



Minutes of Audit Committee held Monday 9th March 2020 starting at 5pm

Members Present: Liam Butler
 Martin Dudley (Chair)
 Ester Gopoza

In Attendance: Andy Comyn (Chief Operating Officer) (Item 8.2 onwards)
 Gill Darwood (Senior Officer - Corporate Governance) (SOCG)
 Louise Tweedie (RSM)
 Neil Thomas (Chief Executive & Principal)

1 Confirmation of quorum and apologies for absence

1.1 Apologies for absence were received from Charlie Harvey, Sharon Birdi, Assam Hussain and Tony Felthouse. It was noted that Andy Comyn had been delayed but would join the meeting.

1.2 In the absence of Charlie Harvey, it was agreed that Martin Dudley would Chair the meeting.

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Appointment of Vice Chair for 2020

3.1 In the absence of the Chair and other members, appointment of a Vice Chair was deferred to the next meeting.

4 Minutes of Meeting on 2nd December 2019

4.1 The minutes were accepted as an accurate record and signed by the Vice Chair.

4.2 Matters Arising

4.2.1 There were no matters arising.

5 Learning Support for Apprentices

5.1 The final report following the review of learning support for apprentices undertaken by RSM across the previous two academic years was considered. The CE&P noted that the report remained unchanged from the version circulated at the previous meeting. No comments had been received from the ESFA despite a number of attempts to obtain feedback. Therefore, RSM and the College had agreed to finalise the report and in the absence of any comments to the contrary and, with the endorsement of the KPMG audit since that time, considered this matter now finalised.

5.2 The CE&P confirmed that arrangements for LSF assessment and delivery remained identical to the processes observed in the 2018-19 review.

5.3 **It was resolved** To note the report.

6 Internal Audit

6.1 Internal Audit Progress Report including key sector issues update

6.1.1 The CE&P explained that the Internal Audit Progress Report set out the work carried out by RSM in the 2019/20 academic year to-date and included a key sector issues update. The internal audits were intended to assist college management and Audit Committee in obtaining an overall view of adequacy and effectiveness of the internal control systems and on risk management.

6.1.2 So far this academic year, two reviews had been conducted. One more review was scheduled to take place earlier this term but was postponed by RSM due to illness of their auditor. The review had been rescheduled as noted below. The work to be undertaken over the next two months would be reported at the June meeting and was as follows:

- Employer Engagement
- Follow-up Recommendations
- IoT - Governance Arrangements
- Key Financial Controls
- Learner Numbers
- Quality Assurance Systems - rescheduled from January to May

6.1.3 It was noted that in respect of the sector updates provided by RSM, comments had been added in response to those briefings by the College.

6.1.4 Discussion took place regarding the ISO/IEC 27001 framework and L Tweedie answered questions from members and provided clarification as necessary. The College would be audited against this standard through planned internal audits during which they would select aspects to check compliance although this would not be a full compliance check.

6.1.5 **It was resolved** To note the internal audit progress report and key sector issues update.

6.2 Rolling Schedule of Audit Recommendations

6.2.1 The CE&P presented the report which summarised the progress made in implementing the recommendations contained in the Audit Reports submitted by RSM. The report identified those recommendations that remained in progress and highlighted those that had been completed since the last review.

6.2.2 There were 27 recommendations brought forward from the last meeting, no new recommendations had been added, 13 risks had been completed and would be removed before the next meeting, resulting in 14 recommendations remaining open and rolling forward to the next meeting.

6.2.3 The Chair suggested that a progress indicator be included to show a RAG rating to highlight any actions that became overdue or where insufficient progress had been made.

6.2.4 In respect of the recommendation relating to GDPR/data shared with third parties on page 21 of 25, the CE&P confirmed that due diligence checks were already in place but enhanced arrangements were being established. It was

noted that on this recommendation, there was a typographical error which should read 'non-compliance with GDPR and penalties of 4% of revenue or 20 million Euros' not '20 Euros'.

6.2.5 **It was resolved** To note the report.

L Tweedie withdrew from the meeting.

7 **External Audit**

7.1 **External auditors' Performance, 2018/19 accounts**

- 7.1.1 The CE&P explained that the college was required to consider the performance of the external auditors on an annual basis to assess whether they should be re-appointed for a further year in line with the contract. The external audit contract with KPMG was effective from August 2014 for a period of 3 years, renewable on an annual basis for up to a further 2 years if both parties agreed, all subject to satisfactory performance, assessed annually by the Audit Committee.
- 7.1.2 Members considered a scoring matrix that had previously been agreed by the Committee which had been used to form the basis of the performance of external audit over the last 12 months. Overall, the performance had been graded 36 out of a possible 40 compared to a score of 35 in the previous year. The increase was in relation to an improvement in responsiveness and timeliness of management reports in 2018/19. Continuity of key audit personnel remained in place and as noted in previous years, the college's lead contact at KPMG continued to be flexible, pragmatic and approachable, which had helped further build on the already strong working relationship between the College and KPMG for external audit purposes.
- 7.1.3 Following renewal of the contract in both 2017-18 and 2018-19, and despite the good performance of KPMG over the contract period, the College was now required to go out to tender for external audit services for the 2019-20 accounts. The tender process and timetable would be covered in more detail in the next agenda item.
- 7.1.4 **It was resolved** To note the external auditors performance report.

7.2 **Tender of external auditors for 2019/20 accounts**

- 7.2.1 The CE&P explained that, as noted in the previous agenda item, the External Auditors services were due for tender this year. The CPC Framework for tendering would be used and the following companies would be invited to tender:

- BDO LLP
- Grant Thornton UK LLP
- Haines Watts
- KPMG LLP
- Mazars LLP
- PricewaterhouseCoopers LLP
- RSM
- Wylie & Bisset LLP

- 7.2.2 Members considered the draft timetable for selection of our external auditors and the CE&P explained that the College would like one or more members of the Audit and/or Finance & Estates Committee to be on the panel for the presentations of the shortlisted organisations. Members agreed to check their calendars and advise the SOCG of their availability.
- 7.2.3 The Chair asked if it were possible for the current internal auditors RSM to tender for this area and it was agreed that clarification would be obtained from A Comyn.
- 7.2.4 *Note – A Comyn subsequently confirmed that this was possible provided there was a complete separation of the teams operating each function.*
- 7.2.5 **It was resolved** To note the report.

L Tweedie rejoined the meeting.

8 Risk Management

8.1 Risk management – Spring Term report

8.1.1 The CE&P explained that members of the Executive Leadership Group had updated the risk register and it had been reviewed by members of the Senior Leadership Group (SLG). The risk register attached showed the college's current level of risk, along with historical risk levels and dates, with a note briefly explaining the latest mitigations and any factors affecting the risk score where appropriate. The main changes were noted as;

- CCR41- Risk reduced to 3 (impact and likelihood reduced) and would be removed prior to next meeting.
- CCR49 - Risk removed re risk around college losing focus on day to day operations with engagement on SCIF projects and other external activity.
- CCR55 - Risk removed re risk of college failing to realise increased student numbers following BMet transfer.
- CCR57 - Risk removed re risk of BMet transfer being misunderstood by stakeholders.
- CCR17 - extended the risk and mitigating actions of new initiatives, projects and increased complexity to now also include capacity of business support teams.
- CCR28 - extended the risk of loss of staff motivation to include the impact on staff health and well-being during challenging and changing times, mitigated through a new mental health working party.
- CCR59 - new risk of closure of one or more college sites from pandemic illness, such as the Coronavirus.

8.1.2 **It was resolved** To approve the report.

A Comyn joined the meeting.

8.2 **Coronavirus update**

- 8.2.1 The CE&P explained that a Pandemic Plan had been provided as a draft in its current form based on good practice from other organisations and taking account of daily briefings from the DfE. He explained that this was an all-encompassing plan to cover any pandemic but focused at present on Coronavirus.
- 8.2.2 The CE&P explained that detailed departmental arrangements would sit behind this plan. Any decision to close or restrict operations would be guided by Public Health England. It was agreed that there was a need to look at critical functions as a matter of priority over the next few days and prepare for the scenario where the College may have to close or operate remotely in order to maintain the viability of the college going forward and to enable learning to take place.
- 8.2.3 The Chair advised that he had been advised that this was now a notifiable disease and as such was covered by insurers. A Comyn agreed to clarify this position with the College's insurance brokers.
- 8.2.4 A Comyn explained that he considered that any period of closure at this stage would not have a material impact on cash flow as the cash position between now and April was adequate and going forward it would be beyond the seasonal low point. It was agreed that reference to the financial aspect should be included in the risk register.
- 8.2.5 The CE&P offered assurance to the committee that the College was following all guidance currently and was ensuring plans were in place to cover a worst case scenario.
- 8.2.6 **It was resolved** To note the update.

9 **Policies**

9.1 **Counter Fraud and Corruption Strategy**

- 9.1.1 A Comyn explained that feedback from RSM at the last audit committee, highlighted that in the ESFA's latest Post 16 Audit Code of Practice updated in March 2019, it stated that a Corporation must establish an effective and proportionate Counter Fraud Strategy. As a result, the committee was asked to review and approve the new Counter Fraud & Corruption Strategy. The strategy referred to a number of existing policies, which had also been updated:

- Whistleblowing Policy
- Gifts and Hospitality Policy
- Anti-Bribery Policy.

- 9.1.2 Going forward, the Counter Fraud & Corruption Strategy and the above policies would all be reviewed and approved together.

- 9.1.3 Also provided for members' reference was the college's completed self-assessment of the 10 questions in the Post 16 Audit Code of Practice.

- 9.1.4 L Tweedie explained that other sectors had historically been more proactive than the FE Sector in checking for fraud actively in terms of having preventative controls in place.
- 9.1.5 A Comyn reminded members that the College's fraud and irregularity report was considered annually by the audit committee and would be seen again in June.
- 9.1.6 A Comyn and L Tweedie responded to members' questions and provided clarification as necessary.
- 9.1.7 The Chair noted that the dates on the bottom of the policy were not up to date and it was agreed that a full review of all other policies would be undertaken to check dates and ensure version control.
- 9.1.8 **It was resolved** To recommend the Counter Fraud and Corruption Strategy to Corporation for approval.

9.2 **Whistleblowing Policy**

- 9.2.1 The policy had been considered in conjunction with agenda item 9.1.
- 9.2.2 **It was resolved** To recommend the Whistleblowing Policy to Corporation for approval.

9.3 **Gifts and Hospitality Policy**

- 9.3.1 The policy had been considered in conjunction with agenda item 9.1.
- 9.3.2 **It was resolved** To recommend the Gifts and Hospitality Policy to Corporation for approval.

9.4 **Anti-Bribery Policy**

- 9.4.1 The policy had been considered in conjunction with agenda item 9.1
- 9.4.2 **It was resolved** To recommend the Anti Bribery Policy to Corporation for approval.

10 **Date of Next Meeting**

- 10.1 Monday 15th June 2020 at 5pm

11 **Any Other Business**

11.1 **ESFA funding assurance review**

- 11.1.1 The CE&P noted that the report provided to members was now the final version of the report of the funding assurance review undertaken by PricewaterhouseCoopers (PWC) in September 2019 in respect of 2018/19. This report had now been subject to quality assurance with ESFA and two minor revisions had been made at their request:
- Annex A - final reconciliation had been subject to a minor adjustment
 - Annex B – action plan and recommendations – an amendment had been made to PI50 to include one learner that had a start date that did not match the register. This had not been highlighted by PWC in the original report as they had not considered it significant but ESFA had requested it be included in the report. This did not have an impact on

the funding claim and the College had confirmed that it had strengthened controls to ensure reconciliation of records in the future.

11.1.2 **It was resolved** To note the report.

No further items were raised.

The meeting closed at 18.20.

Approved by the Audit Committee at its meeting on 15th June 2020.