

**MINUTES OF AUDIT COMMITTEE MEETING HELD ON 3RD MAY 2022,
REMOTELY VIA MICROSOFT TEAMS**

Present:	Karen Banks	Independent Governor (Chair)
	Jayne Edwards	Independent Governor
	Andrew Macmanus	Independent Governor
In attendance:	Patrick Clark	ICCA (Internal Auditor)
	Julie Holland	Deputy Principal (Finance & Resources)
	Sue Hutchinson	Beever & Struthers (External Auditors)
	Lesley Venables	Clerk to the Governors

APOLOGIES FOR ABSENCE

95 There were no apologies for absence.

DECLARATION OF INTERESTS

96 No declarations of interest were received.

MEETING WITH AUDITORS

97 The Committee met routinely with the Auditor in the absence of senior management. Both firms commented that they had developed positive relationships with College staff and all audit work had proceeded without any issues being identified.

MINUTES OF MEETING HELD ON 29TH NOVEMBER 2021

98 **Resolved** - That the minutes of the meeting held on 29th November 2021 be approved as a correct record and signed by the Chair.

MATTERS ARISING

99 The Committee received a list of actions resulting from the previous meeting and noted that all items were either in progress or had been completed.

100 Under minute 58 the Clerk reported that the Search & Governance Committee would be meeting in June to discuss governor training needs, including roles and responsibilities of the Board and risk management. Recent discussions between governors and members of the Senior Management Team on the Association of Colleges' Code of Good Governance had suggested that a number of recorded sessions could be produced, including one on risk, which would be accessible for all governors. Although there had been some debate about the risks facing the College at the recent strategic event, the Audit Committee was of the view that all governors should have a similar understanding of risk management and that the most effective

method of delivery was at a face-to-face training event.

101 In relation to minute 77, the Deputy Principal reported that the automatic workflow system had now been rolled-out to other areas of the College and was enabling processes to be further streamlined.

INTERNAL AUDIT REPORTS 2021/2022

Apprenticeships Delivery

102 The Committee received an Internal Audit report on Apprenticeships, which had concluded that the existing control framework provided a 'substantial' level of assurance. A total of 4 low priority recommendations made for further improvement (which was in line with other client colleges), two of which centred on ensuring that the College's processes were fully aligned to the complex ESFA regulations.

103 The Auditor had recommended the introduction of a centralised system for monitoring off-the-job training and that staff should review the list of learners classified as 'out of funding,' to ensure that they were still engaged on their apprenticeship programme and that they were progressing towards completion.

104 A governor commented that many of these students had been affected by the pandemic and that the College should do everything to ensure that they achieved their qualification. The Deputy Principal responded that fixed End Point Assessments had now been introduced as part of the new Apprenticeship Standards, as opposed to the previous "roll-on-roll-off" arrangements. The Internal Auditor added that the number of OOFs had increased during COVID-19 and many colleges had run out of funding for these individuals.

105 In response to a question on whether further training and development of staff would improve compliance levels, governors were advised that the College had moved many of its processes online during the pandemic which had led to some issues, however, staff were now more familiar with the new procedures and had returned to College premises, which enabled tighter monitoring to take place.

Anti-Fraud & Corruption Controls

106 Governors received for information an Internal Audit Report on Anti-Fraud & Corruption Controls, which had graded the College's systems as providing a 'substantial' level of assurance. The Internal Auditor had highlighted the use of an extensive self-assessment of fraud and irregularity measures as best practice in the sector and had noted that controls within the Finance Team were effective.

107 One low priority recommendation had been made to add reference to the need to report any instances of fraud to "Action Fraud" in the Anti-Fraud & Corruption Policy, which would ensure compliance with the revised Post-16 Audit Code of Practice. This would be completed as part of the annual review of the Financial Regulations and an updated Policy would be submitted for recommendation to the Committee's June meeting.

Key Financial Controls

108 The Internal Auditor reported that the review of Key Financial Controls had graded the College's systems as providing a 'substantial' level of assurance, with effective controls and an adequate segregation of duties amongst members of the Finance Team. Two low priority recommendations made been made: the roll-out of an electronic purchase ordering system across the organisation and to ensure that all historic supplier payments were matched to

supplier invoices on a more timely basis. In response to a question on the timescale for the former process the Deputy Principal reported that this had already been actioned and that training for managers had now taken place. This was a further example of increased digitalisation and improving efficiency.

ESFA Mock Funding Audit

109 This Internal Audit report had graded the College's processes as providing a 'reasonable' level of assurance. A total of one medium and 3 low priority recommendations had been made as a result of the audit. Governors were advised that the issues identified were common amongst further education providers, which was partly due to the complexity of the ESFA funding rules and eligibility criteria.

110 It had been recognised that the impact of COVID-19 and staff not being on site had meant that some documentation had not been signed prior to the student's start date and there were a small number of examples of the Individualised Learner Records system not matching individual learning agreements.

111 A governor asked whether the audit had identified a more widespread problem with compliance with the College's funding paperwork. The Deputy Principal responded that responsibility for apprenticeships was split between two departments, depending on whether matters concerned the employer or the student. A review of the enrolment process had taken place recently and clarified the procedures carried out by each area. Work was underway to ensure that enrolments were processed in a timely fashion and to ensure that the ESFA's guidelines were followed.

112 The Internal Auditor was asked about the recommendation made in the Internal Audit Report on Apprenticeships received earlier in the meeting, which indicated that it had been difficult to track off-the-job training activities and whether this had been followed up during this review. Governors were advised that any recommendations made in the reports received at this meeting would be followed up by the Internal Auditor during the next academic year to assess the level of progress made and this would be reported to a future Committee meeting.

113 A governor questioned whether the Internal Auditor had considered taking a further sample of data to confirm their findings. This was not part of the usual process, whereby a batch of 15 learners were selected in each funding stream. Some withdrawals may have occurred amongst these individuals but could be progressing to other programmes. During a full ESFA audit work would take place to narrow down any potential errors in the data. The College reviewed any withdrawals on a regular basis using the PDSATs report.

114 In response to a question about the progress of any errors that had been identified the Internal Auditor reported that processes were in place to minimise errors and non-compliances, however, it was not possible to amend previous data sets.

INTERNAL AUDIT PLAN – 2021/2022 AND DRAFT PLAN FOR 2022/2023

115 The Internal Auditor presented a report on progress against the agreed Plan of work for 2021/2022. Governors noted that the majority of items had been completed and that the final two reviews were scheduled to take place over the next few weeks with the outcomes reported to the June 2022 Committee meeting. A total of 11 recommendations had been made during the year, one of which was graded as 'medium' priority and 10 of which were graded as 'low' priority.

116 The Committee received a draft plan for 2022/2023, which had been prepared in discussion with management and aligned to the College's cycle of business. This included items on: Corporate Governance, Risk Management, High Needs and Additional Learning Support, Health & Safety, Key Financial Controls, HR & Payroll, Quality Assurance – Lesson Observations and Follow-Up of 2021/2022.

117 The Chair commented that the reviews of Corporate Governance and Risk Management would be helpful in preparing for the external review process which was being introduced for further education colleges as a result of the Skills and Post-16 Education Act 2022.

118 The Strategy for 2022/2023 would be updated and submitted to the June Committee meeting for recommendation to the full Board.

RISK MANAGEMENT UPDATE

119 Governors received for information a monitoring report on risk management for 2021/2022. This continued to be monitored by the Risk Management Group and it was noted that some COVID-19 related risks had now been deleted following the easing of restrictions. The financial risks had been updated to incorporate the content of the Mid-Year Review approved by the Board in March 2022.

120 One new sub-risk had been identified on the appropriateness of pension liability assumptions. The scores for a number of sub-risks had also been updated for example, increasing volatility in the external environment, leading to rising inflation and interest rates. In response to questions from governors on the scoring mechanism, the Deputy Principal outlined the criteria and gradings used (Significant – scored from 12 to 18; Contingency – scored from 8 to 12; and Housekeeping – scored less than 8).

121 A governor asked whether the total score for the recruitment of staff should be classified as 'significant' given the difficult market. The Deputy Principal responded that the scores in the report had been compiled in February (due to the postponement of the Audit Committee meeting) and that it had recently become harder to recruit staff in some areas, such as Construction. It was agreed that the feedback on risks that resulted from the governors' strategic event would be fed into the risk management process and included in the report to the June Committee meeting.

122 Governors also received for information a report on all completed and outstanding recommendations from audit visits. In future, the Committee would only receive a progress report on the 'active' recommendations.

ESFA'S GOOD PRACTICE GUIDE FOR AUDIT COMMITTEES

123 The Clerk presented a summary of the recent changes to the ESFA's Good Practice Guide for Audit Committees, which now reflected the latest version of the Post-16 Audit Code of Practice (featured under a later agenda item).

124 The Committee was now required to explain in its Annual Report if it failed to meet at least 3 times a year and members were charged with robustly and fairly challenging management. The Guide reiterated the requirement for audit committees to ensure that they had the necessary skills, experience and diversity to scrutinise reports and provide challenge.

125 The section on risk management had been strengthened and there was now a greater emphasis throughout on the importance of learner data, cyber security risks. New sections had been added on value for money and committee papers. A governor questioned how the former was to be achieved and was advised that this could be wide-ranging, covering items such as space and staff utilisation, learner outcomes compared to funding streams, procurement savings and environmental factors. The Internal Auditor reported that some further education colleges prepared a separate annual report on value for money and that there was an increasing focus in the sector on Environmental, Social and Governance criteria. The Committee debated whether such a report should focus on key performance indicators or adopt a more narrative approach, settling on the latter option.

ESFA POST-16 AUDIT CODE OF PRACTICE

126 Governors received a report from the Clerk on recent changes to the ESFA Audit Code of Practice, the latest version of which was effective from 1st August 2021.

127 Colleges were no longer required to make any pandemic-related disclosures in the financial statements and regularity reporting for 2021/2022. The annual assurance statement for devolved Adult Education Budget funding (ie including the Liverpool City Region Combined Authority) will now be the responsibility of the Department for Education, due to organisational changes between the DfE and the ESFA.

128 The ESFA will obtain assurance over any funding it provides in higher education institutions through a programme of assurance reviews. 2.4 Any 'designated institutions' that have the legal personality of a limited company (as opposed to the majority of colleges which are classified as public corporations) will need to consider any audit requirements resulting from company law in addition to those required under the ACOP.

129 The Code now aligned to the ESFA's guidance for Audit Committees in terms of the scope and of the work of the internal auditors in relation to college corporations.

130 Colleges were no longer obliged to inform the ESFA when there has been a routine change in the auditing service, such as at the end of the current contract period.

131 The definition of 'reportable significant fraud' had been clarified and that the regularity audit will cover subsidiaries and joint ventures. Issues relating to propriety will be audited as part of the regularity assessment. 2.9 The exclusion of the regularity of the ILR return has been removed from the scope of the reporting accountant's regularity engagement.

132 Some amendments to the terms of reference for the regularity audit engagement, the Committee's Annual Report to the Board and the Internal Auditor's Annual Report were noted.

133 Governors discussed the requirement in the Code for the Audit Committee membership to be as diverse as possible to enable it to be effective. The Chair reported that at a recent meeting on the Code of Good Governance it had been agreed that the Deputy Principal (Curriculum) would provide some information on the College's equality, diversity and inclusion profile as a starting point to assessing how this could be improved, to provide some context in terms of the local community and to inform future recruitment.

134 The Financial Statements Auditor commented that diversity was not limited to the composition of the board but should also be seen in terms of thought processes, culture and behaviours. The Chair suggested that all governors should undertake unconscious bias training to ensure that future recruitment activities aligned to best practice.

ITEMS TO BE REPORTED TO THE BOARD

135 The Chair summarised the outcomes of the meeting and identified the following matters which would be brought to the attention of the Board in a written report at its meeting on 4th July 2022:

- Internal Audit Reports received on Apprenticeships, Key Financial Controls, Anti-Fraud & Corruption Controls and ESFA Mock Funding Audit
- Report received on progress of Internal Audit Annual Plan for 2021/2022 and outline Plan for 2022/2023 (a final version of which will be submitted to the June meeting for recommendation to the Board)
- Report on Risk Management included amendments to scores on a number of risks due to changes in the external environment
- Summaries of ESFA's Guide for Audit Committees and Post-16 Audit Code of Practice presented for information

DATE OF NEXT MEETING

20th June 2022

Signed:

Karen Sauls

Chair of Audit Committee

Date:

08/07/22