

MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 20 SEPTEMBER 2022
AT 5pm IN THE EXCHANGE BOARD ROOM, BEACON CENTRE AND VIA MICROSOFT
TEAMS

PRESENT:

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

IN ATTENDANCE:

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| Dr Fazal Dad | Principal and Chief Executive |
| Jennifer Eastham | Vice Principal: Finance and Corporate Services |
| Kashif Azeem * | Assistant Manager, RSM - Internal Auditor |
| Dr Zubair Iqbal | Associate Governor |
| Jean Tracy | Clerk to the Corporation (Observer) |
| Sarah Horeesorun | Director of Governance |

* indicates participating via Microsoft Teams

The meeting commenced at 5pm.

1. The Chair welcomed everyone and requested that Agenda Items 2, 3, 4 and 5 be covered before the presentation at Item 1. This is reflected in the order of the minutes below.

2. APOLOGIES FOR ABSENCE

Apologies were received in advance from Lisa Randall and Andrew Mawdsley, RSM, and Sue Hutchinson, Mark Bradley and Jason Burgess from Beaver and Struthers.

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

There was one small amendment required to the spelling of an attendee's surname. The Director of Governance informed members that this had already been corrected, after which, the minutes of the Audit Committee held on Tuesday 7 June 2022 were **AGREED** as a true and accurate record and were signed by the Chair.

5. MATTERS ARISING

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

There were no other matters arising.

1. PRESENTATION ON A RISK-THEMED TOPIC – ENERGY REDUCTION AND SUSTAINABILITY

The Vice Principal: Finance and Corporate Services gave a presentation on Energy reduction and Sustainability, explaining that this topic was chosen as it is followed on from the ESG presentation at the last meeting, is interesting and, relevant to us all. The presentation examined our current position, how forecasted energy cost increases would impact on the College, help available, and what we are doing to reduce costs.

The discussions which followed the presentation acknowledged concern in the sector that increasing energy costs were unacceptable and unaffordable. Committee members made suggestions and explored ways in which the College could make potential savings or identify additional budget without sacrificing quality education or creating instability. The College recognised that more action was needed and the remit of the newly appointed Health, Safety and Environment Manager and creation of a Sustainability Committee was to examine where further energy cost reductions could be made. The College was keeping a watching brief on related Government announcements and fixed rate energy deals to ensure that it was informed and ahead of the game, but acknowledged that it was not alone in this and that everyone was doing the same.

6. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

The Vice Principal: Finance and Corporate Services explained that the Board was required to make a statement on regularity, propriety and compliance with the annual financial statements.

To support the Board in making this assessment and to ensure completeness, the College had completed a self-assessment questionnaire. This provided clarity over the framework, including the funding bodies' interpretation of the key requirements and the type of evidence that should be considered.

The questionnaire must be completed and submitted to Beever and Struthers, the College External Auditors, to review as part of their year-end work. Beever and Struthers visit, test and provide their Audit opinion. A copy of the Regulatory Audit Self-Assessment Questionnaire must be signed by the College Accounting Officer and Chair of Governors in advance of the accounts being signed off.

Having considered the Report, the Audit Committee **AGREED** to recommend the report to the Corporation Board for approval and signature.

7. ANNUAL REPORT OF THE AUDIT COMMITTEE 2021/22

The Post-16 Audit Code of Practice (ACoP) sets out the specific requirements for assurance, accountability and audit arrangements for Colleges and the broad framework in which they should operate.

The ACoP states that the College Corporation must set out clear Terms of Reference for the Audit Committee, one of which is to produce an Annual Report, summarising the Committee's activities relating to the financial year under review. This report is also shared with the ESFA to assure them that we are compliant with the ACoP.

In compliance with the AcOP and as per the agreed Audit Committee Terms of Reference, the Committee considered this report and **AGREED** to recommend the Annual Report of the Audit Committee to the Corporation Board for approval.

8. RISK MANAGEMENT ANNUAL REPORT 2021/22

The Committee considered the Report which summarised the College's risk management activities for 2021/22. In discussion, Members noted the key risks during the year and the mitigating controls.

There was further discussion on the effective management of risk and members raised concern about the increased risk of Cyber Attacks. The Audit Committee observed that the risk of an Ofsted inspection had reduced with the College having successfully achieved a Good in the most recent inspection.

Having reviewed and discussed this Report, the Committee **AGREED** to recommend the Risk Management Annual Report to the Corporation Board for approval.

9. RISK MANAGEMENT – RISK REGISTER 2022/23

Following on from Item 8, the Committee, in its role to regularly review the potential risks to the College operations and strategic direction, discussed the issues to be included in the College Risk Register for 2022/23.

The risk rating for each risk is determined by the Board approved Risk Management Policy. Using the RAG rating, the Committee noted that three risks were currently rated as red and were satisfied with the mitigating actions and controls in place to effectively manage these. For 2022/23 there were no new risks added and minor changes had been made to the job titles of senior post-holders.

In discussions, Members asked questions and explored issues around business continuity, student retention and positive destinations. In response to concerns around Cyber Attacks, The Vice Principal: Finance and Corporate Services, assured members that the College had new software installed, regular testing and training in the safe use of I.T., and is working towards Cyber Essentials certification. RSM added that they are scoping an I.T audit as part of their internal audit plan. After discussion, it was **AGREED** that it would be useful to have a presentation at a future meeting on how we would continue to deliver if we could not use part of the estate.

Action: Vice Principal: Finance and Corporate Services

The Committee discussed whether:

- Risks R1 – Failure to meet enrolment targets (all areas) and F2 Failure to meet income targets, **could be merged to form one risk**, as this appeared to be duplication as they are intrinsically linked.
- Risk C4 – Insufficient focus on Academic Governance **could be deleted** as this is not a significant organisational risk as College has a strong Board, effective Management and an Ofsted inspection rating of Good.

Committee members agreed with the changes and **AGREED** the Risk Register.

10. SUBCONTRACTING PROVISION – REVIEW OF 2021/22 PROVISION AND RATIONALE FOR 2022/23 PROVISION

Committee members had received a Report from the Director of Business Development and External Engagement to update them on Sub-contracting activities. The Report set out the rationale and explained the complexities in ensuring value for money and quality education delivery through close collaboration and monitoring of sub-contracted provision. The College acknowledged the huge responsibility to protect its reputation and the public purse, and worked with RSM on an audit of the

sub-contracting arrangements to provide the necessary assurance to the ESFA. This had now been signed off by the ESFA and Corporation and the College was working through the course detail with sub-contracted out providers. The College had one remaining 'sub-contract in' which was due to complete in 2024. No new learners had been recruited to this course and it was deemed to be in a 'teach-out'.

The Audit Committee was grateful for the update on the current position and noted the complexities in getting this far.

11. AUDIT KEY PERFORMANCE INDICATORS (KPIs) 2021/22 -UPDATE

The Vice Principal: Finance and Corporate Services presented an update on the Audit Key Performance Indicators (KPIs) 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 noted that with the exception of Creditor Days and Debt Parameters, which were not calculable in-year, and therefore not yet reportable, all KPIs were 'green'.

A member asked whether Energy Reduction should be a KPI indicator, and members discussed how the College might measure this. In the absence of a solution, the Vice Principal: Finance and Corporate Services was asked to review what the College is doing on Carbon Reporting.

Action: Vice Principal: Finance and Corporate Services

The Audit Committee noted the performance against the approved KPIs for 2021/22 and **AGREED** for the same KPIs to be used for 2022/23.

12. INTERNAL AUDIT – ACTION POINT STATUS (PROGRESS TOWARDS COMPLETION OF RECOMMENDATIONS)

This Report provided the Audit Committee with an update of progress towards the completion of recommendations following the Internal Audits that had been undertaken by RSM.

All new Internal Audit assignments were scheduled to start later in the year, but of the three actions outstanding, one had been delayed whilst a new HR system was being trialled. A few modifications were needed and the College would have an update in November. The two remaining actions should be completed now that the College have the new Health, Safety and Environment Manager in post.

Action: Vice Principal: Finance and Corporate Services

13. AUDIT SCHEDULE 2022/23

The Audit Committee received, for information, details of the Internal and External Audit Schedule for the 2022/23 academic year. The Vice Principal: Finance and Corporate Services informed members that RSM were visiting College next week to commence audits of Risk and Governance, and Safeguarding.

14. DATA RETURNS MONITORING REPORT 2021/22 AND 2022/23

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 and that all returns were submitted on time. The first schedule for 2022/23 had been received and College continues to keep to the deadlines.

15. RSM ANNUAL INTERNAL AUDIT REPORT 2021/22

RSM had shared a draft of this Report with the Audit Committee previously. The only changes to the final Report, being the removal of draft status and watermark.

The Audit Committee thanked RSM for their final Report.

16. ANY OTHER BUSINESS

There were no items discussed under Any Other Business.

17. REVIEW OF MEETING

The Chair thanked everyone for their contributions to the Committee discussions, and the meeting closed at 6.20pm.

DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 22 November 2022 at 5.00pm.

Signed:

Date: