



MINUTES
of the Audit Committee
held remotely on Monday 14 June 2021

Present: - Tony Ford (Chair)
Cllr Sebastian Bowen (Co-opted Member)
Julia Cotton
Jeremy Nicholls
Kevin Tong (Co-opted Member)

In attendance: - Edward Gwillim (Director of Finance)
Clare Perez (Head of Finance)
Linda Watkins (Clerk to the Corporation)
Karen Gentles (RSM)
Carol Davey (Mazars)

The meeting was quorate as five members were present.

5. Apologies for Absence

There were no apologies.

6. Declarations of Interest

There were no declarations of interest.

7. Approval of the Minutes of the Meeting

The Committee agreed the Chair should sign the minutes of the meeting held on 29 March 2021 as a true and accurate record.

There were no matters arising.

The Committee agreed: -

- To approve the minutes

8. Internal Audit Progress Reports [The agenda order was changed to take this item following item 9]
Karen Gentles presented the following reports.

- I. The progress report showed that the audit plan had been completed with the latest final reports on the agenda. Client briefings were presented for information.
- II. Learner numbers was an advisory report which audited study programmes and apprenticeship provision. There were two low priority, two medium and one high level recommendation; the medium and high-level recommendations related to apprentices. The Director of

Action

Finance confirmed that robust processes established at County Training have been embedded across all campuses.

- III. The cyber security audit was undertaken by RSM's specialist IT team with a partial assurance opinion. There were several recommendations including one high-level recommendation. A Governor commented that the date to address the high-risk recommendation was March 2022 asking if this should be brought forward. The Director of Finance responded that actions have already been taken to address this including replacing servers; however, there are several servers which need to be replaced across campuses with assurance that these will be replaced by March 2022. There was another question regarding implementation and progress of the nine medium-level recommendations. The Head of IT is preparing a paper to increase the IT staff resource and capacity for approval by CMT. The Chair requested cyber security to be added to the risk register noting that this was already included in the risk of loss or corruption of data and systems; the score would be increased with specific reference made to cyber security. There was a question about costs to replace servers which would be reported to the F&E Committee and Board as appropriate. There was a suggestion to review renewing servers more frequently in future as some had not been replaced since 2008.
- IV. The data protection audit reviewed systems and controls post-GDPR implementation. There are 12 advisory recommendations which have been accepted by management with implementation dates agreed.
- V. The follow up audit of actions from the previous year showed reasonable progress had been made. This showed that there were 36 actions with the majority implemented and only four which were not. It was agreed that this was a positive outcome, particularly during the covid-19 pandemic which created additional pressure and workload for all staff.
- VI. Internal Auditor's Strategy 2021/22-2023/24 included the proposed audit plan for next year which would focus on estates and capital management arrangements, learner number systems (dependant on requirements from the Audit Code of Practice (ACOP), safeguarding (sexual harassment and misconduct), HR controls (recruitment and selection), risk management arrangements (policy and risk register), governance processes (AoC code of governance and implementation of changes to the code once released), key financial controls (cash in hand, general ledger and fixed assets) and follow up audit. There was discussion about the plan agreeing it is crucial that internal auditors understand ILR funding and review learner numbers which was included in the audit plan. This would be completed in a timely manner to ensure there was sufficient time to address any issues identified. Duplication of work by the financial statements and internal auditors was also discussed concluding that the implications of the ACOP and ongoing discussions with

E Gwillim

financial statements' auditors will need to be taken into account.

There was a question about the College's approach to safeguarding and if there were any issues in response to the recent Ofsted report which highlighted that sexual harassment had been normalised. The College has a robust safeguarding policy and procedures to support students. This service is being restructured to improve the level and offer of support provided. It was acknowledged that the College takes its responsibility for student wellbeing seriously which can be evidenced by an independent audit commissioned for safeguarding. Failure to provide safeguarding and mental health support to students is incorporated in the risk register.

The Committee agreed: -

- To note the internal auditor's reports
- To recommend the Board approve the Internal Auditor's Strategy 2021/22-2023/24
- To acknowledge the situation regarding the ACOP and implications on the learner numbers and funding audit

9. Mazars Audit Strategy Memorandum to 31 July 2021

Mazars presented the strategy outlining the approach to the audit, significant audit risks and areas of key judgements. This would include the impact of COVID-19 and how the organisation responded to operate remotely.

A substantial risk resulting from the revised ACOP included removal of ESFA's assurance of funding claimed by colleges. ESFA previously provided this to the financial statements' auditors based on colleges' ILR returns which was relied on to confirm that funding income is accurate. The ACOP requires the financial statements' auditors to provide assurance of colleges' income. It is anticipated that c100 ILR student records will need to be sampled which will increase the workload for the auditors and college staff. An option could be to rely on work completed by the internal audit service subject to agreement by ESFA. There is significant uncertainty regarding the impact of the ACOP in the sector. As a result Mazars are unable to confirm their audit fee to incorporate the additional work which will also add pressure to the timeframe to complete the audit.

A Governor asked what would be involved to check a sample of records. Checks would ensure that the ILR meets the eligibility criteria for funding, examples included GCSE attainment to the course entry requirement, attendance before the critical funding cut-off date, last date of ESFA funding audit and checking the funding records to ensure eligibility. A question followed how the samples would be selected noting that these would be from 16-18 funding, 19+ and apprentice income across all campuses.

The Board of Governors is responsible for the assessment of the College's ability to continue as a going concern, particularly to challenge management. Mazars will obtain sufficient

appropriate audit evidence to form an opinion whether there is any material uncertainty related to going concern and to consider the appropriateness of Governors' use of the going concern basis of accounting in the preparation of the financial statements.

The pension scheme is the biggest assumption which will be calculated using valuations from actuaries.

The Committee agreed: -

- To recommend that the Board approve Mazars Audit Strategy Memorandum to 31 July 2021 noting that the fees may increase further to account for additional sample testing

9. Audit Recommendation Tracking Report

This was noted showing recommendations which have been completed and those which remain ongoing; this did not include recent recommendations from final audits which had been presented at the meeting. Some recommendations would be superseded by recent reports.

The Committee agreed: -

- To note the tracking report

10. Risk Management Register

The Risk Register was noted with changes outlined in residual risk order. CMT have discussed risks with the following changes made.

The risk and impact of covid-19, specifically the delta variant had been regularly discussed.

The residual risk for loss or corruption to data (including cyber security attacks) had been increased. Failure of an IT system has also increased.

Changes to the College's CMT has increased following notice that as Assistant Principal will retire in December 2021.

Health and Safety risks have been increased following input from a Governor.

Failure to provide accurate, timely and complete student data to ESFA and other bodies had increased.

The risk relating to the County Training restructure had been decreased following completion of restructuring.

The Committee agreed: -

- To note the risk register
- A direction of progress arrow will be added to the risk register showing if risks have increased or decreased

11. Counter Fraud

EGwillim

The Clerk had completed the annual counter fraud risk assessment. Questions and comments were invited from Governors.

The Committee agreed: -

- To note the annual counter fraud risk assessment which showed robust measures to prevent fraud
- The Clerk would include a summary of the counter fraud risk assessment in the Audit Committee's Annual Report

12. Annual Items for Committee

The Committee agreed: -

- To appoint Tony Ford as Chair of the Committee for 2021/22
- The Committee self assessed its performance concluding that it was effective and adequately met the requirements of its terms of reference.
- The Search and Governance Committee would be requested to discuss training requirements for Audit Committee to ensure skills and knowledge are up to date; this could be delivered at a Governors' workshop or at the start of Audit Committee meetings.
- The Clerk will review the terms of reference against the new ACOP

L Watkins

L Watkins

13. Any Other Business and comments

- I. The Director of Finance referred to the insurance retendering exercise which was in progress and had been reported to the Board agreeing to delegate to the Chair of the Corporation. A report will be provided to the committee.
- II. The Chair recorded thanks to the Director of Finance and Head of Finance on behalf of the Committee based on the positive summary of work completed.

E Gwillim/
C Perez

14. Date and time of next meeting

The next meeting of the Audit Committee was arranged for Monday 29 November 2021 commencing at 4.00 pm.