



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 13 OCTOBER 2022
AT 1.00 PM (HYBRID) – IN THE BOARD ROOM, THE ENGINE ROOM, DCG AND
REMOTELY**

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Present: Kevin Slack (Chair), Andrew Dymond, Rosslyn Green

In attendance: Jo Clifford (CFO)
Michael Ford (Corporate Services)
Heather Simcox (Deputy CEO)
Cheryl Tacchi (DPO))
Heather Withington (OFS Compliance and Policy Officer) 13/22-23
Jonathan Creed (ICCA – Internal Auditors)
Gareth Jones (RSM – External Auditors)
Sarah Powell (RSM – External Auditors)

Rose Matthews (Clerk)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and RSM.

PART ONE - GENERAL MINUTES

01/22-23 INTRODUCTIONS

Introductions took place with Gareth Jones and Sarah Powell of the External Auditors, RSM

02/22-23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Hazel Clint.

03/22-23 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM

All members were eligible and the meeting was confirmed to be quorate. There were no new declarations.

04/22-23 MINUTES OF THE PREVIOUS MEETING

RESOLVED: The minutes of the meeting held on 21 June 2022 were formally approved.

05/22-23 MATTERS ARISING

73/21-22 The draft Internal Audit Plan and Strategy was approved by the Corporation. For completeness the final Plan and Strategy were on the agenda for this meeting.

Action Date

76/21-22 Changes to the Strategic Risk Register would be discussed as part of the dedicated agenda item. The action had been completed.

**06/22-23 INTERNAL AUDIT SERVICE
ESFA MOCK FUNDING AUDIT REPORT**

Jonathan Creed of Internal Auditors, ICCA presented the Mock Funding Audit Report.

The scope of the report was to provide assurance that the control framework in operation in respect of the ESFA funding supports compliance with relevant agencies requirements as defined within the ESFA funding rules for 2021-22.

Overall, the report provided a reasonable audit opinion. Two medium and two low recommendations were made. The recommendations had been accepted by management. The majority of these related to inherited apprenticeships provision.

07/22-23 EXAMINATIONS REPORT

The Internal Auditors shared their report on the Examinations.

The report was to provide assurance the College has effective systems and controls in place for managing awarding bodies and the costs associated with exams.

The report provided reasonable assurance with one medium recommendation which related to budgetary management and reporting.

08/22-23 FOLLOW-UP REPORT

Jonathan shared the Follow-up Report which provided a substantial audit opinion.

This was to provide independent assurance that progress with implementing previously agreed recommendations was satisfactory and there was no risk to the College.

Of the recommendations that required follow-up, six of the seven had been concluded and one had been superseded. This related to the OCG credit cards which had now moved to a virtual model. There were no recommendations to take forward to the new year.

09/22-23 INTERNAL AUDIT ANNUAL REPORT

The Internal Auditors, ICCA presented the Annual Internal Audit Report, which summarised the internal audit work undertaken over the year.

Based on the work undertaken and management implementation of the previous audit recommendations, the internal auditors provided reasonable assurance the systems of internal control were operating adequately and effectively.

The Group's governance and risk management arrangements, and systems of internal control continued to operate adequately and effectively.

No high priority recommendations were raised, with five substantial assurance opinions issued.

No additional work had been undertaken and no conflicts of interest identified.

The Committee had approved 45 days to support the Audit plan with 41 days undertaken. The proposed Fraud Prevention, Detection and Intervention Audit was deferred to the 2022-23 academic year.

10/22-23 INTERNAL AUDIT PLAN AND STRATEGY

Jonathan Creed, of the Internal Auditors, ICCA presented the final Internal Audit Plan and Strategy, which had been presented in draft format at the last meeting. There were no changes.

11/22-23 EXTERNAL ASSURANCE EXTERNAL AUDIT PLAN 2021-22

Gareth Jones and Sarah Powell of External Auditors, RSM presented their Audit Plan for 2021-22.

The scope was to focus on the areas that were considered significant to the results for the period and the position at the balance sheet date. As part of the overall group audit strategy, materiality had been established for the financial statements as a whole and based on 3% of total expenditure. The audit covered the group as a whole and the subsidiaries.

The key risks were covered and discussed, which related to income recognition, management override, pension liability, going concern, capital projects and staff payment.

Members questioned the pension liability and the huge swing on liability with LGPS which could be anything from £60m to £5m on the current actuary valuation. Andrew Dymond noted that 10-15% would put it within materiality.

The Chair asked if there would be a reduction in contributions moving forward. The CFO explained they looked at forecast to repay and she would pick up towards the beginning of the year. Andrew Dymond

commented it gave the impression the College was better off than it was.

It was noted pension contributions would need to be factored in when considering Going Concern. The CFO pointed out there was a technical problem in terms of the AEB capital grant and the External Auditors said they would need to be conscious of that.

In terms of capital projects, there were a number taking place and the cut off would be a key consideration.

The final risk related to the staff payments and a judgement on what that accrual was and what documentation was in place to support it.

Members noted the fees, which also now included the subsidiary accounts.

Non-audit services which were highlighted related to the College's Teachers' Pensions End of Year Certificate and the Skills Accelerator Development Fund.

The External Auditors also discussed emerging issues in the sector which related to the new sub-contracting standard, VAT, levelling up agenda and the ONS review.

They highlighted the updated College Accounts Direction which required evidence of how the organisation had developed governors and the Clerk and a disclosure on whether the College had undertaken an external review of Governance. The Chair asked the Clerk if this was in hand. It was confirmed the College had for a number of years, reported on the development of Board members. The Search and Governance Committee had discussed the External Review requirements and this was in hand.

12/22-23 DRAFT ESFA REGULARITY SELF-ASSESSMENT QUESTIONNAIRE

Members received the draft Regularity Self-Assessment which evidenced the Corporation's response and compliance against the ESFA's accountability requirements.

Members were satisfied with the questionnaire presented, which would be signed following Corporation and submitted to the ESFA in December with the financial statements.

13/22-23 HIGHER EDUCATION RISK REPORT

Members received the HE risk report. There were no significant risks to report and all risks were either green or yellow. Moving forward it was agreed to include the HE Risk Register as part of the wider strategic risk framework rather than reporting individually. It would

continue to be presented at the HE Academic Board.

14/22-23 STRATEGIC RISK MANAGEMENT REPORT

Michael Ford presented the latest Risk Management Report and updated Register.

There were 29 risks under review on the Corporate Risk Register. There were four risks currently rated as high after preventative controls.

Two related to the industrial action and one to the increasing energy costs. These were discussed at length. These were presented in a new format, which Andrew Dymond and Rosslyn Green commented was clearer in terms of what was or was not working.

Andrew Dymond mentioned the cyber security risk and the External Auditors advised a number of corporations had identified that as a high risk. Management responded that a review of data security was carried out last year and a phishing exercise during enrolment with staff directed to training. They felt comfortable there were enough mitigations in place.

It was pointed out there were no significant safeguarding disclosures but there were a number of reports. The College were seeing an increase in mental health, particularly from new students.

There were no referrals to Prevent or any significant health and safety issues this academic year.

15/22-23 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

The Internal and External Recommendations Monitoring Report was shared.

The Committee noted there were six ongoing actions.

16/22-23 OVERVIEW OF POST-16 AUDIT CODE OF PRACTICE

The Head of Internal Audit, Jonathan Creed, provided an overview of the key changes to the Post-16 Audit Code of Practice. This related to changes in reporting of fraud and additions relating to the regularity audit opinion in terms of propriety.

17/22-23 AUDIT COMMITTEE SELF-ASSESSMENT 2021-22

Committee members carried out an annual self-assessment of the Committee.

The response rate was 100%. No significant comments were raised, there were seven 'maybe' responses to the

47 questions asked. Actions have been taken to respond to each point and were detailed in the report.

Members raised no further concerns and acknowledged they were assured by the action points provided.

18/22-23 DRAFT AUDIT COMMITTEE ANNUAL REPORT

The report provided the annual assurance opinion of the Audit Committee to the Corporation and collated a range of evidence to substantiate the opinion. It summarised the Audit Committee's business over the past year along with wider assurances from across the Board's business.

It was noted the report was draft at this stage and made some assumptions, with the final report presented at the next Committee meeting in November with the Corporation's Annual Report and Financial Statements.

This had been reviewed in conjunction with the Post-16 Audit Code of Practice and the AoC's Code of Good Governance.

19/22-23 AUDIT COMMITTEE TERMS OF REFERENCE REVIEW

An annual review of the Committee's Terms of Reference had been undertaken in line with the recently updated Post-16 Audit Code of Practice. Additions included specifics in relation to propriety and the addition of reporting of cybercrime.

It had been proposed to remove the paragraph relating to the Committee's review of Declarations of Interest, related party transactions and the register of hospitality as these were presented at other committees.

Andrew Dymond pointed out that whilst these may be presented at other committees the Audit Committee should still have oversight in terms of assurance of these items. It was therefore agreed to retain the paragraph.

The meeting finished at 2.45 pm