Audit Committee Chair before the next Audit Committee meeting on 29th November.

5. Risk Management: updated Strategic Risk Register

Supporting papers presented by the Interim EDF

It was reported that the risk register had undergone a comprehensive review by management, as some significant risks, including those relating to Covid and the subcontracting legacy, had reduced or changed. The emphasis had shifted to curriculum and quality, with an increased number of risk areas. The overall risk rating of Finance and funding had been reduced from 'red', as the operating position had improved and stabilised due to the achievement of many of the planned efficiency targets relating to class sizes, numbers of groups, staff utilisation and the pay cost ratio.

Governors expressed concern about the continuing risk relating to staff shortages in some key areas, in terms of impact on retention and achievement. It was recognised that this was an issue across the sector. Final achievement rates were still in the process of being calculated, but the impact appeared to be variable, with differences more aligned to the quality of management than staff vacancies per se. The uplift in 16-19 funding to support a pay increase was noted. The hope was expressed that this would help to attract and retain staff.

An update was provided on student recruitment. This was currently above target, and there were a range of supportive measures in place to retain students before the 42-day census point.

6. **Audit Committee Annual Review**

Supporting papers presented by the Director of Governance

6.1 **Review against terms of reference**

The Committee supported the view that it had fully met its Terms of Reference through its business during 2022-23. It was agreed, however, that the inclusion of a periodic Value for Money report would be helpful. The Chair had previously provided an example of such a report. It was considered that the curriculum efficiencies work undertaken was a significant contributor towards achieving greater value for money in 2023-24 and the future.

6.2 **Updates to Terms of Reference**

The Terms of Reference had been reviewed against the latest Audit Code of Practice. Changes included:

- The stipulation that membership must not include the Chair of the Corporation or Chair of the Resources Committee
- Advice that membership should not include other members of the Resources Committee, unless expressly permitted by the Corporation
- Reference to HM Treasury's Managing Public Money (MPM) and associated obligations, following ONS reclassification of colleges.
- The addition of a requirement to provide training and development for Audit Committee members
- The addition of the requirement to retender external audit services once every five years
- The addition of areas of additional oversight that the Corporation may decide, including data breaches, GDPR, health and safety
- The addition of the requirement to inform the ESFA of the resignation or removal of the external auditors mid-term in their contract.

AGREED: That the updated Audit Committee Terms of Reference would be recommended to the Corporation for approval.

6.3 **Audit Committee workplan 2023-24**

The Committee noted the annual workplan for the year, in particular the addition of the September meeting. Due to the timing of some internal and external audit work, however, some items would be need to be deferred to November.

7. **Opportunity for private discussion with auditors**

The auditors indicated that there were no matters that they wished to discuss without management present.

8. **Financial Statements and Regularity Audit retendering**

This item was redacted from the published minutes on the grounds of commercial sensitivity

7. Other Urgent Business

There was none

8. Date of Future Meetings

29th November: Audit Committee followed by a joint meeting with the Resources Committee to received the Financial Statements and Regularity Audit report and the Annual Report and Financial Statements 2022-23

Signed

(Chair)

Date