

## MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25<sup>TH</sup> SEPTEMBER 2023 AT 5PM AT THE KINGSWAY CAMPUS

<b>Present:</b>	Karen Banks	External Governor
	Jayne Edwards	External Governor
	Andrew MacManus	External Governor
	Rachael Owen	External Governor
<b>In Attendance:</b>	Jonathan Creedy	Associate Director, ICCA (Internal Audit)
	Julie Holland	Deputy Principal (Finance & Resources)
	Sue Hutchinson*	Partner, Beever & Struthers (External Audit)
	Catherine Shaw	Clerk to Governors

\*Sue Hutchinson attended remotely via Microsoft Teams to present agenda item 5.1

The Committee met with the Auditors in the absence of the College's senior managers to ascertain whether there were any matters they wished to raise. The Auditors advised they had no issues of concern.

Julie Holland (Deputy Principal, Finance & Resources) joined the meeting. Being their first meeting a warm welcome was extended to Jonathan Creed and Rachael Owen with introductions being made.

### 1. APOLOGIES FOR ABSENCE

None, all members were present and the meeting was quorate.

### 2. DECLARATION OF INTERESTS

None declared.

### 3. APPOINTMENT OF CHAIR

**Resolved:** Karen Banks was duly appointed as Committee Chair for the 2023/2024 academic year.

### 4. MINUTES

#### 4.1 To approve the minutes of the previous meeting held on 19<sup>th</sup> June 2023 (previously circulated)

The Committee reviewed the minutes from the previous meeting.

**Resolved** - The minutes of the meeting held on 19<sup>th</sup> June 2023 were **approved** as a correct record and signed accordingly by the Chair.

4.2 **To review the action log and to consider any matters arising from the minutes**  
*(previously circulated)*

The action log was reviewed and the Committee noted that only one action remained partially completed and this related to the part one on-line module on unconscious bias via the Virtual College which was circulated to all Governors for completion.

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

5. **EDUCATION AND SKILLS FUNDING AGENCY (ESFA) SUBCONTRACTING AUDIT**  
5.1 **To receive for information a report on the subcontracting audit in accordance with the requirements of ESFA** *(previously circulated)*

Sue Hutchinson informed the Committee that as the appointed auditors Beever & Struthers had undertaken a review of the College's systems and controls in relation to subcontractors. This was to enable the College to fulfil its requirement to have an assurance review on its management of subcontractor delivery. In order to comply with the ESFA and Liverpool City Region Combined Authority (LCRCA) Funding Rules 2022/2023 the following ten areas were reviewed:

- Pre-Award Activities
- Contract and Award Management
- People
- Administration
- Managing Relationships
- Managing Performance
- Payments and Incentives
- Risk Management
- Contract Development and / or Termination
- Provider Development

The Auditor provided additional background information relating to the College's two sub-contractors: (i) Crosby Training (Crosby) and (ii) Power in Partnership (PIP) and their respective contracts with the College.

A green RAG rating was provided for nine of the above sections. One recommendation had been raised within the 'contract development' section, resulting from a typographical error and this had been classified as amber/green.

Several questions were raised by Governors and responded to. A Governor queried the position regarding the underspend with Crosby and whether this would have any financial implications in terms of a potential clawback by ESFA; this was clarified by the Deputy Principal. In response to a question raised, the Deputy Principal confirmed that currently the College was comfortable with the level of sub-contracting and there were no plans for expansion.

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

5.2 **Subcontracting funding rules for post-16 education and training 2023/2024**  
*(previously circulated)*

This Government publication (July 2023) was considered by the Committee with a particular focus on the highlighted sections relating to Board responsibilities.

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

*The External Auditor was thanked for presenting this report and she left the meeting.*

## **6. INTERNAL AUDIT REPORTS**

### **6.1 Corporate Governance** *(previously circulated)*

The Internal Auditor presented the firm's findings in respect of the Corporate Governance audit undertaken in June 2023. This had been carried out to review the suitability and effectiveness of the existing model of governance and membership composition in ensuring effective decision making took place by the Board in pursuit of achieving the College's strategic direction. He advised that the specific areas reviewed consisted of:

- Governance structure and model
- Board composition
- Training, development and induction
- Self-reflecting Corporation
- Governance Workflow and Reporting Arrangements
- Sector Governance

The Internal Auditor provided the Audit Committee with substantial assurance that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. Two recommendations of a low level nature had been made. In respect of the two accepted recommendations, the Clerk advised that she anticipated both to be actioned by the October Board meeting.

A discussion took place. The Internal Auditor was asked for his professional opinion from a benchmarking perspective. He advised that it was a strong report.

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

### **6.2 Internal Audit Report 2022/2023** *(previously circulated)*

The Internal Auditor referred to the report and confirmed that the approved Audit Plan for 2022/2023 had been fully completed. Audits carried out comprised of:

- Quality Assurance – Lesson Observation Process
- Corporate Governance
- Risk Management
- HR and Payroll
- Additional Learning Support and High Needs Students
- Health and Safety Compliance
- Key Financial Controls
- Follow Up of Previous Internal audit Recommendations.

In respect of all areas audited each had resulted in substantial assurance being provided to the Audit Committee that the areas of the control environments tested were designed and operated effectively with no significant weaknesses. The Internal Auditor advised of the importance of this report in terms of it being a cornerstone of the assurances that the Committee provided to the Board.

The Head of Internal Audit's professional opinion stated he was satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given as to the adequacy and effectiveness of the College's governance, risk management, and systems of internal control, for the year ending 31 July 2023. It was emphasised that the assurance could never be absolute and that the most that the internal audit service could provide was 'reasonable assurance' that there were no major weaknesses in the College's governance and risk management arrangements, or systems of internal control.

A discussion ensued. In response to a question raised by a Governor, the Internal Auditor advised that from a benchmarking perspective this was an extremely positive report for the College.

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

### 6.3 **Internal Audit Schedule 2023/2024** *(previously circulated)*

Following on from the previous committee meeting, the Internal Auditor confirmed that two additional audit areas had been added to the schedule, as requested by the Committee and subsequently approved by the Board, namely (i) Financial Controls and (ii) Student Voice.

The number of audit days for each assignment were reviewed and agreed, as presented. Discussions were to take place between the Internal Auditor and Deputy Principal (Finance & Resources) to finalise the timings throughout the year as to when each audit was to take place. The Internal Auditor guided the Committee through the schedule and provided a commentary on the key objectives within each area and how they related to the College's key strategic risks.

**Resolved:** The Committee **noted** the additions made to the Internal Audit Schedule and confirmed its approval.

## 7. **RISK MANAGEMENT AND MONITORING OF PREVIOUS RECOMMENDATIONS** *(previously circulated)*

### 7.1 The Deputy Principal outlined the risk management activity that had taken place to date and highlighted the following aspects from her reports:

- The Key Risk Register had been revised throughout the year at each Risk Management Group (RMG) meeting, in response to both internal and external influences.
- The Sub-Risk Register had been improved by listing the risks in score order with the highest first. Details of mitigating controls and sources of assurance against each of the identified risks were also included and presented.
- The Risk Management action plan detailing the active recommendations – September 2023 update.

A discussion took place with several questions being raised by Governors and responded to by the Deputy Principal. There were some questions raised relating to the presentation of the key risk sources, how risks were worded and queries relating to RMG minutes which had been included in the pre-reading material for information purposes. A distinction was drawn between those matters of an operational nature relating to the RMG and the oversight function of the Audit Committee.

**Resolved:** The Committee **noted** the contents of the reports which included:

- (i) The annual Risk Management Report for 2022/2023
- (ii) Risk Management – Review of Effectiveness and Achievements in 2022/2023
- (iii) Key Strategic Risks and Sources of Assurance Mapping
- (iv) Sub-risk register
- (v) Risk Management Action Plan - September 2023

## 7.2 **Risk Management Policy 2023/2024**

The Deputy Principal informed the Committee that this policy had been updated to include recommendations from the Internal Auditors which included a full risk appetite statement. The policy was considered by the Committee with two minor amendments being suggested to the wording in two areas which did not detract from the context. A Governor raised a query regarding the issuing of ID badges to all Governors.

**Resolved:** The Committee

- (i) **recommended approval** of the Risk Management Policy 2023/2024 to the Board.
- (ii) **agreed** that the Clerk was to make appropriate arrangements to ensure all Governors had been furnished with a College ID badge.

## 8. **ASSESSMENT OF CONTROLS ON FRAUD AND IRREGULARITY**

The Deputy Principal outlined the responsibilities of governors to fulfil ISA (International Standard on Auditing) 240 requirement which was necessary for the Board to approve the annual Financial Statements. It was the responsibility of the Audit Committee to review the effectiveness of the College's internal control framework, including risks on fraud and irregularity to enable the Board to approve the Letter of Representation that accompanied the Financial Statements. As part of this remit, the Committee considered comprehensive reports relating to:

- A completed draft of the Self-Assessment on Regularity Questionnaire (SARQ) which included sources of evidence relating to the controls operating within the College.
- The proposed fraud questionnaire that was to be completed by all Governors following advice taken from the External Auditors
- A self-assessment summary showing areas of most significant risk of fraud for the College and ways in which these risks were mitigated in 2022/2023.
- Completion of Annex D of the ESFA's Audit Code of Practice (ACOP), which served to provide a further assessment of the College's anti-fraud framework.

A discussion took place.

With regards to the SARQ there was an accepted proposal to record that the Board had received unconscious bias training to further support the evidence section on 'conflict of interests and related parties.' In response to a question raised, the Deputy Principal clarified the interpretation of 'minimal' in respect of expenses claims on page 16 of the SARQ.

Following scrutiny of the documentation a discussion took place with a Governor commenting on the excellent quality of the suite of reports presented for the Committee's consideration.

**Resolved –**

- (i) the contents of the report were **noted**
- (ii) the Committee **recommended** that the SARQ be submitted for approval to the Board at its meeting on 9<sup>th</sup> October 2023, as required by the ACOP.
- (iii) that the fraud questionnaire was to be completed by all Governors.

**9. COMMITTEE SELF-EVALUATION 2022/2023**

To approve the draft Committee self-evaluation of performance in 2022/2023

The Clerk referred to the draft Committee self-evaluation of performance which provided a narrative on the following aspects of its performance:

- Attendance levels were reported at 94%, against a target of 80%.
- Membership details throughout 2022/2023 and the increase in membership from the start of 2023/2024
- Terms of Reference – these had been reviewed at the committee meeting on 19<sup>th</sup> June 2023 and remained fit for purpose.
- Summary of the range of committee activities that had taken place during 2022/2023 including the training sessions which had been delivered.
- Suggested areas for development

The Committee reflected on its performance during the 2022/2023 academic year. There were no areas of concern identified and the Committee was satisfied that it had fully complied with its statutory obligations and discharged its responsibilities in accordance with the committee's terms of reference.

**Resolved –** the Committee **approved** the Self-Evaluation of the Audit Committee's Performance 2022/2023.

**10. SCHEDULE OF GOVERNANCE BUSINESS 2023/2024**

The Committee considered the draft schedule of business as presented by the Clerk which encompassed both Committee and Board meetings throughout the year. For assurance purposes she advised that any new or emerging issues that may arise throughout the academic year would be added to the agenda of the relevant meeting.

**Resolved:** The Committee **approved** the Schedule of Business for 2023/2024

**11. ITEMS TO BE REPORTED TO THE BOARD**

A discussion took place:

**Resolved –** the following reports were to be presented to the Board at its next meeting on 9<sup>th</sup> October 2023:

- Overarching summary report of business addressed, including the ESFA Sub-Contracting Audit Report, Corporate Governance Internal Audit Report, Annual Internal Audit Report 2022/2023, Committee Self-Evaluation 2022/2023 and Schedule of Governance Business 2023/2024.

- Annual Risk Management Report 2022/2023 and risk management activity since July 2023.
- Assessment of Controls on Fraud and Irregularity including the SARQ.
- Risk Management Policy 2023/2024.

**12. DATES OF FUTURE COMMITTEE MEETINGS**

**Resolved** - The Committee **noted** the following meeting dates:

- 20<sup>th</sup> November 2023 at 5pm
- 4<sup>th</sup> March 2024 at 5pm
- 17<sup>th</sup> June 2024 at 5pm

It was noted that Jayne Edwards had given advanced notification that she would not be available to attend the next scheduled Audit Committee meeting on 20<sup>th</sup> November 2023.

The Chair thanked all attendees for their attendance and contribution at the meeting. The meeting was closed at 6.40pm.

**Signed:** Office copy signed by Karen Banks

**Chair of Audit Committee**

**Date:** 20<sup>th</sup> November 2023