

**AUDIT COMMITTEE**
**Minutes of a meeting held from 15.30 to 17.25 on 29 June 2020 via Microsoft Teams**

Present:	Dr A Williams Ms M Carabine Dr A Conn Mr M Pearmain	Independent Member (Chair) Independent Member Independent Member Co-opted Member
Attendance:	4/4 = 100%	KPI 80% Quorum: 3
In attendance:	Mr M Bennington Ms A Corns Ms M Gilluley Ms J Green Ms P Hughes Mr A McCulloch Ms R Meara Mr D Rayneau Ms D Watson	Vice Principal Corporate Operations Grant Thornton Principal and Chief Executive Clerk to the Corporation Assistant Principal, Quality & Apprenticeship Provision TIAA Executive Finance Director Executive Director of Business Systems Grant Thornton

Item	Action/ Report Item
<b>CLOSED SESSION</b>	
<b>0</b>	<b>MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS</b>
i	The Chair reminded Members that the purpose of the closed meeting was to provide an opportunity for private discussions with auditors. He welcomed Ms A Corns ("AC") of Grant Thornton ("GT") to her first meeting.
ii	A Member commented on the 'Management Comments' section in the internal audit review reports, saying they did not seem to always address how any underlying issues might be identified and remedied. The TIAA representative Mr A McCulloch ("AM") said in the 'Management Comments' section he was looking for acceptance of the TIAA recommendations.
iii	Noting that self-assessment was on the meeting Agenda, the Chair invited AM and Deborah Watson ("DW") of Grant Thornton ("GT") to comment on the Committee's performance, in particular whether it provided adequate challenge to the auditors. AM said he had seen a good level of challenge from Members, who were clearly well-prepared for meetings. He commented positively on the chairing of meetings, saying the Committee stayed on task and discussions were not allowed to drift. DW said Committee meetings ran smoothly and there was a good level of challenge, however with the additional risks the College was facing this year, she would encourage and welcome more challenge than usual around the accounts and the financial statements audit. It was agreed that this was something that GT could potentially support the Committee with as part of its commitment to providing training.
iv	There being no further questions from Members, the Committee welcomed the management attendees to the meeting.
15:40 R Meara, M Gilluley, M Bennington, D Rayneau and P Hughes joined the meeting.	

PRELIMINARY ITEMS		
1	<b>WELCOME AND INTRODUCTIONS</b>	
i	Introductions were made. The Clerk confirmed that due notice of the meeting had been given; the requirement for all persons participating to be able to communicate with one another was satisfied and the meeting, initiated from the home address of Committee Chair Dr A Williams, was quorate. The Chair declared the meeting open.	
2	<b>APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST</b>	
i	Apologies were received from Ms K Doherty of GT.	
ii	Each Member confirmed that they had no direct or indirect interest in any way in the business to be transacted at the meeting, which they were required by the Instrument of Government to disclose, other than those matters they had previously disclosed.	
3	<b>APPROVAL OF MINUTES OF THE PREVIOUS MEETING</b>	
i	<b><u>RESOLVED:</u></b> <b>(i) To approve the minutes of 27 April 2020 as an accurate record.</b>	
3.1	<b>MATTERS ARISING NOT ON THE AGENDA</b>	
i	None were raised.	
3.2	<b>UPDATE ON AGREED ACTIONS</b>	
i	<u>Recruitment of replacement Audit Committee Chair:</u> The Clerk, Ms J Green ("JG") said the matter would be discussed by Search & Governance Committee in September. In the meantime, she had placed a speculative advert on the Inspiring FE Governance website but there was little movement on that site currently. It was noted that, ideally, a Vice Chair was also needed in case the Chair was unavailable.	
ii	<u>Audit Committee networking/training event:</u> JG had contacted the Association of Colleges to suggest this might be scaled up to involve more committees and delivered via the Zoom meeting platform. If there was no appetite for her proposal, she would reschedule with Leeds City College next term.	
iii	<b>Action (rolled over):</b> To organise an Audit Committee networking/training event.	JG
iv	<u>Investigation of the possibility of under-reporting of suspected fraud:</u> The Executive Director of Finance Mrs R Meara ("RM") said the Director of HR was not aware of anything not reported that would fall under the definition of actual or suspected fraud. Members were pleased to hear that the new Fraud Policy would be promoted at management meetings, in annual management information packs and at the new budget manager training. A Member commented that hopefully the information campaign would result in a higher frequency of near-miss reporting.	
v	<u>Member questions on cyber security:</u> These had received a full response.	
AUDITS AND RECOMMENDATIONS		
4	<b>EXTERNAL AUDIT PLAN 2019/20</b>	
i	DW and Ms A Corns ("AC") presented GT's draft external audit plan (the "plan"), identifying the proposed audit scope and drawing attention to key items as follows:  ➤ The impact of Covid-19 on certain of the College's revenue streams had reduced	

	<p>the forecast EBITDA<sup>1</sup> for the year from £2.8m to £2m-£2.2m;</p> <ul style="list-style-type: none"> <li>➤ Management would need to consider the significant impact of Covid-19 in preparing the going concern assessment. The presumption that going concern would be a significant audit risk for most businesses applied to the College;</li> <li>➤ The Pioneer site completion date had slipped and additional costs had been incurred due to the administration of the main contractor.</li> </ul>	
ii	<p>DW said by the time of the audit, the external environment may have changed further; with the rapidly changing position, GT may need to change its risk approach; it would revert to the Committee if so.</p> <p><u>Financial Reporting Updates</u></p>	
iii	<p>DW said there had been a number of recent changes to financial reporting requirements. Amendments made following the FRS 102 triennial review would apply for the first time for the year ending 31 July 2020. The FE/HE SORP would also now apply, as would the Office for Students Accounting Direction. A particular change in this regard related to the Access &amp; Participation plan: a new disclosure note and narrative would need to go into the accounts. GT would assist as required.</p> <p><u>Significant Risks</u></p>	
iv	<p>DW guided members to pages 4 to 8 of the plan, highlighting the mandatory risks around revenue recognition, management override of controls (particularly with remote working) and pension provision. Referring to the going concern risk, she said the Financial Reporting Council had issued guidance advising college governors to stop and really think about going concern, particularly whether they had assessed all risks and uncertainties relating to Covid-19 and Brexit, to understand the true impact of what was to come.</p>	
v	<p>A Member asked how the GT approach would differ, given the impact of Covid-19. DW said there would be a higher level of detail and scrutiny, for example in the sensitivity analysis.</p> <p><u>Other Risks</u></p>	
vi	<p>AC spoke to the 'other risks' section of the plan, highlighting in particular the risk of non-compliance with loan covenants, which was closely linked to the going concern work. Also included in the 'other risks' section were control of payroll costs, the completeness of trade creditor and accrual records and the risk of not appropriately recording additional costs relating to Pioneer House.</p>	
v	<p>GT had advised the College to obtain a waiver in respect of its loan covenants, to enable the debt to be shown as long term debt in the College accounts.</p> <p><u>Other Matters</u></p>	
vi	<p>DW said a question had been raised about the accounting treatment of West Yorkshire Colleges Consortium turnover: whether it needed to be reflected in the accounts.</p> <p><u>Timeline and Logistics</u></p>	
vii	<p>GT and College management were happy with the proposed audit timeline and it was agreed that the proposed Audit Committee meeting dates were appropriate. DW said the College had good systems and was able to share information electronically; GT had already successfully signed off a number of remote audits and, although an</p>	

<sup>1</sup> Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a measure of a business's operating performance which is used by the College in its financial planning and reporting.

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	<p>entirely remote audit could entail some extra work, this was built into the timeline.</p> <p><u>Fees, Other Matters, and Independence</u></p> <p>viii DW said there were no significant facts or matters which GT considered might impact the audit team's independence and objectivity. This was noted.</p> <p>ix GT's proposed fee for the forthcoming period was discussed. As expected, it had increased since the previous year by the consumer price index rate of inflation. There was agreement that the proposed fee should be recommended to the Corporation.</p> <p>x Noting its responsibility to monitor the effectiveness of the auditors and to establish that all audit service providers adhered to relevant professional standards, the Committee invited DW to comment on the Financial Reporting Council ("FRC") report referred to in the plan, which had been critical of some of GT's audit work following a recent quality review. It was noted that other big audit firms had received similar criticism. DW highlighted some changes the firm was making in response to the feedback and, in answer to a question, said she did not feel that the Committee should be concerned about the reliability of her previous reports, as one of her files was looked at as part of the review and was found to meet all necessary standards.</p> <p><u>Committee's Conclusions and Advice to the Corporation</u></p> <p>xi Following discussion, the Committee agreed to approve the plan and advise the Corporation that it was satisfied with its scope and the objectives for GT set out within it, having no concerns to bring to the Corporation's attention. It was further agreed that a copy of the plan should be circulated to all Corporation members for information, in satisfaction of various of the Committee's reporting duties and that attention should be drawn to the concerns raised by the FRC.</p> <p>xii <b><u>RESOLVED:</u></b></p> <ul style="list-style-type: none"> <li><b>i. To agree the scope of the External Audit Plan ("the plan") as proposed.</b></li> <li><b>ii. That the Committee has noted the audit risks and approves the proposed audit approach highlighted in the plan;</b></li> <li><b>iii. A copy of the plan to be circulated to all Governors for information;</b></li> <li><b>iv. To advise the Corporation as follows:</b> <ul style="list-style-type: none"> <li>a. The Committee agreed the content of the External Audit Plan ("plan") with the Financial Statements Auditor and is satisfied with the scope of the plan and the objectives for the Financial Statements Auditor as set out in the plan; it has no concerns to bring to the Corporation.</li> <li>b. In compliance with professional auditing standards, which require the Financial Statements Auditor to formally report to the Audit Committee on its independence, Grant Thornton advised that it considers there are no matters which may impact the audit team's independence and objectivity. The Committee is required by its terms of reference to report on such matters to the Corporation. It has no concerns to bring to the Corporation.</li> <li>c. The Committee is required to monitor the effectiveness of the external (and internal) auditor and in this regard it reports that the Financial Reporting Council ("FRC") recently criticised the quality of Grant Thornton's audit work following a quality review. The work of the engagement lead assigned to the College was looked at as part of the quality review and was not among the audit work deemed not to meet requirements, so the Committee has no immediate</li> </ul> </li> </ul>

Report  
Item 1

Item		Action/ Report Item
	<p>concerns about Grant Thornton’s historical work for the College. A copy of the FRC report is available on Grant Thornton’s website.</p> <p>d. The External Audit fees set out in the Plan (£25,500) are recommended for Corporation approval. These are in line with the tender expectations.</p>	
<p><b>5</b></p> <p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p>	<p><b>INTERNAL AUDIT REVIEW REPORTS</b></p> <p>The internal audit of apprenticeship arrangements had yielded a ‘Reasonable’ assurance’ opinion, with three ‘Important<sup>2</sup>’ and one ‘Routine<sup>3</sup>’ recommendation. AM said the review had considered the controls around apprenticeships, including the existence and completeness of records/documentation, assessments and support and completeness and accuracy of ILR<sup>4</sup> data. The overall finding was that the system of internal controls was generally adequate and operating effectively but some strengthening of controls was required to ensure that risks were managed and process objectives achieved.</p> <p>An ‘Important’ recommendation in the audit review report addressed a finding that apprenticeship reviews were not always undertaken in a timely manner. A Member commented on the numbers involved and said this had been surprising. Assistant Principal Ms P Hughes (“PH”) explained that the numbers in the report were over-inflated, as some apprentices had been counted who had completed their programmes and were awaiting completion paperwork. She said there were also some compliance issues in recording reviews. Vice Principal Mr M Bennington (“MB”) added that staffing shortages on the Engineering programmes (a fairly substantial part of the apprenticeship cohort) had contributed to review delays. He said in the last three or four months, the position had improved by about 22%.</p> <p>The Committee wished to better understand the impact on apprentices where their progress was not assessed in a timely manner. PH said apprentices normally had three reviews per year, or up to weekly reviews if deemed at risk. She said delays had a negative impact on progression, hence strategies had been put in place to catch up and sustain the position and the reporting system had been modified to ensure it provided an accurate picture of timely completion going forwards.</p> <p>In response to a question, Executive Director of Business Systems Mr D Rayneau said at the date of the audit about 61% of apprenticeship reviews were timely; this figure now stood at about 80-81%. MB pointed out that a number of factors could lead to delays and it was not always within the College’s control.</p> <p><b>Corporation Report:</b> The audit of the College’s apprenticeship arrangements yielded a ‘Reasonable Assurance’ opinion, with three ‘Important’ recommendations. The Committee was concerned by the finding that a number of apprenticeship reviews had been delayed and sought assurance that steps would be taken to mitigate the impact on learner progression and avoid further delays going forwards. The Committee was reassured to learn that the number of affected apprentices was in fact smaller than the report stated due to some counting and recording issues and that controls had been put in place to ensure reviews were progressed in a timely way going forwards. All three ‘Important’ recommendations from the audit are to be addressed by September 2020. The Committee will monitor progress.</p>	<p>Report Item 2</p>
<p><b>6</b></p> <p>i</p>	<p><b>ROLLING AUDIT ACTION REVIEW</b></p> <p>Following discussion, Members complimented management on the excellent format</p>	

<sup>2</sup> meaning ‘priority 2: control issue on which action should be taken at the earliest opportunity necessary’

<sup>3</sup> meaning ‘priority 3: control issue on which action should be taken’

<sup>4</sup> Publicly funded Further Education providers must collect and return ‘Individualised Learner Record’ data each funding year.

Item		Action/ Report Item
ii	<p>used for the tracking of audit action points and agreed that the implementation of those was progressing satisfactorily and there were no concerns to report.</p> <p>RM said, given DW's comments about the importance of sensitivities, GT may be interested in the progress so far on the internal audit recommendation: 'R2: Sensitivity analysis relating to a change in student numbers be built into the Business Model'. She said while it had not been possible to fully address the recommendation in year 1, an add-on to the model had been trialled and the lessons learned would be built into the model for next year. DW agreed that this was welcome news.</p>	
iii	<p><b>Corporation Report:</b> Good progress is being made on the implementation of audit recommendations. Although some 'Significant' recommendations are outstanding, the areas in question have been de-risked since the audits, hence the Committee has no concerns to share.</p>	Report Item 3
<b>OTHER BUSINESS</b>		
7	<b>FRAUD REGISTER</b>	
i	EFD confirmed that, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities.	
ii	<p><b>Corporation Report:</b> Having made enquiries in accordance with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.</p>	Report Item 4
<i>D Rayneau and P Hughes left the meeting.</i>		
<b>COMMITTEE SELF-ASSESSMENT</b>		
8	<p><b>COMMITTEE SELF-EVALUATION</b></p> <p><u>Performance Report</u></p> <p>i The Clerk had prepared a draft performance report based on Member responses to an anonymous survey on the Teams site. In discussion, it was agreed as follows:</p> <ul style="list-style-type: none"> <li>➤ Managers attending meetings to speak to reports on their areas of expertise added a lot of value;</li> <li>➤ Induction and training were areas for improvement;</li> <li>➤ A matrix of members' skills would be useful, particularly for managers wishing to draw on members' experience;</li> <li>➤ Chair/Clerk pre-meets and Chair/SLT Lead pre-meets should be implemented;</li> <li>➤ Assurance mapping would be introduced alongside strategic risk management;</li> <li>➤ Appointment criteria for the Chair had been identified;</li> <li>➤ Members had adequate relevant knowledge and experience but more could be done to support co-optees, for example sharing Corporation minutes;</li> <li>➤ The Committee was able to procure its own specialist advice;</li> <li>➤ There was no need for a formal process to solicit Member inputs to agendas;</li> <li>➤ Members were largely satisfied with report quality;</li> <li>➤ Formal appraisals for Members or the Chair would not be appropriate;</li> <li>➤ Members who missed meetings were briefed via minutes, which were typically circulated for Corporation within two weeks (co-optees should receive these);</li> </ul> <p>ii <b>Action:</b> The Clerk will update the draft performance report based on discussions at the meeting. The report will go to Search Committee in September.</p> <p><u>Review of Terms of Reference</u></p> <p>iii No changes were proposed. A revised Post 16 Audit Code of Practice was expected shortly; the Committee would revisit the Terms of Reference at that time.</p>	JG

Item		Action/ Report Item
iv	<u>2020/21 Schedule of Business and Meeting Dates</u> <b>Corporation report:</b> The 2020/21 Schedule of Business is recommended for approval.	Report Item 5
v	The meeting discussed when GT would deliver their training. The Committee agreed to set aside half an hour before the September Committee meeting.	
vi	<b>Action:</b> Clerk to schedule a training session at 3pm prior to the September Committee meeting.	JG
<b>MATTERS TO NOTE AND ADMINISTRATION</b>		
9	<b>DATE OF NEXT MEETING</b> Provisionally Monday 21 September 2020, 15.30. Subject to Corporation approval.	
10	<b>PUBLICATION OF AGENDA PAPERS</b> It was agreed that only the non-restricted minutes of the previous meeting should be published.	
<b>CONFIDENTIAL SESSION WITHOUT AUDITORS</b>		
<i>17.20 Ms A Corns, Ms D Watson and Mr A McCulloch left the meeting.</i>		
11	<b>RESTRICTED MINUTES OF THE PREVIOUS MEETING: 27 APRIL 2020</b> <b><u>RESOLVED:</u></b> <b>To approve the restricted minutes of 27 April 2020 as an accurate record.</b>	
12	<b>REVIEW OF INTERNAL AUDIT SERVICE</b> Members were happy with the service from TIAA to date. They agreed that the reports were succinct and that AM gave helpful feedback. RM said from the management side, she was happy with the relationship but was looking to get audit schedules and planning memorandum agreed on more timely basis.	

## Items of Report for Corporation

Item	Details	Minute
1.	<p>a. The Committee agreed the content of the External Audit Plan (“plan”) with the Financial Statements Auditor and is satisfied with the scope of the plan and the objectives for the Financial Statements Auditor as set out in the plan; it has no concerns to bring to the Corporation.</p> <p>b. In compliance with professional auditing standards, which require the Financial Statements Auditor to formally report to the Audit Committee on its independence, Grant Thornton advised that it considers there are no matters which may impact the audit team’s independence and objectivity. The Committee is required by its terms of reference to report on such matters to the Corporation. It has no concerns to bring to the Corporation.</p> <p>c. The Committee is required to monitor the effectiveness of the external (and internal) auditor and in this regard it reports that the Financial Reporting Council (“FRC”) recently criticised the quality of Grant Thornton’s audit work following a quality review. The work of the engagement lead assigned to the College was looked at as part of the quality review and was not among the audit work deemed not to meet requirements, so the Committee has no immediate concerns about Grant Thornton’s historical work for the College. A copy of the FRC report is available on Grant Thornton’s website.</p> <p>d. The External Audit fees set out in the Plan (£25,500) are recommended for Corporation approval. These are in line with the tender expectations.</p>	4(xii)
2.	<p>The audit of the College’s apprenticeship arrangements yielded a ‘Reasonable Assurance’ opinion, with three ‘Important’ recommendations. The Committee was concerned by the finding that a number of apprenticeship reviews had been delayed and sought assurance that steps would be taken to mitigate the impact on learner progression and avoid further delays going forwards. The Committee was reassured to learn that the number of affected apprentices was in fact smaller than the report stated due to some counting and recording issues and that controls had been put in place to ensure reviews were progressed in a timely way going forwards. All three ‘Important’ recommendations from the audit are to be addressed by September 2020. The Committee will monitor progress.</p>	5(v)
3	<p>Good progress is being made on the implementation of audit recommendations. Although some ‘Significant’ recommendations are outstanding, the areas in question have been de-risked since the audits, hence the Committee has no concerns to share.</p>	6(iii)
4.	<p>Having made enquiries in accordance with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.</p>	7(ii)
5.	<p>The 2020/21 Schedule of Business is recommended for approval.</p>	8(iv)