

Audit Committee Meeting

6 July 2022

Cover Report to the Corporation highlighting any Recommendations for Approval

Minute Number	Recommendation(s) to the Corporation
	To approve:
26/22	The Changes to the Financial Regulations & Annexes <ul style="list-style-type: none">• Covering Paper• Draft Financial Regulations• Draft Financial Annexes
27/22 ii)	The Whistleblowing Policy and Procedure



Minutes of the Audit Committee

Date: 6 July 2022

Present: Nigel Hainsworth
Paul Webley
Jonathan Curtis
Steph Tinsley
Kerry Robinson

In attendance: Lorraine Swift Vice Principal Finance & Planning
Jeremy Stott Clerk
Diana Bird Vice Principal Curriculum
Richard Bott Senior Partner, Mazars
Michael Speight Senior Manager, Mazars
Susanna Butler Minutes Secretary

Apologies: Mohammed Hussain

Meeting commenced: 18:00

Meeting closed: 19:15

14/22 Disclosure of financial and/or personal interest

There was no disclosure of financial and/or personal interest.

15/22 To agree agenda and order of business as circulated

The agenda and order of business were agreed.

16/22 To approved the minutes of the meeting held on 15 February 2022

The minutes were approved as a true record.

The Chair noted that a Vice Chair has not yet been appointed. **ACTION:** To be added to the next agenda in December.

17/22 Matters arising

a) 08/22 - to note the TIAA Audit letter of engagement

The Vice Principal Finance & Planning (VPFP) presented the item for information purposes to formally show that we have signed the letter. It was queried if there are any tasks set out for internal audit and confirmed that this will be addressed later on in the agenda.

Members noted the Engagement Letter

b) 11/22 - consideration of a joint meeting with F&R

To note the decision that separate meetings are to be held.

18/22 To receive an update on the Risk Register

The VPFP highlighted all the updates which are in red. 1c has been downgraded as we believe we will now meet our AEB budget and are hopeful things are picking up and moving closer to normal since Covid. A member asked if our student numbers are strong enough for next year and the VPFP replied that we are not as confident in our 16-18 numbers - last year we had a really high number of offers, but many did not turn up and we had a high drop out within the 42 day cut off. We have fewer offers this year, but hope to have a better conversion rate. We will not know the position until September however, but have been spending more on promotions and events to help increase numbers. 19+ numbers are looking a lot better.

Those risks still at amber after mitigation were highlighted. 2g. Impact of the failure of a key partner such as the WYCC is still amber due to issues with the WYCC accounts, but it is still a low risk for us with a liability of just £1. Cyber Security cannot be downgraded to green as this will always be a risk. Still red is 8c) - the impact of new 14-19 and/or 19+ national and local level policy - we have more T Levels and extra study hours to allocate so this creates more challenges.

A member commented whether Audit should be monitoring risks around the Strategic Plan. The Strategic Plan often links to the Development Plan but the VPFP confirmed that she would be happy to look at this with the member and that it would be interesting to see how risk is monitored in other organisations.

The Chair noted that, in general, most red areas have now been downgraded to green or amber, with just a few red in the gross risk section, but the College believes they are all being managed.

The update was received.

19/22 To consider the External Audit Planning Memorandum, including the Engagement Letter for Financial Statement Auditors

R Bott, Senior Partner at Mazars, confirmed that their Audit Strategy Memorandum is fairly standard and summarises their audit approach, highlights significant audit risks and areas of key judgements, and provides details of their audit team. He highlighted changes to the Framework but that there is nothing of major concern. The real change is coming next year. There are the regular risks where they are doing extra work as they did last year on funding body income but they don't believe the risk is any higher than it was last year. Another risk is the pension scheme where the figures go up and down. They have previously used their actuaries to review the assumptions but will need to go through an additional process this year - they plan to do this via the College and pension scheme to minimise cost. The Chair added that, regarding pensions, ever since FRS17, the balance sheet has seemed less important - it has become more about what our contributions are going to be in the next 12 months and whether we can afford it. The VPFP confirmed that we have received a letter from the WYPF

which states they have considered our risk has not changed and they do not intend to change our contribution rates, though they have requested some additional information as they are going through the valuation process. Overall, it does seem to be a well managed scheme.

Mazars fees are the same as last year and materiality is set between 1% and 2 % of total income.

Members agreed to authorise signature of the Engagement Letters for signing by the Principal.

20/22

To:

i) Review and consider for sign-off the Supply Chain Fees and Subcontracting Policy

The VPFP highlighted the significant changes due to the change in subcontracting rules and the fact we are not planning to do any subcontracting. A link to the old version has been provided for comparison purposes.

Members agreed to the sign-off of the Supply Chain Fees and Subcontracting Policy

ii) Review subcontracting as required by ESFA

The VPFP confirmed there is nothing to report under the current ESFA rules.

21/22

To consider the latest ESFA College Financial Review and Dashboard

The VPFP reported that the ESFA agrees with our financial health assessment of Outstanding based on the 2021/22 Finance Record and the Dashboard and data is now available to see live online. Instructions will be sent out to all governors on how to access the Dashboard. The information will only change when we submit another document. There is nothing particular to raise and our grade is Outstanding due to a good surplus last year. However, F&R recommended yesterday a bonus to staff which will bring our grade back down to Good. A member asked if there is much difference between Good and Outstanding and confirmed there is not a lot in it. It's more about the scrutiny you are under by the ESFA and sometimes the deciding factor can come down to certain projects. We target a score of 190 which takes us properly into the Good rather than 180 which is borderline. We are well within the Good band which is where we feel we should be and are not looking to build lots of reserves but to spend the money on students and resources.

A member noted that, as we have no debt, staff expenditure is a much higher ratio which makes us look worse than we are. He queried if the College knows what algorithms are used to calculate the financial score and the VPFP confirmed yes, that she has them working in her forecasts. R Bott commented that auditors would only look at the financial score if it was borderline between Good and Requires Improvement.

Members noted the outcome.

22/22 To consider a WYCC update Report

The VPFP explained that this update has been reported to F&R but a recommendation had come out of the Governance Review report that Audit members should also receive the report as it concerns risk. The WYCC has the position of a negative balance sheet forecast for the end of year and there are significant debts which are partner debts. Therefore they are not under pressure on cash flow as it is the partners who are helping to fund that. The issue has been in moving from ESFA to DWP projects which has caused a lull. Things are starting to pick up though. Bradford and Kirkless came out of the Consortium, but are now looking to return in some form. The one at risk is Luminare. We did have a long-standing debt to do with Let's Talk Real Skills as we don't get paid until they do by DWP and it has been taking some time. We are also due £69k for the Collaborative Apprenticeships which is still in the early claim situation. The worst case scenario for our moral obligation is £100k but legally we are liable for £1. Next year there should be a surplus.

23/22 To consider the role of the Audit Committee in monitoring the new Strategic Plan

The Chair asked the Clerk to set out the proposal for Audit in relation to monitoring of the new Strategic Plan. The Clerk reminded the Committee that in Dec 21, it had been decided Audit should have a role in monitoring the objectives of the Strategic Plan. A member added that if we looked at the idea of creating a Risk Map that takes into account the Strategic Plan objectives, then we would automatically be monitoring progress - if the Risk Map sets out what has been achieved, governors would be able to see at a glance where progress is or isn't been made. A discussion took place and it was agreed that P Webey, L Swift and D Bird would need to meet to discuss further what this would look like and welcomed further ideas from the committee. **ACTION:** It was agreed to forward a copy of the Strategic Plan and Development Plan to P Webley and also copy him into future Corporation papers for information so that he can prepare for the meeting with some considered ideas.

24/22i) To Consider:

a) details of any significant changes to the Post-16 Audit Code of practice published April 2022

The Clerk highlighted the changes reporting there was nothing significant to note. A lot of it is common sense and we are already complying.

b) a review of the Terms of Reference

The Clerk confirmed he has been through the Terms of Reference proposing no changes and that they roll on for another 12 months which was agreed.

ii) To consider the latest good practice guide on the scope of work of the audit committee and internal auditors

The Clerk reported that this is a government good practice guide that advises Audit how they can implement their requirements. The full guidance has been provided with certain areas highlighted which may be of more interest. Section 4 on committee papers states it is good practice to share the draft agendas with Chairs for agreement which we have started to do for all committees. Section 6 is on value for money and Audit may want to consider if they wish to also receive the F&R report on annual procurement and tendering which was agreed.

iii) To receive an update on the progress of the Audit Assurance plan

The VPFP highlighted that the TIAA audit had been agreed back in February and was ratified at the May Corporation meeting so the work could not be carried out pre April. Due to work commitments and staff shortages, with the permission of the Chair of Audit and the Corporation, it has been agreed to delay this work which is now planned for the end of July so it can be given proper attention to ensure we get good value for money. The outcome will be shared with Audit at their December meeting.

The VPFP also agreed she would carry out an audit on Apprenticeship documentation and systems and is in the process of carrying this out with a sample of 30 apprentices. Some areas of improvement have been identified but nothing major. It is a big job that should be completed over the summer and Audit will be informed of the outcome.

There used to be a requirement to obtain Cyber Essentials Plus which can be quite expensive, but that requirement has been changed to the lower Cyber Security certification. However, our IT team is working towards the higher level looking at a number of areas as an aspirational position rather than a requirement.

R Bott and M Speight left the meeting at 6.57 pm.

25/22i) To receive the annual report on any instances of fraud

The Clerk confirmed that no significant frauds needed to be reported in the last academic year. Last year, there was one attempted fraud which was picked up by the bank and a new card was issued. The Chair commented that it is good to see banks are stepping up.

ii) To receive an update of the Fraud Indicators Checklist

The VPFP highlighted that this is not a requirement but seen as good practice. It is a reminder of things we need to do such as fraud training with staff. It deals with the practicalities of dealing with fraud which is useful.

There are a few small changes in red - at 3.4 we have added WYCC as another risk and we are doing a lot on Cyber Security.

The update was received.

iii) To note and consider Annex D Anti-Fraud Checklist for Post-16 Providers from the Post 16 Audit Code of Practice

The VPFP stated that this is a checklist at the back of the Audit Code of Practice which we have to carry out by asking ourselves 10 questions and she confirmed that there has been no change to our responses.

26/22 Changes to the Financial Regulations & Annexes:

- **Covering Paper**
- **Draft Financial Regulations**
- **Draft Financial Annexes**

The VPFP reported that normally, Audit recommends this to F&R but, as they met yesterday, it has happened the other way around. F&R is happy with the suggested changes. The changes were then flagged up such as changes to the Annexes to be done through the committees and not management, and the removal of the Clerk from the bank mandate as this is no longer required. There is an increase in the staff development mileage rate to reflect the increase in fuel costs. An area added that was not covered before is the raising of money by students for non-charity reasons to fund student activities for example.

Members approved the changes and agreed to recommend to the Corporation.

27/22 Any Other Business

i) Dates of meetings to December 2022

- ❖ Tuesday 6 December 2022 at 6.00 pm.

Mazars have requested this meeting to take place online due to time constraints and TIAA have also requested the same due to the long journey involved in attending in person. The Chair therefore suggested that going forward, unless there is good reason, future meetings should take place online which members agreed.

ii) To consider and recommend to the Corporation:

a) a review of the Whistleblowing Policy and Procedure

There has been a change in wording at 2.1 so the Clerk has looked at the AoC version and the Evershed version and added a combination of the two to make it clear and that students do not use this policy as they have their own procedure to follow through the Compliments and Complaints procedure.

It was agreed to recommend to the Corporation the Whistleblowing Policy & Procedure

iii) Chair Announcement

As this is the Clerk's last Audit meeting before his upcoming retirement, the Chair felt it important to say that after working together for so many years, he would like to thank and recognise the Clerk for the work, support and guidance he has provided which has been greatly appreciated and to wish him a very long, happy and deserved retirement.