



**MINUTES OF THE AUDIT COMMITTEE**  
**HELD ON TUESDAY 7 JUNE 2022**  
**IN THE HARRISON CENTRE BOARD ROOM (HC012) AND VIA MICROSOFT TEAMS**

**PRESENT:**

Paul Fleming	Member (Chair)
Taiyab Sufi *	Member
Sharjeel Salahuddin*	Co-opted Member
John Whittaker	Co-opted Member

**IN ATTENDANCE:**

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Andrew Mawdsley *	Internal Audit Assistant Manager, RSM - Internal Auditor
Mark Bradley	Audit Partner, Beever and Struthers
Jason Burgess	Audit Manager, Beever and Struthers
Jean Tracy	Clerk to the Corporation
Dr Zubair Iqbal	Associate Governor

\* indicates attendance via Microsoft Teams

The meeting commenced at 17.03 pm.

In Chris Johnson's absence it was **AGREED** that Paul Fleming would Chair the meeting.

The Chair welcomed Dr Zubair Isap, Mark Bradley and Jason Burgess to their first meeting of the Audit Committee. Introductions were made by all present.

**1. PRESENTATION ON A RISK-THEMED TOPIC – ESG**

The Vice Principal: Finance and Corporate Services gave a presentation on Environment, Social and Governance (ESG). The presentation explained ESG and covered how this would affect the College and what the College was doing in relation to each of the three strands.

The discussions which followed the presentation included employer interest in renewable energy programmes, the College strategy to be ahead of the field in this area which included changes to the curriculum design, and the appointment of a Sustainability and Energy Reduction Officer. The Committee also discussed the implications for the Board, noting that the Governance Panel had already begun the process to set in place the required External Review of Governance.

**2. APOLOGIES FOR ABSENCE**

Apologies were received from Chris Johnson and Lisa Randall (Head of Internal Audit, RSM).

### **3. DECLARATION OF CONFLICTS OF INTEREST**

The Chair advised those in attendance that should members of the Audit Committee become aware of any potential conflicts of interest, they should be disclosed at the earliest opportunity during the meeting.

### **4. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 22 FEBRUARY 2022**

The minutes of the Audit Committee held on Tuesday 22 February 2022 were **AGREED** as a true and accurate record and were duly signed by the Chair.

### **5. MATTERS ARISING**

The Committee noted that there were no actions from previous meetings.

There were no other matters arising.

### **6. AUDIT COMMITTEE:**

- **MEETING DATES 2022/23 AND 2023/24**
- **CALENDAR OF BUSINESS 2022/23**
- **TERMS OF REFERENCE 2022/23**
- ***REVIEW OF PROGRESS AGAINST TERMS OF REFERENCE FOR 2021/22 INCLUDED IN AUDIT COMMITTEE ANNUAL REPORT***

The Clerk to the Corporation presented the Report which included the review of the Committee's Terms of Reference and the proposed changes which would align these with the latest Post-16 Audit Code of Practice requirements.

Having considered the Report, Audit Committee

- (i) **APPROVED** the meeting dates for 2021/22 and 2022/23, including the change to the proposed date of the November 2023 meeting
- (ii) **APPROVED** the Calendar of Business for 2022/23
- (iii) **AGREED** to recommend to the Board the approval of the proposed amendments to the Committee's Terms of Reference
- (iv) Noted that the review of performance against the Committee's Terms of Reference for 21021/22 would, as usual, be included in the Audit Committee Annual Report which would be considered in September 2022.

### **7. AUDIT PLAN OVERVIEW – YEAR ENDING 31 JULY 2022**

Representatives from Beever and Struthers presented the Report, it being noted that the Audit Plan was not significantly different to that used in previous years. Discussions had taken place with the College to agree the audit timeline. Early testing had been included and the investment and energy required from both sides to ensure a smooth transition was noted. The Audit Plan also included the key risks for the audit, materiality, fees and the areas of focus. A sector update had also been included.

A detailed discussion took place on materiality and the figure included in the Plan. Materiality, which is the level at which a matter is deemed to be important in the financial statements, is based on 2% of the forecasted expenditure for 2021/22 reported in the April management accounts and was recommended by Beever and Struthers REDACTED. Beever and Struthers commented that the figure was consistent with the sector.

In answer to a question from a member of Audit Committee, Beever and Struthers clarified the staffing mix and actual time spent by each in College.

Audit Committee **APPROVED** the Audit Plan Overview for the year ending 31 July 2022, including the fees as per the Plan.

The Committee was informed that Helen Knowles would be joining Beever and Struthers as a Director. Ms Knowles had previously been an educational expert at BDO.

## **8. INTERNAL AUDIT REPORTS:**

### **(i) FUNDING ASSURANCE REVIEW – 16-19 CLASSROOM BASED PROVISION**

The Committee considered the Report which had been undertaken as a compliance review and thus no formal opinion had been provided. In completing the agreed programme of work, the Report confirmed that there was nothing to suggest that the College was not complying with the ESFA funding regulations guide for 2021 to 2022 ('the Funding Rules'). The Committee noted that from the twenty control points covered, only one low level recommendation had been made

### **(ii) SUBCONTRACTING CONTROLS**

The Committee was reminded that the College had not yet entered into any subcontracting provision and thus the approach taken had been to provide management with information on how the planned internal controls would demonstrate compliance with the ESFA's funding rules. As such, the Report did not provide a level of assurance or an internal audit opinion.

Information on the action plan and agreed management actions was provided in the Report, it being noted that the implementation dates would enable the College to embed the changes in internal controls ahead of the start of delivery in the next academic year.

### **(iii) FOLLOW-UP**

The Committee considered the Follow-Up Report, noting the information provided on the progress on actions and that the opinion of RSM was that the College had demonstrated reasonable progress in implementing agreed management actions.

### **(iv) FURTHER EDUCATION – BENCHMARKING OF INTERNAL AUDIT FINDINGS 2020/21**

The Report provided information on the FE benchmarking of RSM's internal audit findings in 2020/21. The Report covered a comparison against the number of actions agreed, and the assurance opinions provided in similar audits performed across the sector in RSM's client base. RSM commented that the College was above the national average and compared well with others in the sector.

### **(v) PROGRESS REPORT**

The Committee received the Report which provided a summary update on progress against the Internal Audit Plan for 2021/22 and the themes arising from control observations in the 2021/22 reports.

There had been one change to the plan, the detail of this and the reason for the change being included in the Report. The paper also included information on the updates, briefings and invites which had been issued since the last Audit Committee meeting.

### **(vi) ANNUAL REPORT**

Andrew Mawdsley (RSM) presented the Report which provided an annual internal audit opinion based upon and limited to the work performed, on the overall adequacy and effectiveness of the College's risk management, control and governance processes. The annual Internal Audit

opinion given was *'The organisation has an adequate and effective framework for risk management, governance and internal control'*.

The Report stated that the College had made reasonable progress in implementing the agreed actions. Eleven of the 16 management actions which had been followed up had been fully implemented/superseded; the other three medium priority actions and two low priority actions were ongoing at the time of review. It was noted that these would be reviewed in 2022/23. A summary of Internal Audit work completed during 2021/22 was contained at Appendix B and noted by the Committee.

The Audit Committee **AGREED** to recommend the Annual Internal Audit Report 2021/22 to the Corporation Board for approval.

#### **9. INTERNAL AUDIT STRATEGY 2022/23 – 2024/25 (INCLUDING THE 2022/23 INTERNAL AUDIT PLAN)**

The Internal Audit Strategy and Audit Plan had been produced in discussion with the College. The detail on the proposed reviews for 2022/23 and the related strategic risks were included in the Report. It was noted that regular meetings with management would be held throughout the year and the Plan amended as necessary.

The Committee considered the Strategy and Plan and did not wish to make any amendments at that time.

Audit Committee **AGREED** to recommend the Internal Audit Strategy 2022/23 – 2024/25, including the Internal Audit Plan for 2022/23, to the Corporation Board for approval.

#### **10. RISK MANAGEMENT – RISK REGISTER**

The Committee considered the Report which provided an update on the issues that were included in the College Risk Register. The Report also included information on the four risks which were currently rated as red, and the addition of a new risk relating to subcontracting activity, this latter being as previously requested by Policy and Resources Committee. The Committee noted the commentary provided against each risk.

A discussion took place on the possible impact on the College of the war between Russia and Ukraine, utility costs and staff recruitment. Information was provided to the Committee on the investment in an online student assistance programme and it was **AGREED** that the College would consider whether the Risk Register should be amended to take into account the impact of student well-being and mental health issues.

**Action: Vice Principal: Finance and Corporate Services**

It was also **AGREED** that:

- (i) a note would be added to the Risk Register regarding the pay rise pressures; and
- (ii) a review of risks CC1 and CC2 would be undertaken as to whether they could be cascaded into one, and
- (iii) consideration be given as to whether the mitigations in relation to cyber-attacks should be strengthened.

Having considered the Report and noting the actions above, Audit Committee agreed the Risk Register.

#### **11. FINANCIAL MANAGEMENT CONTROL AND EVALUATION (FMCE)**

Previously a statutory return to the Skills Funding Agency (predecessor of the Education and Skills Funding Agency), the Committee received a Report which provided detail on how financial management and control (including Governance) was exercised at the College. Whilst this was

not a mandatory return, it was noted that most colleges continued to undertake the annual review as good practice.

The report had been 'RAG' Rated (Red, Amber, Green) and members were advised that there was one item that had been rated as 'Amber', all other being 'Green'. Commentary to support these ratings was detailed within the Report. No issues were flagged during the review.

The Vice Principal: Finance and Corporate Services raised the relevance of the FMCE, noting that other compliance/progress checks covering the Regularity Audit, Post-16 Audit Code of Practice and the AoC Code of Good Governance for English Colleges. The Committee was asked for its view on the added value of the FMCE Report and on whether it could be used as a management document.

The Chair asked whether any gaps had been identified and it was confirmed that no issues had been flagged. The Audit Partner from Beever and Struthers supported the Vice Principal: Finance and Corporate Services' view and suggested that the Report be kept as a management tool with 'exception reports' being provided to Audit Committee.

After discussion it was **AGREED** that the FMCE Report would be provided to Audit Committee 'for information' for a further 2 years and a review would then be undertaken on its continued use. It was also **AGREED** that any items flagged as red/amber would be brought to Audit Committee by exception. The Audit Committee Calendar of Business would be amended to reflect these changes.<sup>1</sup>

**Action: Vice Principal: Finance and Corporate Services/Clerk to the Corporation**

## **12. AUDIT PERFORMANCE INDICATORS 2021/22**

The Vice Principal: Finance and Corporate Services presented the update on the Audit Performance Indicators for 2021/22 which assisted the Committee in assessing risk. The Report included information on compliance, financial health, creditor days, debt parameters and loan covenants. It was again noted that with the exception of creditor days and debt parameters which were not calculable in-year, and thus were not yet reportable, all Audit Performance Indicators were 'green'.

The Audit Committee noted the performance against the approved Performance Indicators for 2021/22.

## **13. POST-16 AUDIT CODE OF PRACTICE 2021/22**

The Report provided Audit Committee with information regarding the impact of the updated Post-16 Audit Code of Practice and highlighted the changes from the previous version. In answer to a question from a member of the Committee, the Vice Principal: Finance and Corporate Services confirmed there was nothing of major note which needed to be brought to the Committee's attention.

## **14. COMPLIANCE/PROGRESS AGAINST**

- **CODE OF GOOD GOVERNANCE FOR ENGLISH COLLEGES**
- **RESM – A BEST PRACTICE GUIDE FOR AUDIT COMMITTEE**

The Committee received a Report which provided an update on the College's compliance/progress against the Code of Good Governance for English Colleges and on the review of RSM A Best Practice Guide for Audit Committee.

- (i) Code of Good Governance for English Colleges - The Clerk to the Corporation reported that of the 113 points of compliance, 106 were completed in full, five were not applicable and two were completed in part.

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<sup>1</sup> Calendar of Business updated

A discussion took place on the External Review of Governance and the Clerk updated the Committee on the current position. It was hoped that in the future some benchmarking information on governance effectiveness would be available from the reviews undertaken by a particular reviewer/organisation.

(ii) RSM – A Best Practice Guide for Audit Committee – A Review of the 42 areas of best practice identified within the ‘RSM Turning Lights Green – Best Practice Guide for Audit Committee’ had taken place. The Clerk to the Corporation reported that 40 had been completed in full and two were not applicable.

The Audit Committee noted that the Report would be presented to the Governance Panel at its meeting on 20 June 2022 prior to it being reported to the Corporation Board at its meeting in July 2021.

#### **15. INTERNAL AUDIT – ACTION POINT STATUS (PROGRESS TOWARDS COMPLETION OF RECOMMENDATIONS)**

A Report providing an update of progress towards the completion of recommendations following the Internal Audits which had been undertaken, was received by the Committee. Four actions previously marked as complete had been reinstated during the follow-up audit, two of which were due to the responsible manager being off sick and therefore the processes were not happening. Members noted the information provided on each recommendation, agreed management action and update.

In answer to a question from a member of the Committee, the Vice Principal: Finance and Corporate Services confirmed that she was confident that the outstanding actions would be completed.

The Audit Committee acknowledged the update provided.

#### **16. DFE EXTERNAL AUDIT REQUIREMENT – INITIAL TEACHER TRAINING BURSARIES**

Due to the total value of the Initial Teacher Training Bursaries awarded, the DfE had required that an audit be undertaken by a third party. No issues were highlighted and all grants were found to have been made in accordance with the guidance. The audit report was included in the papers.

#### **17. AUDIT SCHEDULE 2021/22**

The Audit Committee received, for information, details of the Internal and External Audit Schedule for the 2021/22 academic year.

#### **18. DATA RETURNS MONITORING REPORT 2021/22**

The Audit Committee received a Report, for information, that confirmed the College was compliant with regard to Data/Funding returns for the academic year 2021/22.

#### **19. ANY OTHER BUSINESS**

There were no items discussed under Any Other Business.

#### **20. REVIEW OF MEETING**

The Chair thanked everyone for their attendance and contribution.

**21. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING**

Tuesday 20 September 2022 at 5.00pm.

Signed: .....

Date: .....