

**AUDIT COMMITTEE**
**Minutes of a meeting held at 15:30 on 14 June 2021 via Microsoft Teams**

Present:	Mr J Williams Ms M Carabine Dr A Conn Mr M Pearmain	Independent Member (Chair) Independent Member Independent Member Co-opted Member
Attendance:	4/5 = 80%	KPI 80% Quorum: 3
In attendance:	Mr M Bennington Ms A Corns Ms M Gilluley Ms J Green Mr R Harwood Mr A McCulloch Mrs R Meara Mr P Singh Ms D Watson Mr J Wilkinson	Vice Principal Corporate Operations Grant Thornton Outgoing Principal Clerk to the Corporation Head of Health & Safety (Item 8 only) TIAA Executive Finance Director Principal/CEO Grant Thornton (from 16:00) Head of IT and System Development (Item 9 only)

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 discussion with the auditors. Neither had any issues to raise.
ii	At the last meeting, Mr A McCulloch ("AM") of TIAA had reported that his firm had been instructed to investigate a public interest disclosure. The Clerk said, as the matter had then been at a preliminary stage, for confidentiality reasons she had not recorded the matter in the April minutes. AM said he did not know the details of the disclosure but understood that the investigation was progressing well and should conclude by 2 July.
iii	<b>Corporation report:</b> The College's internal audit service provider TIAA is providing an additional service to the College, investigating a public interest (whistleblowing) disclosure. We understand that the investigation should complete on 2 July. To maintain the independence of the internal auditor, the investigation is being managed and conducted by a team entirely unconnected to our internal audit work. The details of the disclosure are confidential.
<i>15:35 Mr P Singh, Mr M Bennington, Ms M Gilluley and Mrs R Meara joined the meeting.</i>	
<b>PRELIMINARY ITEMS</b>	
<b>01</b>	<b>WELCOME AND INTRODUCTIONS</b>
i	The Chair welcomed new Principal Mr P Singh ("PH") to the meeting and introductions were made.
ii	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 was quorate. The Chair declared the meeting open.
	Report Item 1

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2	<p><b>APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST</b></p> <p>i Apologies were received from Committee member Dr A Williams. Ms D Watson of Grant Thornton (“DW”) had advised in advance that she would join the meeting late.</p> <p>ii All 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 previously disclosed.</p>	
3	<p><b>APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS</b></p> <p>i <b><u>RESOLVED:</u></b></p> <p>(i) <b>To approve the minutes of 26 April 2021 as an accurate record.</b></p>	
3.1	<p><b>MATTERS ARISING NOT ON THE AGENDA</b></p> <p>i Ms M Gilluley (“MG”) updated members on a complaint to the Education &amp; Skills Funding Agency (“ESFA”) concerning the behaviour of Kirkdale Industrial Training Services (KITS), a local training provider that had withdrawn its services to a large number of employers and their apprentices in July 2020. The meeting recalled that the ESFA had agreed to a managed transfer of a number of displaced apprentices to the College, which had accepted the risks of taking the work on. It had come to light that KITS had been actively promoting an apprenticeship offer under a new partnership arrangement, which the College believed was inappropriate as KITS was no longer on the Register of Approved Training Providers. MG summarised the ESFA’s response and said she would include the letter in the Corporation meeting pack.</p>	
3.2	<p><b>UPDATE ON AGREED ACTIONS</b></p> <p>i <u>Proposal for Association of Colleges joint audit committee session:</u> This would be marked as complete, all avenues to bring about such a session having been exhausted.</p> <p>ii <u>To amend the Rolling Audit Action Review report to reflect actions already effectively achieved and to include the revised target completion dates for the actions arising from the disaster recovery audit:</u> This had been actioned; the revised dates were shown in the current report.</p> <p>iii <u>To map audit coverage against the risk register:</u> The action had been allocated to the wrong meeting. The findings of the mapping exercise would be brought to the next meeting, to support the recommendations for the 2021/22 internal audit plan.</p> <p>iv <u>To review/amend Risk #1 and Risk #4:</u> This had been actioned.</p> <p>v <u>Data Protection reporting:</u> This was on the Agenda.</p> <p>vi <u>Actions identified in response to the new Audit Code of Practice:</u> This was ongoing.</p> <p>vii <u>To clarify whether there is a right to extend the existing contract with Grant Thornton and to confer with finance network/contacts around recent experiences of retendering:</u> This was on the Agenda.</p>	
<b>INTERNAL AUDIT REPORTS AND RECOMMENDATIONS</b>		
4	<p><b>PROGRESS REPORT AND INTERNAL AUDIT REVIEW REPORTS</b></p> <p><u>Internal Audit Assurance Review: Transformation Process</u></p> <p>i A report was received on the delivery of the Transformation Project and the various</p>	

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ii	<p>project management activities carried out in respect of it. AM praised the quality of the documentation his team had reviewed, as well as the level of engagement there had been from College staff. He said the review had yielded a 'Reasonable' assurance opinion with just two 'Important'<sup>1</sup> control issues relating to the maintenance of the project tracker and the use of lessons learned exercises.</p> <p>The review report referred to observations made by consultancy firm Tribal, which had been incorporated into the project tracker. It noted that some of the observations were RAG rated 'Amber' or 'Red'. MG clarified that this was not significant as it was never intended that all of the Tribal observations should be actioned.</p>	
iii	<p>Members remarked on the audit outcome, commenting that for a project of that size, it was impressive to receive just two recommendations. There was agreement that the Committee's thanks and congratulations should be conveyed to the staff responsible.</p>	
iv	<p><b>Corporation report:</b> The Committee was impressed by the outcome of the internal audit review of the transformation process (Project T) and is pleased to report that only two recommendations were issued, a significant achievement for a project of this size. This year's internal audit plan is now complete.</p> <p><u>Internal Audit Assurance Review: Follow-up Audit</u></p>	Report Item 2
v	<p>The TIAA follow-up review was received and discussed. It was noted that the findings were based primarily on management representations, with some limited testing.</p>	
vi	<p><b>Corporation report:</b> The 'follow-up' review revisits the areas where internal audit review recommendations have been made (in this case during 2019 and 2020) to establish whether action has been taken to address the control issues identified and to assess whether it has been effective. Of 40 recommendations issued, only two remain outstanding; each was initially rated 'Important' but the Committee is satisfied that the areas have been significantly de-risked since the recommendations were made. Both sets of actions are expected to be complete by the start of the new financial year.</p> <p><u>Government Internal Audit Agency Article 127 Audit</u></p>	Report Item 3
vii	<p><b>Corporation report:</b> The College was selected for an Article 127 audit of its European Social Fund expenditure. No issues were identified during the testing and no further action is required.</p>	Report Item 4
<b>5</b>	<b>ROLLING AUDIT ACTION REVIEW</b>	
i	<p>Members discussed the report, noting that the position remained positive and had not changed substantially since the previous meeting. The three overdue items remained so but in each case management was expecting to complete the action by the end of the summer. It was noted that one item on RM's list of outstanding actions had been signed off by TIAA as being substantially complete.</p>	
ii	<p><b><u>RESOLVED:</u></b></p> <p><b>(i) To approve the revised completion dates proposed in the Rolling Audit Action Review – Update (June 2021).</b></p>	
iii	<p><b>Corporation Report:</b> Good progress continues to be made on the implementation of recent audit recommendations. As reported previously, some 'Important' recommendations remain outstanding but the areas have been significantly de-risked.</p>	Report Item 5

<sup>1</sup> meaning 'priority 2: control issue on which action should be taken at the earliest opportunity necessary'

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16:00 Ms D Watson joined the meeting.	
<b>OTHER BUSINESS</b>	
<b>6</b>	<b>FRAUD REGISTER</b>
i	RM said, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities.
ii	<b>Corporation Report:</b> Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.
Report Item 6	
<b>7</b>	<b>STRATEGIC RISK REPORT</b>
i	The risk report was received and there was discussion about the various upward and downward movements. These were agreed to reflect reporting at Committee and Corporation, for example, the risk score for Risk #20 'Failure to manage staff costs within agreed ratios' had reduced due to the combination of ongoing pay efficiencies and the reducing risk of income loss from apprenticeships, as reported at the last Corporation meeting. Similarly, as the year-end approached and student retention levels continued to be sustained, the risk score for Risk #21 'Failure to retain students on programme to achieve' had reduced.
ii	In terms of the increasing risks, the risk score for Risk #2 'Failure to equip students with the skills they need to be successful for progression' had increased as a result of uncertainty due to changing assessment methods, delays in end point assessments and high levels of mental health problems among students. The risk score for Risk #7 'Failure to meet employer expectations' had also been increased, as a recent employer satisfaction survey had returned some concerning data which would require further analysis. The risk score for Risk #10 'Failure to design and operate effective monitoring mechanisms to drive continuous improvement' had increased due to the increasing likelihood of an Ofsted visit.
iii	Attention was drawn to Risk #9, which was now expressed as the risk of 'failure to respond to curriculum and government reforms', rather than just 'curriculum reforms', to encompass the College's full White Paper response. RM said the Risk Management Team was currently assessing the impact and articulating the appropriate response.
iv	<b>Corporation report:</b> The Committee received a report on progress towards strategic risk reduction and discussed movements in the risk scores. The overall average risk score had remained stable at 11.12, albeit with some individual risk scores fluctuating. Members were satisfied that the risk function was operating well, with risk scores reflecting the reports received at Corporation and Committees.
Report Item 7	
16.20 A comfort break was taken. When the meeting resumed at 16.25, all re-joined, together with Mr R Harwood.	
<b>8</b>	<b>SMARTLOG COMPLIANCE REPORT</b>
i	Members were pleased to note that the agreed targets for scheduled health & safety checks continued to be substantially achieved. The Head of Health & Safety, Mr R Harwood ("RM"), said there had been a temporary dip at Pioneer House and at the Waterfront campus during the half term holidays but both had returned to target compliance levels and overall compliance was at 86.2%.
ii	There was discussion about the risk that a member of staff might sign off a compliance check without actually completing it and how that might be mitigated. RH said he had implemented a system of spot checks which would identify false data.

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<p>iii</p> <p>iv</p>	<p>Members agreed that RH had done a good job of accelerating the compliance work and providing assurance for Governors. The Committee would continue to include a Health &amp; Safety monitoring item in meeting agendas but the reports would change slightly, to include audit outcomes and evidence of actual compliance and culture change.</p> <p><b>Corporation report:</b> The Committee continues to monitor some specific aspects of operational health and safety control compliance following a concern raised by the internal audit service earlier this year, which is now much allayed. A report to the meeting provided assurance that target levels of compliance continued to be maintained across the business.</p>	<p>Report Item 8</p>
<p>16.40 Mr R Harwood left the meeting. Mr J Wilkinson joined the meeting.</p>		
<p>9</p> <p>i</p> <p>ii</p> <p>iii</p>	<p><b>DATA PROTECTION COMPLIANCE REPORT</b></p> <p>The Head of IT and System Development Mr J Wilkinson (“JW”) presented his report and members noted the progress made towards the implementation of the Information Commissioner’s advice. There was discussion about the mandatory data protection refresher training soon to be rolled out to all College staff.</p> <p>Since the previous meeting there had been three data subject access requests and one near miss data breach, the details of which he shared. With plans in progress for staff communications and refresher training, he expected to see an increase in reporting in due course.</p> <p><b>Corporation report:</b> Management continues to address a possible near-miss data breach reporting gap through a combination of staff communications and refresher training. Progress is being made towards implementing some advice received from the Information Commissioner.</p>	<p>Report Item 9</p>
<p>17:50 Mr J Wilkinson left the meeting.</p>		
<p><b>EXTERNAL AUDIT PLAN</b></p>		
<p>10</p> <p>i</p> <p>ii</p>	<p><b>EXTERNAL AUDIT PLAN 2020/21</b></p> <p>DW and Ms A Corns (“AC”) presented Grant Thornton’s draft external audit plan (the “plan”), identifying the proposed audit scope and highlighting as follows:</p> <ul style="list-style-type: none"> <li>➤ The ‘significant risks’ were consistent with those identified the previous year, i.e. the mandatory risks around fraudulent transactions and management override of controls, plus pension provision and whether the business was a ‘going concern’. The ‘other risks’ were also as per the previous year.</li> <li>➤ The new International Standard on Auditing ISA (UK) 260 required auditors to apply more challenge and corroboration on ‘going concern’, estimates and judgements.</li> <li>➤ A key change this year was the Post 16 Audit Code of Practice amendment discussed at the April meeting. The removal of the word ‘assurance’ meant audit firms could no longer rely on the ESFA funding confirmations and would need to identify other ways to obtain assurance, inevitably involving sample testing. Colleges would also need to think about what assurance they had that revenue was correctly recognised in their accounts.</li> </ul> <p>A Member asked about Grant Thornton’s timetable for agreeing its revenue audit approach. DW said a technical team meeting was scheduled and she hoped for an agreement within weeks. She said she would be mindful of the College’s resource constraints around enrolments for example and the need to be flexible in terms of when the audit work took place.</p>	

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iii	<p><b>Corporation report:</b> The Committee discussed the impact of a key change to the Post 16 Audit Code of Practice. Whereas external auditors were previously able to rely on the ESFA's annual funding confirmations in terms of what had been contracted and what paid to colleges, the ESFA has now removed that entitlement, creating additional work for auditors, who must now obtain their own assurances to inform their audit conclusion on the validity of the funding body income and the risk of future clawback of revenue - increasing both the length, complexity and cost of the audit process. Colleges will also need to conduct their own revenue recognition activities.</p>	Report Item 10
	<p><u>Fees, Other Matters, and Independence</u></p>	
iv	<p>DW said there were no significant facts or matters which Grant Thornton considered might impact the audit team's independence and objectivity. This was noted.</p>	
v	<p>Grant Thornton's proposed fee for the forthcoming period was discussed. As the total was still to be confirmed, it was agreed that the Committee would consider the proposed fee and supporting information by email once the cost of the additional work around revenue was established.</p>	
vi	<p><b>Action:</b> To agree a position on the proposed external audit fee by written resolution, once the cost of the additional audit work is established.</p>	JG, Comm
	<p><u>Committee's Conclusions and Advice to the Corporation</u></p>	
vii	<p>Following discussion, the Committee agreed to approve the plan, subject to confirmation of the fees, and advise the Corporation that it was satisfied with its scope and the objectives for Grant Thornton 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.</p>	
viii	<p><b>RESOLVED:</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> <p data-bbox="320 1464 1382 1666"><b>Corporation report:</b> The Committee agreed the content of the External Audit Plan ("plan") with Grant Thornton and is satisfied with the scope of the plan and the objectives for the auditor as set out in the plan; it has no concerns to bring to the Corporation. Due to the recent and unanticipated changes to the revenue audit arrangements, Grant Thornton' fee remains to be agreed; the Committee will bring a recommendation to the Corporation as soon as possible.</p> <p data-bbox="320 1688 1382 1886"><b>Corporation report:</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> </li> </ul>	Report Item 11
<b>COMMITTEE SELF-ASSESSMENT</b>		
11	<b>COMMITTEE SELF-ASSESSMENT</b>	
i	The Clerk shared the Committee self-assessment questions and these were discussed.	

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	In particular, it was noted that the Committee would soon lose its chair, with the departure of Mr J Williams (“JW”). The Clerk said the Search & Governance Committee was interviewing three candidates on 29 June and hopefully there would be someone suitable among them.	
ii	A particular concern was identified around induction and training for Committee members. This was a long-standing issue and there was agreement that it must be addressed in time to induct JW’s replacement.	
iii	<b>Action:</b> To write up the results of the self-assessment survey and discussion.	JG
iv	<b>Corporation report:</b> The Committee has reviewed the proposed 2021/22 meeting dates. It will continue to meet on the same day and at the same time as this year. It recommends the Schedule of Business for approval.	Report Item 13
<b>MATTERS TO NOTE AND ADMINISTRATION</b>		
<b>12</b>	<b>DATE OF NEXT MEETING</b>	
i	Provisionally 20 Sept 2021, 3.30pm.	
<b>13</b>	<b>PUBLICATION OF AGENDA PAPERS</b>	
i	It was agreed that all documents marked * on the agenda, plus the strategic risk register reports should remain confidential.	
<b>CLOSED SESSION WITHOUT THE AUDITORS</b>		
<b>14</b>	<b>RETENDER PLANNING</b>	
i	RM provided an update on the retendering of the internal audit service and there was discussion about the timing of the retender and the weighting that should be given to quality versus cost. RM shared some feedback from other colleges that had recently gone through the process. It could be expected that costs would increase substantially, as the regulatory requirements for college external audits had increased.	
<b>0</b>	<b>CLOSE</b>	
i	As it was JW’s final Committee meeting, Members thanked him for his contributions and, in particular, for taking on the Audit Chair role. It was agreed that he had done an excellent job and all wished him well for the future.	

### Items of Report for Corporation

#	Details	Min
1.	The College’s internal audit service provider TIAA is providing an additional service to the College, investigating a public interest (whistleblowing) disclosure. We understand that the investigation should complete on 2 July. To maintain the independence of the internal auditor, the investigation is being managed and conducted by a team entirely unconnected to our internal audit work. The details of the disclosure are confidential.	0iii
2.	The Committee was impressed by the outcome of the internal audit review of the transformation process (Project T) and is pleased to report that only two recommendations were issued, a significant achievement for a project of this size. This year’s internal audit plan is now complete.	4iv
3	The ‘follow-up’ review revisits the areas where internal audit review recommendations have been made (in this case during 2019 and 2020) to establish whether action has been taken to address the control issues identified and to assess whether it has been effective. Of 40 recommendations issued, only two remain outstanding; each was initially rated ‘Important’ but the Committee is	4vi

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	satisfied that the areas have been significantly de-risked since the recommendations were made. Both sets of actions are expected to be complete by the start of the new financial year.	
4.	The College was selected for an Article 127 audit of its European Social Fund expenditure. No issues were identified during the testing and no further action is required.	4vii
5.	Good progress continues to be made on the implementation of recent audit recommendations. As reported previously, some 'Important' recommendations remain outstanding but the areas have been significantly de-risked.	5iii
6.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	6ii
7.	The Committee received a report on progress towards strategic risk reduction and discussed movements in the risk scores. The overall average risk score had remained stable at 11.12, albeit with some individual risk scores fluctuating. Members were satisfied that the risk function was operating well, with risk scores reflecting the reports received at Corporation and Committees.	7iv
8.	The Committee continues to monitor some specific aspects of operational health and safety control compliance following a concern raised by the internal audit service earlier this year, which is now much allayed. A report to the meeting provided assurance that target levels of compliance continued to be maintained across the business.	8iv
9.	Management continues to address a possible near-miss data breach reporting gap through a combination of staff communications and refresher training. Progress is being made towards implementing some advice received from the Information Commissioner.	9iii
10.	The Committee discussed the impact of a key change to the Post 16 Audit Code of Practice. Whereas external auditors were previously able to rely on the ESFA's annual funding confirmations in terms of what had been contracted and what paid to colleges, the ESFA has now removed that entitlement, creating additional work for auditors, who must now obtain their own assurances to inform their audit conclusion on the validity of the funding body income and the risk of future clawback of revenue - increasing both the length, complexity and cost of the audit process. Colleges will also need to conduct their own revenue recognition activities.	10iii
11.	The Committee agreed the content of the External Audit Plan ("plan") with Grant Thornton and is satisfied with the scope of the plan and the objectives for the auditor as set out in the plan; it has no concerns to bring to the Corporation. Due to the recent and unanticipated changes to the revenue audit arrangements, Grant Thornton' fee remains to be agreed; the Committee will bring a recommendation to the Corporation as soon as possible.	10viii
12.	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.	10viii
13.	The Committee has reviewed the proposed 2021/22 meeting dates. It will continue to meet on the same day and at the same time as this year. It recommends the Schedule of Business for approval.	11iv