



## Minutes of the Audit Committee held on 2 December 2020 at 5.30pm via video conference

<b>Present:</b>	Helen Crews (Chair) John Ennis Anna Entwistle Caroline Hale David King Kevin Moss Andrew Thomas	
<b>In Attendance:</b>	Lee Probert – CE & Principal Janet Dean – Future member of the Committee – Observing Louise Doswell – Deputy CE/ Principal (Partnerships and Development) Peter Harrison – TIAA (internal audit) David Hawkins – Vice Principal for Finance and Professional Services Richard Lewis – RSM (external audit) Ian Looker (Chair Designate – Observing) Elizabeth McClure – Director of Governance	
<p><b>Introduction:</b> The Chair welcomed Caroline Hale who was attending her first meeting as a member of the Committee. Janet Dean, who would join the Committee following the departure of David King, attended to observe. Ian Looker, Chair Designate, was also attending to observe.</p> <p>The Chair noted that David King would step down as a member of the Committee following the meeting. It was noted that he had served 18 years as a member of the Committee; all members joined the Chair in thanking David for his valuable contribution.</p>		
	<b>Item 1: Apologies for Absence / Declarations of Interest</b>	<b>Action</b>
	There were no apologies.	
	There were no declarations of interest.	
	<b>Item 2: Minutes of Previous Meetings – 21 May 2020</b>	
	The Committee noted one minor typographical error to be amended but had no further comment.	<b>DoG</b>
	<i>The Audit Committee resolved to accept the minutes of the previous meeting and they were approved as an accurate record.</i>	
	<b>Item 3: Matters Arising</b>	
	<b>3.1 Actions Summary</b>	
	The Vice Principal for Finance and Professional Services provided an update on Item 1 of the Action Summary – IT Assurances and confirmed that discussions had taken place with the ITSS Manager and DPO to ensure that IT Security was a primary focus.	
	The Committee requested an update on GDPR compliance. The Vice Principal for Finance and Professional Services confirmed that GDPR would form part of the Internal Audit to provide extra assurance and robust identification of any gaps. The Deputy CE/ Principal (Partnerships and Development) confirmed that a full update had been provided to the Finance	

	<p>&amp; General Purposes Committee and that no material gaps in compliance had been identified. However, it was noted that more robust DPO provision was required and the scope of this role was being considered. The Committee noted that GDPR should remain an area of focus and requested that full, written updates be provided to the Committee at each meeting. It was also agreed that GDPR should be added to the risk register.</p>	<p><b>DH/LMD</b></p>
	<p><b>STATUTORY AND REGULATORY COMPLIANCE</b></p>	
	<p><b>Item 4: Disclosures of breaches of law, regulations, fraud and related party transactions</b></p> <p>The Vice Principal for Finance and Professional Services confirmed that there had been no breaches.</p> <p>It was noted that there had been an incident of external credit card fraud; this was identified, and the money was returned immediately. It was noted that internal monitoring processes were robust.</p> <p><i><b>The Audit Committee resolved to accept and note the report.</b></i></p>	
	<p><b>STRATEGIC PLAN IMPLEMENTATION</b></p>	
	<p><b>Item 5: Strategic Plan Implementation</b></p> <p>The Vice Principal for Finance and Professional Services confirmed that the pillars of the strategic plan were being monitored via the three other committees of the Governing Body. Where matters were required to be referred to the Audit Committee, they would be included as agenda items. The Committee agreed that this was the optimal process for ensuring implementation of the Plan.</p>	
	<p><b>EXTERNAL ASSURANCE – INTERNAL AUDIT</b></p>	
	<p><b>Item 6: External Assurance – Internal Audit</b></p> <p><b>6.1 2019-20 Internal Audit Recommendations Implementation</b></p> <p>The Vice Principal for Finance and Professional Services presented an update on progress made on internal audits during 2019-2020. It was noted that this was the last year where both internal and external audit could be completed by the same auditor (RSM). TIAA would undertake the internal audit function for 2020-2021. It was noted that five internal audits were completed prior to the Covid-19 pandemic; the other scheduled audits had been postponed. Where audits had been completed, progress had been made in implementing the recommendations; of 17 recommendations, 11 were complete and one partially.</p> <p>The Committee noted the positive progress despite the pandemic and questioned whether the subjects of the missed audits would be returned to. The Vice Principal for Finance and Professional Services confirmed that this had been discussed with TIAA and it was agreed that a better process was to prioritise areas of greatest risk; ‘creditor payments’ would therefore be reviewed instead of the missed cash audit. It was, however, noted that the risk assessment had taken into account the missed audits.</p> <p>The Vice Principal for Finance and Professional Services confirmed that the internal audits were scheduled to restart in January or February of 2021. The number of internal audit days had been reduced to 30-40, from 50, and it was anticipated that some of the time and money saved could be used for external assurances. It was hoped that the results of some of the internal audits would be ready for review by the Committee at the next meeting.</p>	

	<b><i>The Audit Committee resolved to accept and note the report.</i></b>	
	<p><b>6.2 2020-2021 Internal Audit Plan</b></p> <p>Peter Harrison from TIAA presented the 2020-2021 Internal Audit Plan. It was noted that concentration was on the highest risk areas and the key themes for review would be Brexit, Data Protection, Cybercrime, Income Pressure, Health &amp; Safety and the Insolvency Regime. An additional paper had been provided on Cyber Security. It was confirmed that the work in this area would include ongoing penetration testing and vulnerability scans. In terms of delivery, Peter Harrison confirmed that TIAA had processes in place to facilitate remote delivery where necessary and would endeavour to complete some work before the Committee's next meeting in March.</p> <p>The Committee questioned where the reduction in the number of audit days represented any risk. The Vice Principal for Finance and Professional Services noted that the College had opted for 50 days for several years and that this was very high within the sector; the College and TIAA were confident that the reduced number of days would not impact the level of assurance provided. The Committee agreed this but noted that the days should not be reduced further.</p> <p>The Committee requested assurance that the audits would be completed on time, despite the impact of the pandemic. Peter Harrison confirmed that TIAA were confident that they could deliver the plan on time.</p> <p>It was noted that there had been ESFA focus on procurement and the Committee queried whether this should be included under the 'creditor payment' audit. The Vice Principal for Finance and Professional Services confirmed that the plan was to be flexible and responsive and agreed that focus might be lessened in some areas and increased in others.</p> <p>The Committee particularly welcomed the Cyber Security audit and queried whether this was a specialism of TIAA. Peter Harrison confirmed that the team were high experienced and specifically qualified in this area. The Committee queried whether the behavioural elements of cyber security were being considered alongside penetration testing and noted that recent attacks on colleges had involved individual user error. The Vice Principal for Finance and Professional Services confirmed that this was a priority area; the IT Manager was working closely on this and had a 40-point plan. The Committee noted that this was an area which may require further investment to ensure every possible method of risk mitigation was employed.</p> <p>The Committee questioned whether apprenticeships and apprenticeship data represented an area of risk. The Deputy CE/ Principal, (Partnerships and Development) confirmed that there was strong track record of audit in this area but the changing nature of the funding relationships meant that this should remain an area of consistent review.</p> <p><b><i>The Committee resolved to approve the 2020-2021 Internal Audit Plan</i></b></p> <p><i>Peter Harrison left the meeting.</i></p>	
	<b>EXTERNAL ASSURANCE – FINANCIAL STATEMENTS AUDIT</b>	
	<b>7.1 2019-2020 Financial Statements Audit Highlights Memorandum and Management Letter</b>	

	<p>Richard Lewis from RSM presented the Financial Statements for 2019-2020 Audit Highlights. It was noted that remote working had worked well for the audit which was now complete and RSM planned to give unqualified opinions. The accounts could be signed after approval by the Governing Body on 14<sup>th</sup> December but was noted that ESFA could announce a funding audit until 17<sup>th</sup> December.</p> <p>The Committee scrutinised the highlights of the Financial Statements. It was noted that the College had no issues around the 'going concern' statement but that this was an issue across the sector as a whole and a focus for ESFA. The Committee noted the increase in the pension deficit which had been caused by an actuarial miscalculation. The pension liability was not a current issue for concern, but the deficit may become an issue in the next few years for the sector as a whole. It was noted that the Financial Statements had been reviewed and discussed in detail by the Finance &amp; General Purposes Committee.</p> <p><b><i>The Committee approved the report.</i></b></p>	
	<p><b>7.2 2019-2020 Independent Auditors' Report to the Corporation</b></p> <p>The Committee scrutinised the report and were happy with the findings. It was agreed that the 'emerging issues' section of the report would be of interest to the Governing Body and should be circulated to all governors.</p> <p><b><i>The Committee approved the report.</i></b></p>	<b>DoG</b>
	<b>EXTERNAL ASSURANCE – REGULARITY AUDIT</b>	
	<p><b>Item 8.1: 2019-2020 Reporting Accountant's Assurance Report on Regularity</b></p> <p>Richard Lewis presented RSM'S Assurance Report on Regularity. It was noted that there was nothing specific to bring to the Committee's attention; the College was fully compliant, and the Audit Opinion was unmodified and unqualified.</p> <p><b><i>The Committee approved the report.</i></b></p>	
	<b>INTERNAL ASSURANCES – COLLEGE ASSURANCES</b>	
	<p><b>Item 9.1 2019-2020 Financial Statements Extract</b></p> <p>The Vice Principal for Finance and Professional Services presented an extract of the 2019-2020 Financial Statements; the full version of which had been reviewed by the Finance &amp; General Purposes Committee. The Committee considered an overview of the key points:</p> <ul style="list-style-type: none"> <li>- There was a £150k operating deficit since March because of the Covid-19 pandemic.</li> <li>- The remeasurement of the pension liability had created significant movement. It was noted that the next triennial review may result in increased pension contributions and the deficit was a sector wide issue.</li> <li>- The cash position remained very positive but reserves would reduce from £8 million to £6 million.</li> <li>- Narrative around the impact of Covid-19 had been added to the statements.</li> </ul> <p>The Committee queried why operating cash flow appeared to have doubled year on year. The Vice Principal for Finance and Professional Services</p>	

	<p>confirmed that this was largely due to money received from the IoT which was immediately reinvested. It was also impacted by the increase in creditors, the capital grant and holiday pay accounts.</p> <p>The Committee queried whether the statements should be updated to note that the Strategic Plan had been updated since the balance sheet date. It was noted that the Statements focussed on the financial element of the Plan and financial risks but consideration could be give to broadening the narrative to give a wider view of College strategy and ensure the statements were forward looking.</p> <p><b><i>The Committee recommended that the Financial Statements be referred to the Governing Body for review and approval.</i></b></p>	DH
	<p><b>Item 9.2 Strategic Risk Monitoring</b></p> <p>The Vice Principal for Finance and Professional Services presented the risk register and provided the Committee with an overview.</p> <p>The Committee queried whether the College had an ambitious approach to partnerships and whether this could be widened across the region. The Deputy CE/ Principal (Partnerships and Development) confirmed that the College was already working more widely than the register suggested and confirmed it would be updated accordingly.</p> <p><b><i>The Committee noted and approved the risk register.</i></b></p>	DH/LMD
	<b>COMMITTEE REPORTS TO THE GOVERNING BODY</b>	
	<p><b>10.1 2019-2020 Audit Committee Report to the Governing Body</b></p> <p>The Committee reviewed the report.</p> <p>It was noted that where RSM were not permitted to provide an opinion due to the requirement to separate internal and external auditors, a note should be added to confirm how assurances have been sought.</p> <p><b><i>The Committee approved the report and recommended it be referred to the Governing Body.</i></b></p>	DH
	<p><b>10.2 Letter of Representation to Financial Statements and Regularity Auditors</b></p> <p><b><i>The Committee reviewed and approved the Letters of Representation</i></b></p>	
	<b>Policy and Other Matters</b>	
	<p><b>11.1 Risk Monitoring Policy</b></p> <p>It was noted that the Policy had been approved by the Committee in May 2020 but had not been referred to the Board for approval. The Committee agreed the policy should be referred with no further amendment.</p> <p><b><i>The Committee resolved to recommend the Risk Policy to the Board for approval.</i></b></p>	DoG
	<b>Other matters</b>	
	<p><b>12.1 Additional Services from Audit Service Providers</b></p> <p>The Vice Principal for Finance and Professional Services reported that there had been no additional services and there was no requirement for an audit of</p>	

	subcontracting owing to this being below £100k. It was noted that additional support may be required this year.	
	<b><i>The Audit Committee resolved to accept and note the report.</i></b>	
	<b>12.2 Review of Financial Statement and Regularity Auditors</b>  The Vice Principal for Finance and Professional Services confirmed that the College was very happy with the external auditors who had undertaken a strong audit and provided robust challenge. The Committee concurred.	
	<b>SUMMARY MATTERS</b>	
	<b>13.1 Matters for report to the Governing Body</b> <ul style="list-style-type: none"> <li>• 2019-2020 Financial Statements</li> <li>• Letters of Representation</li> <li>• Audit Committee Report</li> </ul>	<b>DoG</b>
	<b>14.1 Any Other Business</b>  It was noted that the Finance & General Purposes Committee had questioned whether GDPR should fall under the remit of the Audit Committee. The Committee discussed and agreed that the F&GP Committee should provide detailed oversight of GDPR; reports should be submitted to the Audit Committee for scrutiny. The Committee noted that, to facilitate in-depth scrutiny, comprehensive, written reports should be presented at each meeting.	<b>LMD</b>
	<b>15.1 Date of the Next Meeting – 24 March 2021</b>	
	The meeting closed at 19:00	
<b>Signed</b>	Approved remotely as an accurate record – 10 March 2021	
<b>Name:</b>	Kevin Moss (Chair)	
<b>Date:</b>		