

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26TH SEPTEMBER 2022 AT 5PM AT THE KINGSWAY CAMPUS

Present:	Karen Banks	External Governor
	Jayne Edwards	External Governor
	Andrew MacManus	External Governor
In Attendance:	Patrick Clark	Head of Internal Audit, ICCA
	Julie Holland	Deputy Principal (Finance & Resources)
	Catherine Shaw	Clerk to Governors

The Committee met with the Internal Auditor to ascertain whether there were any matters that ICCA wished to raise in the absence of college management. The Internal Auditor advised he had no issues to raise and commended college officers on their continued openness, transparency and prompt responses to any enquiries that were made by them.

The Deputy Principal (Finance & Resources) joined the meeting which was then opened by the Clerk with introductions and a welcome being made.

1. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Jason Burgess and Sue Hutchinson, Financial Statement Auditors Beever & Struthers. The meeting was quorate.

2. **DECLARATION OF INTERESTS**

None declared.

3. **APPOINTMENT OF CHAIR**

Karen Banks was appointed as Committee Chair to serve for the 2022/2023 academic year.

4. **MINUTES** (*previously circulated*)

4.1 **To approve the minutes of the previous meeting held on 20th June 2022**

The Committee reviewed the minutes from the previous meeting.

Resolved - That the minutes of the meeting held on 20th June 2022 be **approved** as a correct record and signed by the Chair.

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

Resolved - The Committee **noted** the progress made on all matters contained within the action log.

5. **ESFA SUB-CONTRACTING AUDIT**

5.1 **To receive the Annual Audit Report as required by the Education and Skills Funding Agency (ESFA)** *(previously circulated)*

The Deputy Principal (F&R) advised the Committee that the College had complied with the statutory requirement for the Financial Statements Auditor to undertake a review of the College's systems and controls in relation to its subcontracts to four providers. The Auditors reviewed all six sections that covered the main ESFA Subcontracting Rules which consisted of:

- General subcontracting
- Selection and reporting
- Entering a subcontract
- Subcontracting threshold and exemption cases
- Monitoring
- Reporting on subcontracting

Upon completion of the audit, the Auditors provided a green rating for four sections, and an amber/green rating for two sections. A total of three recommendations had been made within the report which had been classified as amber/green.

A discussion ensued with several questions being raised and responded to by the Deputy Principal. In response to questions asked, the Deputy Principal informed the Committee of the following:

- Confirmation of the four subcontracting firms that operated during the 2021/2022 academic year. Three had operated throughout the whole of the academic year and one operated between August 2021 – January 2022.
- The recommendation made concerning any potential conflicts of interest had been implemented by the College (Funding Rule 8).
- There were no current plans for the College to extend provision via subcontracting arrangements.
- No concerns had been identified in respect of the subcontracting provisions presently in place regarding compliance and quality.

Resolved – The Committee **noted** the contents of this pleasing report and that satisfactory assurance had been provided on the systems and controls the College had in place to managed subcontractors delivering adult education and training funded by the Liverpool City Region Combined Authority for the year 1 August 2021 to 31 July 2022.

6. **AUDITOR REPORTS**

6.1 **Internal Audit Report 2021/2022** *(previously circulated)*

The Internal Auditor provided an overview of the internal audit activity that had taken place during 2021/2022 which comprised of the following areas:

- Apprenticeship Delivery

- ESFA Mock Funding Audit
- Safeguarding, including the Prevent Duty
- IT Data Security
- Anti-Fraud and Corruption Controls
- Key Financial Controls

ICCA issued five ‘substantial assurance’ opinions and one ‘reasonable assurance’ opinion. There were no ‘high priority recommendations’ made by the Auditors. Based upon the work undertaken during the year and the implementation of recommendations made in previous internal audits, the Internal Auditor provided the Audit Committee with reasonable assurance that the College’s governance, risk management, and systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in a material discrepancy. The Committee was advised that ‘reasonable assurance’ was the highest level of assurance that can be provided by ICCA upon the completion of internal audits. There had been no recommendations raised by ICCA in 2020/2021, therefore it had not been necessary to undertake any follow-up work in 2021/2022 in this respect.

A discussion took place with the Committee noting that the key performance indicators that had been met and highlighted the areas where the report triangulated information presented within the College’s Risk Management Action Plan.

Resolved – The Committee **noted** the contents of the Annual Internal Audit Report 2021/2022.

On behalf the Committee the Chair conveyed thanks to the Internal Auditor for the report presented and the firm’s continued effective partnership approach with the College.

7. RISK MANAGEMENT

7.1 To receive the Annual Risk Management Report for 2021/2022 and Risk Management Action Plan 2022/2023 (*previously circulated*)

The Deputy Principal referred to the report which had previously been circulated and highlighted the following aspects:

- The Risk Register had been revised throughout the year in response to both internal and external influences.
- The Risk Register and accompanying action plan had been improved by listing the risk in score order, with the highest first. The details of mitigating controls and sources of assurance against each of the identified risks had also been included.
- The key strategic risk sources of assurance mapping.

A discussion ensued with a focus on the revised format of reporting the key strategic risks and assurance mapping. Numerous questions were raised by Governors and in response the Deputy Principal confirmed the following:

Risk 1 – Achievement of planned student numbers and funding target

The achievement of planned student numbers for 2022/2023 was to be addressed in the Principal’s Strategic Report to be presented to the Board at its meeting on 10th October 2022 in light of a shortfall in the recruitment of 16-18 year olds.

Examples of college mini audits as a source of assurance included Individual Learner Record (ILR) reports and various ad hoc computer-generated reports.

The Audit Committee received assurance that the plan relating to the introduction of T Levels was reported to the Board via the Quality & Standards Committee.

Risk 3 – Financial Control

Queries were raised regarding the reference to sub risks 6b and 18f. It was agreed that the Deputy Principal would clarify the position and update the Committee at its next meeting on 28th November 2022.

Risk 4 – Information and Business Critical Systems

In response to a query raised regarding 'staff cover' arrangements, the Deputy Principal advised that a succession plan was in place in respect of department managers and their deputies. Occasional absences were covered by other staff members unless there was no capacity to do so, and agency staff would then be sourced.

A question was raised as to whether IT data security was sufficiently addressed in connection with the internal audit source of assurance within risks 4, 5, and 6. It was agreed the Deputy Principal would seek clarity and provide an update to Governors at the next Committee meeting.

Risk 10 – Equality, Diversity and Inclusion

Additional assurance was requested regarding the RAG rating of this risk. It was agreed this would be discussed at the next Risk Management Group meeting and further information provided at the next Audit Committee meeting.

Risk Management Action Plan 2022/2023

The Deputy Principal presented the active risk management action plan as at September 2022. A discussion took place regarding the content of the report and whether it was necessary for the Committee to receive information whereby identified risks had been addressed and associated action completed, as presented.

Resolved

- (i) the Committee noted the report on the Risk Management Process 2021/2022
- (i) it was noted that the Strategic Key Risks report aligned to the Risk Register

7.2 To recommend approval by the Board of the Risk Management Policy for 2022/2023 (previously circulated)

The Deputy Principal informed the Committee that the Risk Management Policy had been updated to include recommendations made by the Auditors.

Resolved – the Committee recommended approval of the Risk Management Policy 2022/2023 to the Board, subject to one amendment at paragraph 6.6 with the insertion of 'Audit' before 'Committee', to read: This audit provides feedback to the Audit Committee.

8. ASSESSMENT OF CONTROLS ON FRAUD & IRREGULARITY (previously circulated)

- 8.1 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 fraud questionnaire template that was to be completed by all Governors.
- A self-assessment summary showing areas of most significant fraud risk for the College and ways in which these risks were mitigated in 2021/2022.
- A draft 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 a Governor commenting on the excellent suite of reports that had been produced. A query was raised by a Governor and responded to by the Deputy Principal relating to page 8 of the Fraud and Irregularity Self-Assessment (September 2022) and the Annex D Regularity Self-Assessment questionnaire in connection with internal controls/theft of cash from bank accounts.

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 10th October 2022, as required by the ACOP.
- (iii) the Committee recommended that Annex D be submitted for approval to the Board at its meeting on 10th October 2022, subject to one amendment at page 7 relating to the Corporation's response to a question on internal control, as required by the ACOP.
- (iv) that the fraud questionnaire was to be completed by all Governors.

9. COMMITTEE SELF-EVALUATION 2021/2022

9.1 To approve the Committee self-evaluation of performance (previously circulated)

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 93%, against a target of 80%.
- Membership details.
- Terms of Reference – these had been reviewed and updated at its meeting on 20th June 2022.
- Summary of Committee activities that had taken place during 2021/2022.
- Suggested areas for development – this included increasing the current membership to four members.

The Committee reflected on its performance during the 2021/2022 academic year. There were no areas of concern identified and the Committee was satisfied that it had fully complied with its statutory obligations and terms of reference.

Resolved – the Committee approved the Self-Evaluation of the Audit Committee's Performance 2021/2022.

10. ITEMS TO BE REPORTED TO THE BOARD

A discussion took place.

Resolved – the following items were to be presented to the Board at its next meeting on 10th October 2022:

- Annual Risk Management Report 2021/2022
- Risk Management Policy 2022/2023
- Regularity Self-Assessment for 2021/2022 and its annexes, as required by the ESFA's Post 16 Audit Code of Practice
- ESFA Sub-Contracting Audit
- ICCA Internal Audit Annual Report 2021/2022

11. DATES OF FUTURE COMMITTEE MEETINGS

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

- 28th November 2022 at 5.00pm
- 6th March 2023 at 5.00pm
- 19th June 2023 at 5.00pm

The Chair thanked all attendees for their attendance and contribution at the meeting. There being no further business, the meeting was closed at 6.05pm.

Signed: ...Office copy signed by Karen Banks (Chair)....

Chair of Audit Committee

Date: ...28th November 2022.....