



Confirmed Minutes of the Audit Committee Meeting held on Tuesday 15 June 2021 at 9am via Teams

Present: Michelle Dutton
Mark Harvey
Susan Jarvis
Andrew Jones (*Chair*)

In attendance: Nicola Tucker (*Director, Murray Smith LLP*)
Stephen Pringle (*Senior Manager, Wylie Bissett*)
Michelle Williams (*Vice Principal, Strategy & Resources*)
Sandra Prail (*ETF Board Reviewer*)
Ruth Potter (*Clerk*)

The Chair welcomed all attendees to the meeting, in particular a warm welcome was extended to Michelle Dutton who had joined the Committee following her appointment as an Associate Member on 1 April 2021.

The meeting was opened in prayer.

1. **DECLARATIONS OF INTEREST**

Members were invited to declare whether they had any direct or indirect personal, prejudicial or pecuniary interest or conflict of interest in any matter that formed part of the agenda for this meeting or was likely to be discussed at this meeting.

There were no declarations of interest made.

2. **APOLOGIES FOR ABSENCE**

No apologies for absence were received as all members were present. The meeting was quorate.

3. **ITEMS FOR INCLUSION UNDER ANY OTHER BUSINESS**

There were no items submitted for inclusion under any other business.

4. **MINUTES OF THE PREVIOUS COMMITTEE MEETING HELD ON 16 MARCH 2021** (*previously circulated*)

4.1 **Approval of the minutes**

The following amendments to the draft minutes were agreed:

Page 2 – MH should read MW under item 7.1

Page 2 – MH should read MW under item 7.2

Subject to these amendments, the minutes were **approved** and would be signed in accordance with Article 12 (3) of the Articles of Government.

The publication of the minutes was authorised in accordance with Article 13 of the Articles of Government.

5. MATTERS ARISING FROM THE MINUTES

5.1 To consider any matters arising from the minutes (previously circulated)

Minute 7.1 – Estates Management

Members were uncertain what this action related to and the Vice Principal agreed to consider further and, if necessary, report back to the next Committee meeting.

Minute 9.1 – Procedure for complaints against the governing body, board members and the clerk

The Chair confirmed that the Archdiocese had indicated that there was no route for formal escalation to them. They had advised that the governors had collective responsibility for resolving issues in accordance with their own internal policies and procedures. The Chair suggested that the complaints policy must be reviewed to reflect this and would then be shared with the full governing body for consideration and approval.

ACTION: Procedure for complaints against the governing body, board members and clerk to be reviewed in line with Archdiocese guidance and shared with FGB for consideration and approval.

6. RISK MANAGEMENT

6.1 Review of the Risk Register and Risk Management Action Plan

(previously circulated)

The Vice Principal highlighted the following information in her report:

- The Risk Register was derived from the College's strategic aims with consideration given to the key risks associated with those aims.
- The Register was managed on an operational basis by the Corporate Management Team (CMT).
- The full Risk Register for 2020/21 had been considered by CMT, in its capacity as the Risk Management Team.
- Contingent risks arising from the priority list included: (i) successfully managing the college through the pandemic; (ii) maintaining financial stability.
- The Vice Principal explained that there were currently no risks considered to be significant due to the College's success so far in managing activities through the pandemic and securing a good level of financial health.

The Committee commended the CMT on successfully managing the College through a particularly challenging year due to the Covid-19 pandemic.

The Committee **approved** the Risk Management Action Plan.

7. COLLEGE MANAGEMENT REPORT

7.1 College update on previous recommendations and actions taken

(previously circulated)

The Vice Principal provided comprehensive progress reports on all the recommendations made by the Internal Auditors in respect of previous audits.

The reports and associated commentary confirmed that the College had demonstrated very good progress in implementing the approved recommendations from previous audits.

The Vice Principal highlighted the following points:

- Estates Management – Ref. 4, Completion of Statutory Inspections – all statutory inspections other than that for gym equipment had been completed. The inspection of gym equipment had been postponed to August 2021 in line with the planned re-opening of the gym.
- Estates Management – Ref. 5, Asset Management System – SFG 20 system that would schedule and allow accurate monitoring of all servicing and maintenance contracts would be implemented in August 2021. A survey of all job logs would take place over a period of four months and this data would inform the development of a set of Estates KPIs.
- Estates Management – Ref. 6, Maintenance Action Plan – The SFG 20 system combined with a planned maintenance survey taking place over the next few weeks, would inform the development of the maintenance action plan.

The Committee **noted** the contents of the report.

8. REPORTS FROM INTERNAL AUDITORS

8.1 Corporate Governance Review *(previously circulated)*

Stephen Pringle presented this report and outlined the purpose of the review which was to provide assurance to the Governing Body, via the Audit Committee, that the College's corporate governance arrangements were adequate and represented good practice. The scope of the review – which was unlimited – was outlined and it was explained that the Internal Audit Team responsible for this review had conducted discussions with relevant staff and governors, reviewed governance documentation and undertaken sample testing.

A total of six recommendations had been raised: two medium priority and four low priority. The medium priority recommendations related to governor DBS checks and the governance pages of the College website. There was also a number of areas of good practice highlighted within the report. The Internal Audit opinion stated that taking account of the issues identified, the Governing Body can take substantial assurance on the corporate governance arrangements in place at the College.

The Chair confirmed that he had met with the Internal Audit Team as part of its review.

The Vice Principal secured the Committee's agreement to liaise with the Clerk in order to ensure all management actions were completed.

The Committee:

- **Noted** the contents of the report.
- **Approved** the recommendations contained therein.

8.2 **Student Experience** *(previously circulated)*

Stephen Pringle presented this report and outlined the purpose of this review which was to ensure that the mechanisms in place at the College were delivering a positive experience to its students. The scope of the review was outlined and it was explained that the Internal Audit Team had considered the enrolment process, course delivery, feedback mechanisms and communications arrangements.

A total of one low priority recommendation had been raised regarding an update to the College website to include information relating to student experience. There was also a number of areas of good practice highlighted within the report. The Internal Audit opinion stated that taking account of the issue identified, the Governing Body can take strong assurance that there are mechanisms in place at the College to deliver a positive experience to students.

The Vice Principal reported that the website recommendation had subsequently been implemented.

The Committee:

- **Noted** the contents of the report.
- **Approved** the recommendations contained therein.

8.3 **Annual Follow Up Report** *(previously circulated)*

Stephen Pringle explained that the Internal Audit follow up work was designed to provide the Audit Committee with assurance that the previous year's internal audit recommendations had been implemented in line with expected timescales. He went on to report that there had been six recommendations from 2019/20 and all of these had been fully implemented. The Internal Audit opinion stated that the Governing Body could take strong assurance that the College had made appropriate efforts to implement previous recommendations.

The Chair thanked Stephen Pringle for this report and sought confirmation that Wylie Bisset undertook no other work for the College other than the Internal Audit service. This was confirmed by Stephen Pringle who further advised that should there be any management actions arising from any other independent reviews of the College's activity – for example, the external audit service – those organisations would follow these up and they did not fall within the remit of the Internal Audit follow up work.

The Committee **noted** the contents of the report.

9. **REPORTS FROM MURRAY SMITH LLP EXTERNAL AUDITORS**

9.1 **Audit Strategy Memorandum Year Ended 31 July 2021** *(previously circulated)*

The Committee considered the document prepared by Murray Smith LLP that had previously been circulated. The external auditor confirmed that the audit approach would encompass:

- audit report on the financial statements
- audit report on the regularity audit

- audit highlights and management letter
- audit report on Teachers' Pension Agency return (completed in May 2021).

It was confirmed that the external auditors had assessed the College's financial systems as low risk.

The audit approach this year would devote more time to testing procedures and systems in light of the Covid-19 pandemic.

Key audit risks had been identified as followed:

- capital expenditure and fixed assets
- expenditure and value for money
- income
- payroll
- accruals and prepayments.

The proposed timetable for this work was presented to the Committee and the external auditor confirmed that they did not anticipate any difficulties in adhering to this plan.

The Committee **noted** the contents of the report.

9.2 **ESFA Income** *(previously circulated)*

The external auditor reported a change to the Post-16 Audit Code of Practice that removed the reliance auditors could place on the ESFA funding statements to support the income figures included in College financial statements. As a result, the external auditors would now be required to carry out their own work on the College's ESFA income. It was reported that Murray Smith LLP had attended a recent ESFA auditors' forum meeting at which the following points were confirmed:

- two days audit work is anticipated for this additional area
- guidance would be issued in July 2021 to support this area of work
- training for external auditors had been scheduled in early July that would provide more detailed information on the level of additional testing and review required
- following this training, the external auditors would adapt their audit plan accordingly and notify the Vice Principal (Strategy & Resources).

The Vice Principal queried whether any reliance would be placed on the previous year's internal audit report which included student records. The external auditor advised that this may be considered but additional testing would be required.

The Committee:

- **Noted** the contents of the Murray Smith LLP letter dated 12 May 2021 regarding ESFA income.
- **Approved** the proposed increase in the scope of the external audit service and the additional costs as outlined in the letter.

10. SECTOR UPDATE

10.1 Presentation by the External Auditor *(verbal report)*

The external auditor highlighted the changes to the Post-16 Audit Code of Practice, which included:

- removing the reliance on ESFA funding statements to support the income figures contained within the financial statements
- a requirement for the external auditors to present their findings annually to the board of governors – a solution for this may involve the Chair of Governors attending the Audit Committee at which this presentation takes place.

The Committee thanked the external auditor for her update and noted that the changes to the Post-16 Audit Code of Practice would be considered further under item 13.1.

11. ANNUAL REVIEWS

11.1 Section 8 of the Financial Regulations 2021 – Fraud and Corruption Policy, section 5.13 *(previously circulated)*

In compliance with this policy, the Vice Principal (Strategy & Resources) reported that there had been no instances of fraud discovered during the preceding twelve months. Subsequently, a nil report was submitted to the Committee.

The Committee **noted** the contents of the report.

11.2 Section 9 of the Financial Regulations 2021 – Whistleblowing Policy, section 9.1 *(previously circulated)*

The Chair advised that no disclosures had been brought to the Audit Committee relating to alleged malpractice. Reference was made to an anonymous complaint that had been submitted to the ESFA, however this had not been raised directly with the College. Therefore, a nil report was submitted to the Committee in connection with the Whistleblowing Policy.

The Committee **noted** the contents of the report.

12. ANNUAL AUDIT PLANS

12.1 Proposed areas for internal audit *(previously circulated)*

The Committee considered the Internal Audit Plan 2021-22 prepared by Wylie Bisset that had previously been circulated. The internal Auditor highlighted the following points:

- Internal auditors had been appointed by the College for a period of five years, up to 31 July 2024.
- Original audit needs assessment had been approved by Committee on the basis that it would be reviewed each year for suitability.
- The audit plan for 2021/22 included the following areas:
 - business continuity
 - risk management
 - online learning platform
 - strategic planning
 - follow up review.

- Two visits were planned for October 2021 (reporting to Audit Committee in November) and April 2022 (reporting to Audit Committee in June 2022).

The Committee:

- **Noted** the Internal Audit Plan 2021-22.
- **Approved** the Internal Audit Plan.
- **Recommended** to the full Governing Body that the College's strategic planning process be completed before the internal audit of strategic planning takes place in April 2022.

ACTION – Chair to present the Committee's recommendation regarding timelines for completion of the College's strategic planning process to the Full Governing Body at its next meeting.

12.2 **Internal audit annual report** (*previously circulated*)

The Committee considered the Internal Audit 2020/21 Annual Report prepared by Wylie Bisset that had previously been circulated. The internal auditor highlighted the following points:

- The Internal Audit opinion was that the College had adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.
- The Internal Audit opinion was that the College had proper arrangements to promote and secure value for money.
- 20 days audit work had been completed as planned.
- Five medium priority recommendations and eight low priority recommendations had been raised in total.
- When benchmarked against similar colleges this number of recommendations was slightly higher than the average, however it was positive to note that the College had no high priority recommendations.
- All the internal audit key performance indicators had been met during the year.

The Committee thanked the internal auditor and **noted** the contents of his report.

13. **ESFA FUNDING UPDATE**

13.1 **Post-16 Audit Code of Practice 2020-21** (*enclosure*)

The Vice Principal (Strategy & Resources) referred to the ESFA's updated document 'Post-16 Audit Code of Practice 2020 to 2021' which had been previously circulated. The Code set out the overarching assurance and accountability requirements for post-16 providers as well as specific responsibilities for sixth-form college corporations and their external auditors/reporting accountants.

The Vice Principal referred to her covering report which provided an overview of all the changes and highlighted the following points:

- The College has no sub-contracted provision and hence requirements in relation to sub-contracting arrangements were not currently applicable.
- Clarification had been provided of the role and scope of the audit committee as well as further details on the characteristics of an effective

audit committee and the abilities (as well as training and development needs) of its members.

- The Audit Committee must ensure that there is a policy in place for regular re-tendering of the external audit service every five years.
- A requirement had been introduced for external auditors to present their findings annually at a meeting of the board of governors, which may be a joint meeting with the Audit Committee.

The Vice Principal provided assurance to the Committee that the College would comply with all requirements set out in the Code.

The Committee:

- **Noted** the Post-16 Audit Code of Practice 2020-21.
- **Recommended** to the full Governing Body that the Chair and Vice Chair of Governors be invited to the Audit Committee meeting at which the external auditors presented their annual findings.

ACTION – Chair to present the Committee’s recommendation regarding annual presentation of the external auditor’s findings to the Full Governing Body at its next meeting.

13.2 **College Accounts Direction** (*previously circulated*)

The Vice Principal (Strategy & Resources) referred to the ESFA’s document ‘College accounts direction 2020 to 2021’ which had been previously circulated. This document set out the ESFA’s financial reporting requirements for sixth-form college corporations for the financial year ending 31 July 2021.

The Vice Principal referred to her covering report which provided an overview of the changes and highlighted the following points:

- The first bullet point should read ‘Carmel does not have any going concern queries as at the date of this meeting.’
- A requirement for the statement of corporate governance and internal control to include the number of Audit Committee meetings which took place in the year and the attendance records for each committee member.
- Confirmation that ESFA will continue to collect staff numbers on the basis of full-time equivalents through the finance record and that colleges may wish to provide this information in the accounts. It was reported that the College collects both head count and full-time equivalent staff data.

The Chair thanked the Vice Principal for her report and the Committee **noted** the requirements set out in the College Accounts Direction.

14. **DfE SKILLS FOR JOBS WHITE PAPER**

14.1 **Governance and accountability recommendations** (*previously circulated*)

The Vice Principal (Strategy & Resources) referred to her report which had been based on a summary provided by Eversheds Sutherland and highlighted the following points:

- It is envisaged that providers would have more autonomy to use funding as they see fit in order to meet the needs of learners and the skills needs of local employers.

- It was proposed that the accountability system would be reformed to focus less on process and more on the effectiveness of provider performance and outcomes achieved.
- Greater accountability measures would be introduced including a requirement for an external/independent panellist on Principal recruitment panels.
- Proposals to strengthen governance included a new competency and skills framework for corporation members along with new requirements for boards in respect of self-assessment and external reviews.

The Vice Principal reflected that whilst a lot of guidance and workshops in relation to the White Paper had already taken place within the sector, there had not been a real focus on learners and this must remain at the heart of everything at Carmel College.

It was anticipated that there would be further briefings or training sessions for governors at an appropriate point once the Bill had passed through Parliament.

The Committee **noted** the contents of the report.

15. FUTURE AGENDA ITEMS

15.1 To consider topic areas for future discussion

No areas were highlighted.

The Internal and External Auditors were thanked for their attendance and Stephen Pringle and Nicola Tucker left the meeting.

16. ANNUAL AUDITOR REVIEW

16.1 Performance Review of Wylie Bisset – Internal Auditor Service *(previously circulated)*

The Committee considered the performance and working relationship with the Internal Auditor during the 2020/21 academic year.

No concerns had been identified by the Audit Committee or the CMT.

All of the Internal Auditor key performance indicators had been met during the year.

The Committee **noted** this satisfactory annual performance review and that all performance indicators had been met.

16.2 Performance Review of Murray Smith LLP – Financial Statements and Regularity Auditor Service *(previously circulated)*

The Committee considered the performance and working relationship with the Financial Statements and Regularity Auditor during the 2020/21 academic year.

No concerns had been identified by the Audit Committee or the CMT.

All of the External Auditor key performance indicators had been met during the year.

The Committee **noted** this satisfactory annual performance review and that all performance indicators had been met.

17. ELECTION

17.1 Election of Chairperson from 1 August 2021 to 31 July 2023

The only nomination for the role of Chair was for Andrew Jones.

The Committee unanimously **agreed** to re-appoint Andrew Jones in the role of Chair for the period 1 August 2021 to 31 July 2023.

17.2 Election of Vice Chairperson from 1 August 2021 to 31 July 2023

The only nomination for the role of Vice Chair was for Susan Jarvis.

The Committee unanimously **agreed** to re-appoint Susan Jarvis in the role of Vice Chair for the period 1 August 2021 to 31 July 2023.

18. ANY OTHER BUSINESS

None

19. DATE OF NEXT MEETING

Tuesday 28 September 2021 at 9am

A discussion took place on the method by which the Committee would be meeting in the new academic year and it was noted that a paper would be presented to the full Governing Body at its meeting on 29 June 2021 so that proper consideration could be given to the most appropriate method for achieving effective governance.

The Chair thanked all members for their attendance and contribution.

The meeting was brought to a close at 9.50am.

Signed by the Chair:  Andrew Jones

On this day: 28 September 2021