

Minutes of the Audit Committee Meeting held on 23rd June 2021 via Zoom

Members Present: Eddie Weiss (Chair), Andrew King, Nick Bevan, Bethan Waters

In Attendance: John McGrath (Vice Principal, Corporate Services) (VPCS), Anna Smith (Clerk), Sarah Mason (Representing External Auditors RSM)

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies from Members and no new declarations of interest relevant to the business of the Committee.

2. EXTERNAL AUDIT PLAN (Sarah Mason, RSM, in attendance)

The Chair welcomed Sarah Mason to present the external audit plan for 2020-21. The risks identified for audit are:

- Management override
- Pension scheme liabilities
- Going concern
- Income recognition – this is an additional risk area and Sarah Mason explained the requirements set out in the Audit Code of Practice (ACoP) noting that colleges can no longer rely on the ESFA's reconciliation statements as audit assurance. Auditors are therefore required to expand their approach on how funding income is audited. It was clarified that this is not a full funding audit but a piece of work to gain assurance over the income and financial statements. The College will receive feedback through the audit findings report.

RSM are well positioned to deliver this with strong expertise in the sector. Audit and regularity findings will be presented to the Audit Committee and full Board in December. The Committee were briefed on the fees involved and it was highlighted that a further new requirement from the ACoP is that auditors have to present their findings report to the full Board and this should be conducted using the most cost-effective method (there will be no additional fee if RSM can attend online during a Corporation meeting rather than in person).

Sarah Mason referred Members to the two publications shared by RSM, namely (i) FE Emerging Issues; (ii) HE and FE Audit Committees. Nick Bevan noted how useful the emerging issues paper was and it was agreed that this should be shared with all Corporation Members for information (**Action: Clerk**).

The Chair queried the amount of additional work envisaged around the funding audit given the increase in fees and Sarah Mason agreed this is a significant amount of work and explained the verification process involved and changes in ESFA requirements.

Discussion took place around whether ESFA testing would be conducted alongside external auditors' work and the strain this would have on resources.

Governors raised the following during discussion:

Q. Will this be a regular requirement every year or will things change again?

A. The ACoP has changed to enforce this and so it is likely this will be the requirement every year. The VPCS explained the targeted approach previously taken by the ESFA and how this now means all colleges will now undergo the process on an annual basis.

Q. What happens if a discrepancy is found during the funding income audit?

A. This would be reported in the findings report and robust discussion would be held with the VPCS. As rules are so complicated, particularly around apprenticeships funding, it is inevitable that there will always be some minor discrepancies but timelines allow for these to be adjusted for submission of the final funding return.

Q. What has been your experience in this area with other colleges so far or is this so new that it is the first time for RSM?

A. This is very new and fieldwork has only just started across the sector with no testing as yet. Sarah Mason confirmed that she would expect colleges with more apprentices to have more errors than those who do not.

Q. In terms of income prediction are you assuming that all figures are correct and if there are discrepancies we will have less funding than expected or do you build in a margin to adjust for this?

A. The VPCS confirmed he uses funding reports as they are published and so assumes they are correct, however this may need to be thought about going forward.

The Committee Approved the External Audit Plan.

Sarah Mason left the meeting.

The VPCS noted that it is worth remembering at the time of re-tendering the external audit service that, as Sarah Mason had mentioned, RSM are one of the four auditors who do the income funding audit work. It will be interesting to see how other auditors respond to this during tendering.

3. MINUTES OF THE MEETING HELD ON 24TH MARCH 2021 AND MATTERS ARISING

The minutes were **Approved** as a correct record and there were no matters arising.

4. AUDIT COMMITTEE TERMS OF REFERENCE

Members reviewed the proposed changes to the Terms of Reference, largely made in response to the revised ACoP.

In terms of the requirement for training for Audit Committee members Andrew King suggested approaching RSM to see if they may deliver anything for the sector and Members welcomed this. The VPCS noted that he would also forward on anything of relevance to Committee Members in order to remain up-to-date (**Actions: Clerk/VPCS**).

With reference to the ACoP, Nick Bevan queried the inclusion of a specific requirement around subcontracting and it was agreed that it was not necessary for the purpose of the ToR to include individual areas of provision. This is however accommodated for in the new 5.3 with sufficient assurance.

The Committee agreed that wording should be strengthened in 11.4 to ensure auditors attend meetings as much as possible (**Action: Clerk**).

Subject to the agreed amendment to 11.4 the Committee agreed to **Recommend** the revised Terms of Reference to the Corporation for approval.

5. RISK MANAGEMENT REPORT INCLUDING REVIEW OF RISK REGISTER

The VPCS briefed the Committee on the report focussing attention on the key risks as highlighted. Committee Members raised the following during discussion:

Q. Could you summarise how a fuller partnership differs from the traditional subcontracting relationship?

A. As an example we have a 'fuller partnership' and are more engaged with New Meaning due to the significant number of hard to reach and/or SEN students which has had to mean a closer working relationship in supporting those students. With regards to Free to Learn, we want students to feel more engaged as Buckinghamshire College Group students rather than students of Free to Learn and feel more encouraged to stay with and progress with the College in further studies.

Q. Staff recruitment and retention has been a considerable concern at a recent board meeting but what can we as a Committee do about this? Do we need a report on staff turnover?

A. FE is a high turnover sector but the main thing is competing with national/local pay levels and also the pressure to progress with awarding pay rises across College. This is a key priority for our longer term financial plan and the estates strategy will support this.

Q. Have we given adequate recognition to the risks involved in moving to the new premises?

A. The Estates Committee and Finance Committee will be closely monitoring this and the Audit Committee will be made aware of any risks involved. The VPCS is reviewing the format of risk reporting and will include reference to the estates strategy going forward. It was agreed that it would be useful to clarify the relationship between the internal audit programme, the strategic risk register and the risk management report and this would help the Committee focus more clearly on the higher risks.

Q. On staff recruitment and retention, do we as an Audit Committee review how we recruit staff to ensure we are being diverse and inclusive?

A. The VPCS explained the recruitment process as a 'blind' application process and Nick Bevan (EDI Lead Governor) added that the EDI Steering Group are discussing this and actively looking at how to improve diversity in recruitment.

The Committee **Noted** the report and risk register.

6. INTERNAL AUDIT PROGRAMME PLAN

The VPCS briefed the Committee on the current internal audit programme as detailed in the report and drew Members attention in particular to Jisc's audit of cyber security. This is a key area and Jisc are significantly well positioned to conduct this audit for the sector.

The VPCS sought Members opinions on the current proposed areas of audit and all were agreed. The VPCS noted that a finance controls audit could also be planned. Members discussed the benefits and welcomed this to be included in the programme. In particular Members agreed that given the estates strategy and large sums being involved it would be good for the Committee to have reassurance of the finance controls systems within the College.

Members agreed that it would be useful to receive a record of the audits completed over the last few years and the VPCS confirmed that this would be circulated in due course (**Action: VPCS**).

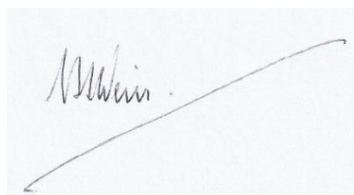
The Committee **Approved** the Internal Audit Programme Plan with the inclusion of a finance controls audit to be completed before the next Audit Committee meeting.

7. ANY OTHER BUSINESS

None

8. DATE OF NEXT MEETING

1st December 2021.

A handwritten signature in blue ink, appearing to read 'Nick Bevan', is written over a long, thin, curved line that spans the width of the signature area.

Approved as an accurate record of discussions: 1st December 2021