



Minutes of the Audit Committee Meeting held on Tuesday 23 November 2021 at 9am via Teams

Present: Mark Harvey (*Foundation Governor*)
Susan Jarvis (*Co-opted Governor*)
Andrew Jones – Chair (*Co-opted Governor*)

In attendance: Mark Dawson (*Parent Governor*)
Mike Benson (*Murray Smith LLP*)
Nicola Tucker (*Murray Smith LLP*)
Stephen Pringle (*Wylie Bisset*)
Michelle Williams (*Vice Principal, Strategy & Resources*)
Lenore Burgess (*Finance Manager*)
Ruth Potter (*Clerk*)

The Chair welcomed all attendees and the meeting was opened in prayer at 9am

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

All members were present. The meeting was declared 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 28 SEPTEMBER 2021 (*previously circulated*)

4.1 To (a) approve and sign the minutes in accordance with Article 12 (3) and (b) authorise publication in accordance with Article 13

The minutes were approved as a correct record and would be signed by the Chair in accordance with Article 12 (3) of the Articles of Government. The publication of the minutes was authorised in accordance with Article 13.

5. MATTERS ARISING FROM THE MINUTES

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

Committee members considered the action log prepared by the Clerk and noted that all arising actions had been closed out.

6. REPORT FROM THE FINANCIAL STATEMENTS AND REGULARITY AUDITOR

6.1 Audit Completion Report arising from the Audit of the Financial Statements for the Year Ended 31 July 2021 (previously circulated)

Nicola Tucker, Murray Smith LLP, guided the Committee through the Audit Completion Report arising from the audit of the financial statements. She explained that the findings were presented in a redesigned format via the Audit Completion Report, which ensured that all reporting requirements were fulfilled. She further confirmed that, unlike last year, the audit had taken place on site in College.

She highlighted the following points:

- Section 2 – Audit findings – Key audit risks were identified during the planning stage and this section of the report explained how these risks were addressed during the audit. No significant issues were identified in any of the risk areas. A full substantive review of the balance sheet was also undertaken.
- Section 3 – Additional Education and Skills Funding Agency (ESFA) income testing – A new area for audit following the change to the Post 16 Audit Code of Practice in March 2021. Following testing, no material errors had been identified in the ESFA income included in the financial statements. One minor recommendation had been made in relation to formal documentation and approval of relevant procedures. The external auditor explained that this had been a common recommendation across the sixth form college audits that they had undertaken this year. The management response to address this recommendation was highlighted.
- Section 4 – Financial highlights – Income had increased mainly due to the increase in average national funding per student. Balance sheet identified net current assets of £1.4m, which represented an increase from the previous year. Cash generated by the College stood at £1.2m and this had been expended on meeting bank loan interest payments and capital expenditure.
- Section 7 – Unadjusted misstatements – The external auditor was obliged to document any potential errors found over triviality. Two immaterial errors were identified.
- Section 8 – Regularity – Work undertaken to support the regularity audit in accordance with the regularity assurance framework set out in the Post 16 Audit Code of Practice had resulted in no significant findings.
- Section 10 – Communication of audit matters with those charged with governance – Detailed the matters the external auditors were required to communicate with those charged with governance and how this had been achieved within the Audit Planning Memorandum and Audit Completion Report.
- Audit opinion – It was the auditor's intention to issue an unqualified opinion on the financial statements and regularity.

Governors' comments and questions were invited.

Q – Code of Governance: what is the most appropriate code for the College to follow?

A – This is for the board to determine. The College follows the UK Corporate Code of Governance insofar as it is relevant to sixth form colleges. A broader review of available governance codes is due to take place in the Spring Term as part of the ETF Board Review Action Plan. Following this review, information will be provided to governors on each of the codes so that an informed decision can be made on future direction for compliance. This was a significant area given the new requirement in the ESFA Funding Agreement for colleges to undertake a triennial review of governance based around the adopted code of governance.

The Committee thanked the external auditor for her comprehensive and detailed report and noted that the findings would be presented to the Full Governing Body at its meeting on 7 December 2021.

The Committee **recommended approval** of the Financial Statements for the year ended 31 July 2021 to the Full Governing Body.

ACTION – FGB agenda item

7. REGULARITY REPORT 2020-21

7.1 Regularity report *(previously circulated)*

The Vice Principal (Strategy and Resources) advised the Committee that the College had completed the ESFA's Regularity Self-Assessment Questionnaire plus an additional questionnaire in relation to Covid-19 arrangements. The documents had been signed by the Accounting Officer and Chair of Governors and provided to the external auditors with a suite of supporting documentation to facilitate their assurance work.

The regularity assurance framework was set out in the Post 16 Audit Code of Practice and was designed to provide assurance over the regularity and propriety of all College expenditure. The external auditor had not identified any significant findings from their assurance work and expected to issue an unqualified regularity opinion within the financial statements.

A discussion ensued and Committee members agreed that the Committee's cycle of business should be updated so as to facilitate a review of the draft Regularity Self-Assessment Questionnaire in the first meeting of the Autumn Term. This would add an extra layer of assurance to the process prior to signature by the Chair of Governors.

The Committee **accepted** the Regularity Report for the year ended 31 July 2021.

ACTION – Update Audit Committee cycle of business.

8. RISK MANAGEMENT

8.1 Risk Register *(previously circulated)*

The Vice Principal presented the Risk Register 2021-22 and explained that this was based upon the current strategic plan and had been updated to reflect the College's priorities for the academic year. Key points were highlighted as follows:

- Risk appetite – this confirmed that measured risks would be taken when it was felt that they were the most appropriate solution to move the College forward, provided that the overall total risk exposure did not place the College in a vulnerable position.
- Risk scoring matrix – methodology adopted considered two key factors, impact and likelihood. Risks were graded accordingly and controls and mitigating actions were defined.
- Risk management internal audit report – recommendation arising from this report had been adopted via the inclusion of a gross score (risk score before the consideration of controls and contingencies in place) and net score (score after consideration of controls and contingencies in place).

The Vice Principal confirmed that the Risk Register and Risk Management Action Plan would be reviewed following adoption of the new Strategic Plan 2022-25 to ensure it accurately reflected all strategic risks.

The Committee **recommended approval** of the Risk Register to the Full Governing Body.

8.2 **Risk Management Action Plan** *(previously circulated)*

The Vice Principal presented this report based upon the strategic risks identified in the Risk Register.

The following points were highlighted:

- Risks were managed on an operational basis by the Corporate Management Team (CMT).
- Key risks were highlighted in the action plan for governors to consider.
- Upon review of the most recent Risk Register, CMT did not regard any risks to be unmanageable and hence the residual risk ratings indicated that there were seven housekeeping risks and two low risks.
- The action plan would be reviewed regularly and updated as risks changed or arose throughout the year.
- Termly reports would continue to be made to governors.

The Committee **recommended approved** of the Risk Management Action Plan to the Full Governing Body.

ACTION – FGB agenda item, Risk Register and Risk Management Action Plan

8.3 **Disaster Management Plan** *(previously circulated)*

The Vice Principal presented the updated College Disaster Management Plan to the Committee. The plan outlined the procedures to be followed in the event of an emergency situation at the College.

Governors' comments and questions were invited.

Q – Was the Plan subject to any testing within College?

A – No practical tests were undertaken, however every risk owner was asked to review the plan within their teams and discuss one area that could go wrong and the actions that would be taken to mitigate this.

The Committee **recommended approved** of the Disaster Management Plan to the Full Governing Body.

ACTION – FGB agenda item

9. ANNUAL REPORTS

9.1 Value for Money Annual Report 2020-21 *(previously circulated)*

The Vice Principal (Strategy and Resources) referred to the report which included information on:

- The aims of the Value for Money Policy and compliance with it.
- Summary of key activities and estimated measurable efficiencies – incorporating cross-college income generation, exams, admin and central costs, marketing, curriculum areas, development of bursary application software and other IT related efficiencies.
- ESFA benchmarking – the College had performed well against these non-pay benchmarking outcomes for 2020-21.
- Future plans – to promote value for money, explore procurement savings and investigate other income options to safeguard the future of the College. This was especially important given an increase in inflation.

Governors' comments and questions were invited.

Q – Is there a carbon neutral strategy and associated budget to help fund future plans?

A – Finance and Resources Committee had recently considered the Property Review Strategy and requested greater focus on sustainability. No specific budget in place, but a number of potential projects being explored across the College.

Q – How is sustainability being built into the next Strategic Plan?

A – This is referenced in the draft Strategic Plan with an aspiration to move to net zero by 2030 as part of the North West net zero project. Governors' strategic planning working group meeting scheduled for 24 November prior to consideration of Strategic Plan by Full Governing Body on 7 December.

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

10. COLLEGE MANAGEMENT REPORT

10.1 College update on progress made relating to previous recommendations made by the internal audit service *(previously circulated)*

Committee members considered the progress report on outstanding recommendations made by the Internal Auditors in respect of the Estates Management and Corporate Governance audits that had taken place during 2020-21.

The reports confirmed that the College had completed a number of the recommendations and work was on-going on those not yet fully completed.

The Committee **noted** the progress reports.

11. REPORTS FROM WYLIE BISSET INTERNAL AUDITORS

11.1 Risk Management (*enclosure*)

Stephen Pringle presented this report and outlined the purpose of the review which was to ensure that the College had appropriate risk management arrangements in place and that these had been embedded throughout the College. The scope of the review – which was unlimited – was outlined and it was explained that the Internal Audit Team had reviewed risk management documentation, processes for identifying and evaluating risk, management reporting on risk, and risk training.

A total of two low priority recommendations had been raised:

- update Risk Management Action Plan to include gross and net risk scores
- review all risks in the Plan to directly link them to the College' strategic plan.

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 could take strong assurance on the risk management arrangements in place at the College.

The Committee:

- **noted** the contents of the report, and
- **approved** the recommended actions contained therein.

11.2 Online Learning Platform (*enclosure*)

Stephen Pringle presented this report and outlined the purpose of the review which was to ensure the suitability of the online learning platform, Carmel Connect.

The scope of the review – which was unlimited – included:

- relevant policies and procedures
- security of systems and equipment
- online teaching in accordance with relevant curriculum plans to ensure students not disadvantaged by online learning
- appropriate use by students and staff
- controls and reporting processes to facilitate effective management decisions.

No recommendations were raised and a total of 19 good practice areas were highlighted within the report. The Internal Audit opinion confirmed a strong level of assurance over the processes in place at the College for the development of online learning and that these had been managed effectively to ensure effective provision during the Covid-19 pandemic.

The Committee **noted** the contents of the report and expressed appreciation to College staff for their excellent work which had resulted in such positive findings.

12. SECTOR UPDATE

12.1 Presentation by the Internal Auditor

Stephen Pringle highlighted a number of emerging risks as follows:

- sustainability and climate control
- staff wellbeing
- equality, diversity and inclusion.

He explained that these areas were becoming more prominent in internal audit reports across the sector.

A discussion ensued and the Committee expressed its appreciation to the Internal Auditor for his update.

13. FUTURE AGENDA ITEMS

13.1 To consider topic areas for future discussion

Suggested topics included:

- Codes of governance
- External review of governance – Department for Education guidance.

ACTION – Spring Term agenda item

14. GOVERNOR TRAINING

14.1 Update on governor training activities

The Clerk highlighted the SFCA Governance Webinar entitled ‘Audit 2022’ which was scheduled to take place on 9 December at 12.30pm. Audit Committee members were encouraged to attend. A recording of the webinar would be available at a later date.

It was noted that the training session on Roles and Responsibilities of the Audit Committee would be delivered by the Internal Auditor at the Spring Term meeting.

15. ANY OTHER BUSINESS

None

16. DATE OF NEXT MEETING

Tuesday 15 March 2022 at 9am.

The Chair thanked all members for their attendance and contribution.

The meeting was brought to a close at 9.45am.

Signed by the Chair:  _____

On this day: _____ 15 March 2022 _____