



Minutes of Audit Committee held Monday 15th June 2020 starting at 4.30pm via Microsoft Teams

Members Present: Sharon Birdi
Liam Butler (Acting Chair)
Ester Gopoza
Helen Lawley

In Attendance: Andy Comyn (Chief Operating Officer)
Gill Darwood (Senior Officer - Corporate Governance) (SOCG)
Mark Dawson (KPMG)
Tony Felthouse (KPMG)
Asam Hussain (RSM)
Louise Tweedie (RSM)
Neil Thomas (Chief Executive & Principal)

1 Confirmation of quorum and apologies for absence

- 1.1 Apologies for absence were received from C Harvey. The SOCG confirmed that the meeting was quorate.
- 1.2 M Dawson, T Felthouse, A Hussain and L Tweedie introduced themselves to committee members.
- 1.3 In the absence of C Harvey, committee chair, it was agreed that Liam Butler would chair the meeting.

2 Declarations of Interest

- 2.1 There were no declarations of interest.

3 Appointment of Chair and Vice Chair for 2020/21

- 3.1 It was agreed that this matter would be deferred to the next meeting.

4 Minutes of Meeting on 9th March 2020

- 4.1 The minutes were accepted as an accurate record for signature by the acting chair.

4.2 Matters Arising

- 4.2.1 There were no matters arising.

5 Internal Audit

5.1 Internal Audit Progress Report including internal audit reports on:

- 5.1.1 The COO presented the Internal Audit Progress Report which he explained set out the work carried out by RSM in the 2019/20 academic year including the College's responses. The report also included a key sector issues update from RSM, with management comments against issues raised. 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. A Hussain provided

an overview of each of the reports, highlighting any relevant points of note and areas of good practice. In total, these reviews had resulted in 11 new or follow up recommendations as detailed within the individual reports:

- Employer Engagement - this provided an internal audit opinion of 'substantial assurance' with 1 low priority action as a result of the audit.
- Key Financial Controls – this provided an internal audit opinion of 'substantial assurance' with 1 low and 2 medium actions as a result of the audit.
- Quality Assurance Systems – this provided an internal audit opinion of 'substantial assurance' with 1 medium action and many positive practices to note.
- Learner Number Systems – this provided an internal audit opinion of 'substantial assurance' with 1 low and 1 medium action.
- IoT Governance – this was a newly established subsidiary to oversee the governance of the Institute of Technology. The report provided an internal audit opinion of 'reasonable assurance' with 2 low and 2 medium actions. A Comyn noted that as a new area of operation these points of development had been welcomed with a number already recognised and in hand.
- Follow up of previous recommendations – the progress on actions was noted with good progress in implementing agreed management actions.

5.1.2 A Hussain noted that during this period of lockdown, the business continuity plan had been stress tested both from the point of view of the College and RSM. He formally recorded thanks to College staff for their cooperation during this period and noted the excellent level of engagement from all staff within the College.

5.1.3 **It was resolved** To note the internal audit progress report.

5.2 **Rolling Schedule of Audit Recommendations**

5.2.1 The COO presented the report which summarised the progress made in implementing the recommendations contained in the Audit Reports submitted by RSM this year and where appropriate, also ICCA last year. The report identified those recommendations that remained in progress and highlighted those that had been completed since the last review.

5.2.2 There were 14 recommendations still outstanding at the last meeting, 7 of which had now been completed or superseded, which along with the 11 new or follow up recommendations from the latest reviews meant that 18 recommendations would roll forward to the next meeting, consisting of 1 advisory, 7 low, 8 medium and 2 high recommendations as set out in the rolling schedule. A Comyn advised that any high priority recommendations were in progress.

5.2.3 The acting chair asked if, where there was an outstanding action which had not been completed by the date, whether it would normally come back to the committee for approval of a revised completion date. L Tweedie advised that this was not usual practice within the sector. The COO explained that this would normally be covered in the follow up recommendations and any revised date would be noted at that point so that the committee could identify any concerns.

5.2.4 S Birdi noted the outstanding action relating to password controls and the COO advised that this would be completed once staff had returned to on site working but it was felt this would be problematic to implement with the majority of staff working remotely.

5.2.5 **It was resolved** To note the internal audit rolling schedule.

- 5.3 **Confidential - Internal Auditors' Performance Review 2019/20 and reappointment of internal auditors for 2020/21** (this item was taken after item 11 and at this point M Dawson, T Felthouse, A Hussain and L Tweedie withdrew from the meeting)

This matter is the subject of a separate and confidential minute.

5.4 **Internal Audit Plan for 2020/21**

- 5.4.1 The COO explained that RSM had produced the Internal Audit Plan for 2020/21 which focused on strategic risks identified following discussions held with management in May 2020, as summarised below:

Term 1

- Freedom of Information & Data Protection.
- Selected Controls for Higher Education Students Early Statistics (HESES) Survey.
- Student Loans Company (SLC) and Competition Markets Authority (CMA).

Term 2

- Procurement, Financial Planning and Budgetary Control.

Term 3

- Estates Management (with Health & Safety).
- Learner Number Systems to review the compliance requirements for the Adult Education Budget (AEB).
- Resourcing Technically Advanced Provision Advisory Review.

- 5.4.2 Based on this plan, the total number of internal audit days in 2020/21 was 52, compared to 54 days in 2019/20.

- 5.4.3 L Tweedie explained that it was not felt necessary to have a Covid-19 specific audit as this would inevitably feature in most reviews and issues relating to the College's actions and activity in this regard would be taken into account at that point in time.

- 5.4.4 In response to a question from the acting chair in relation to Covid-19 and the heightened fraud risks, the COO explained that it had been agreed that RSM would undertake an analysis of data which would show any unusual patterns of activity or divergences from normal practices, whilst taking account of current remote working arrangements and flexibility of staff working patterns. The outcome of this analysis would be presented as a summary report to the audit committee.

- 5.4.5 **It was resolved** To recommend the internal audit plan for 2020/21 to Corporation.

6 **External Audit**

6.1 **Fraud and irregularity annual report 2019/20**

- 6.1.1 The COO noted that the Corporation was required, through the work carried out by management, as monitored by the Audit Committee, to ensure that the risk of fraud and irregularity within the College was minimised. In order to assist with this obligation, it was usual practice for Audit Committees to carry out a formal annual self-assessment of the measures that were in place to minimise risk and to recommend further mitigating actions should they be thought necessary.

6.1.2 The report had been highlighted with changes compared to the report last year, changes related to job titles, as well as a small number of updates to reflect activity in 2019/20, and was presented for the Committee to approve.

6.1.3 **It was resolved** To recommend the fraud and irregularity annual report 2019/20 to Corporation.

6.2 **Plan for External Audit of 2019/20 accounts**

6.2.1 The COO noted that as agreed at the last Audit Committee and ratified at the Corporation meeting on 24 March 2020, the External Audit tender had been deferred to January 2021 due to the Covid-19 Lockdown. As a result, KPMG had been retained to carry out the external audit for a further year in 2019/20.

6.2.2 The draft 2019/20 audit plan prepared by KPMG was considered by members. It was noted that there would be increased risks for all colleges relating to Covid-19 and the potential impact on going concern, forecasts and covenants going forward. There would therefore be a need for more evidence to support the going concern basis within the accounts. It was noted that much of the audit activity would be conducted remotely.

6.2.3 In response to a question from the acting chair, T Felthouse noted that the level of resources required had increased significantly due to the impact of Covid-19 and that the level of disclosure would be greater depending on the level of impact on each entity.

6.2.4 The COO explained that the accounts for the newly established subsidiary TTPL would be consolidated into the College's accounts and a separate going concern judgement would be required on the subsidiary.

6.2.5 **It was resolved** To recommend the plan for external audit for 2019/20 to Corporation.

6.3 **External audit inquiries**

6.3.1 The SOCG explained that the committee had been requested by the College's external auditors, KPMG, to complete a questionnaire prior to commencement of external audit. and a further questionnaire was to be completed by the Clerk to the Corporation.

6.3.2 Members noted and agreed the proposed answers to the questionnaires which had previously been circulated to members by email.

6.3.3 **It was resolved** To approve the questionnaires for submission to the external auditors.

7 **Risk Management**

7.1 **Risk management – Summer Term report**

7.1.1 The COO explained that members of the Executive Leadership Group had updated the high level risk register since the last meeting. The risk register presented showed the College's current level of risk, along with historical risk levels and dates, with a note briefly explaining the factors affecting the latest risk score. The changes were summarised as:

- CCR.26 - Risk reduced - Likelihood of risks arising from national reforms to apprenticeships reduced from 3 to 2.
- CCR.28 - Risk increased - Likelihood of loss of staff motivation and focus increased from 2 to 3.

- CCR.31 - Risk increased - Likelihood of increase in demand from 16-19 year olds greater than College capacity to meet that demand increased from 1 to 2 due to the likelihood of Covid-19 driving different learner choices.
- CCR.39 - Risk reduced - Likelihood of curriculum reform from Sainsbury Review having a major impact on income or delivery costs reduced from 3 to 2.
- CCR.41 - Risk removed.
- CCR.43 - Risk to be removed before the next Audit Committee as DISE provision transferring to another provider.
- CCR.45 - Risk reduced - Likelihood of inability to meet apprenticeship targets reduced from 3 to 2 (impact of Covid-19 being treated as a separate risk - see CCR.60 below).
- CCR.46 - Risk to be removed before the next Audit Committee.
- CCR.60 - New Risk - Heightened risk of deteriorating financial health as a result of the Covid-19 pandemic.

7.1.2 **It was resolved** To approve the risk register.

8 **Committee's business plan for 2020/21**

8.1 The SOCG presented the business plan for the Committee which provided an indication of business and reports which would be submitted to the meetings of the committee scheduled for 2020/21.

8.2 She explained that this was not a rigid document but was intended as a guide and needed to remain flexible to accommodate emerging priorities and unforeseen eventualities, particularly in view of current circumstances in relation to the Covid-19 pandemic, which may result in additional considerations for the committee into the 2020/21 academic year.

8.3 It was noted that the internal audit plan should be removed from the autumn term meeting as this had now been completed, but this should be included on the summer term meeting for the plan in respect of the following year.

8.4 **It was resolved** To recommend the business plan for 2020/21, subject to one amendment as noted, to the Corporation for approval.

9 **Dates of meetings for 2020/21**

9.1 5th October 2020
 30th November 2020
 8th March 2021
 14th June 2021

All meetings to commence at 5.00pm

10 **Date of Next Meeting**

10.1 5th October 2020 at 5.00pm

11 **Any Other Business**

11.1 No matters of any other business were raised.

The meeting closed at 17.43.

Approved by the Audit Committee as its meeting on 5th October 2020.