

Minutes of a Meeting of the AUDIT COMMITTEE held on

Wednesday 9 June 2021 at 3.00 pm

via Microsoft Teams Videoconferencing

14/21 DECLARATIONS OF INTEREST

There were no declarations of interest.

15/21 APPROVAL OF THE CONFIDENTIAL AND NON-CONFIDENTIAL MINUTES OF THE MEETING OF 3 MARCH 2021

The minutes were approved as a true record of the meeting.

16/21 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 3 MARCH 2021

It was noted that all matters arising had been addressed.

17/21 PUBLIC INTEREST DISCLOSURE: ANNUAL REPORT

The Director of Finance & Curriculum Planning said that the policy follows ACAS guidance and is in line with legislative requirements and was most recently updated in May 2021. It was noted that during 2020/21 there were no concerns raised to the College under this policy.

The Committee NOTED the report.

18/21 COLLEGE RISK REGISTER

The Assistant Principal (Finance & Resources) said that in this latest review of the College risk register, emphasis was placed on the impact of project bids that the College was currently engaged in or preparing for. Managers have considered the bid detail and have updated the risk where it was likely to have an impact.

The other key issue affecting the risk register was the increase in the number of ransomware incidents and cyber fraud in the educational sector. To mitigate this risk, the College has extended its insurance to include cyber fraud and is considering additional insurance directly related to ransomware attack although such insurance is difficult to obtain.

The Assistant Principal then drew attention to the five major capital projects that the College was involved in and the four associated amendments made to the risk register.

A Member thanked the Assistant Principal for including risks associated with the capital bids and then asked whether looking forward, the College should include risks associated with operating as a going concern. The external audit representative said that she considered these to be an extension of existing risks and therefore do not need a separate risk heading. The Chair then asked whether there is potential for obtaining block insurance, via an organisation like the AoC, to reduce insurance premiums. The Assistant Principal said that the College gained efficiencies through being part of a Hampshire colleges insurance consortium. Responding to a question regarding the potential for reviewing multiple green rated risks annually, the Assistant Principal said that there would be no benefit and in fact a green rating does not necessarily indicate a risk requiring less monitoring.

The Committee CONSIDERED the report.

19/21 EXTERNAL AUDIT PLANNING MEMORANDUM 2020/21

The external audit representative informed Members that the plan covers the 2020/21 external audit that will take place between September and November 2021. She added that the plan has been discussed with relevant senior College staff at a meeting in May 2021.

The external audit representative then drew attention to two additional risks that have been identified for this year's audit. One related to ESFA main income funding which has been included due to the changes under the Audit Code of Practice 2020/21. This related to the statements of grant payments made in respect of funding in the year, provided by the ESFA to both corporations and their external auditor, no longer constitute assurance over the funds earned by the College. In addition, with the College having been successful in obtaining capital funding for significant improvements to the estate, the College may have incurred initial costs as at the year-end in respect of the proposed project. An impairment charge will also need to be considered for those buildings which will be demolished as part of the project.

Regarding the audit fee, an estimate has been produced but, given the changes to the audit regime, there is a possibility of a fee increase.

A question was asked regarding quantifying a potential fee increase for the work on learner records and the indication was £2,000 to £3,000 but in an effort to be transparent a fee of £5,000 had been included. The Chair then asked about the nature of the audit and whether it would be conducted remotely or through onsite visits. It was noted that this may be through a combination of both. A question was then asked regarding the new audit arrangements and the impact of these on the voluntary ILR audit that the College undertakes. The Principal explained that the audit had already been requested and paid for.

The Chair asked for clarification about the "going concern" risk and the reference to Governors being responsible for assessing whether 'adopting the going concern basis of accounting for the financial statements remains appropriate for the foreseeable future'. The external auditor said that there needs to be formal evidence that Governors are informed and involved in the adoption of the going concern basis of accounting. The Vice Chair of Audit felt that Governors do have the relevant discussions but agreed with the need to ensure that these are documented.

The Chair drew Members' attention to the emerging issues section of the report and commended it to them as a helpful reference point for future developments.

The Committee CONSIDERED the report and RECOMMENDED the External Audit Planning Memorandum 2020/21 to Corporation for APPROVAL.

20/21 STRATEGIC INTERNAL AUDIT PLAN 2021/24 AND ANNUAL INTERNAL AUDIT PLAN 2021/22

The internal audit representative introduced the plan and said that as a result of discussion with the College and review of relevant documents, it is proposed that the following audits are added to the internal audit plan; capital projects; subcontracting; T Levels; and the single central record. She added that the plan will be subject to ongoing review to meet changing priorities.

The Chair of Corporation said that he was pleased that an audit was being undertaken of the single central record because, although the College is very diligent with this record, failures would have significant implications.

The Committee RECOMMENDED the Annual Internal Audit Plan 2021/22 and Strategic Internal Audit Plan 2021/24 to Corporation for APPROVAL.

21/21 INTERNAL AUDIT 2020/21 – VISIT 2 REPORT

The internal audit representative said that three of the four areas referenced in the report received Substantial assurance and one area (International) is waiting for the report to be issued.

A Member asked if the College could benefit from audit outcomes identified in other colleges and the internal audit representative said that it could and, where relevant, these were included in the Added Value section of the audit reports.

The Committee CONSIDERED the report.

22/21 INTERNAL AUDIT 2020/21 – VISIT 3 REPORT

The internal audit representative said that of the three areas audited, two received Substantial assurance and the management report has not yet been finalised. In addition, a review of the follow up actions indicated that some actions were incomplete, although they have now been addressed. The Chair asked if the “red items” were automatically followed up and the internal audit representative said that they were not normally followed up but would form part of the Audit Issues Log in the future. The Chair then thanked the finance team and the relevant senior managers for the excellent report outcomes, which are not achieved without significant hard work.

The Committee CONSIDERED the report.

23/21 ACCOUNTING POLICIES

The Director of Finance & Curriculum Planning reminded Members that before the annual report and financial statements can be recommended for approval by the Corporation, the Accounting Policies on which the accounts are based must be reviewed and agreed by Corporation. She added that there are no changes in the accounting policies from the previous year, 2019/2020.

The Committee CONSIDERED the report and RECOMMENDED the Accounting Policies to Corporation for APPROVAL.

24/21 FINANCIAL REGULATIONS AND FINANCIAL PROCEDURES

The Director of Finance & Curriculum Planning said that the Financial Regulations are reviewed annually prior to approval by Corporation. She added that the changes to the current document were agreed between the Director of Finance & Curriculum Planning and the Assistant Principal (Finance & Resources). Members then noted the list of amendments for both the Financial Regulations and Financial Procedures, which were attached as appendices to the report.

A Member asked for clarification on the reference to expenditure on transactions in excess of £100,000 requiring authorisation of the Corporation but a reference in the Capital Project Terms of Reference indicates the Committee has authorisation to approve expenditure up to £500,000. The Director agreed to amend this anomaly.

A discussion then took place regarding authorising payments by email and the external auditor said that this was possible but there was a need to be very explicit about what is being authorised. Members were assured that no authorising agents within the College can authorise payments on behalf of the Principal.

The Committee CONSIDERED the Financial Regulations and Financial Procedures and RECOMMENDED them to Corporation for APPROVAL.

25/21 AUDIT ISSUES LOG

Following consideration of the Audit Issues Log, the Director of Finance & Curriculum Planning agreed to update the areas of concerns that were flagged as “red” in the Internal Audit review (as per point 22/21).

The Committee NOTED the report.

26/21 REVIEW AUDIT COMMITTEE TERMS OF REFERENCE

The Clerk informed Members that the Terms of Reference were likely to change because of the implications of the most recent Audit Code of Practice (ACOP). It was noted that the Terms of Reference would be reviewed and amended as appropriate at the October 2021 Audit Committee meeting.

The Committee NOTED the report.

27/21 EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE 2020/21

Members considered the review of Audit Committee performance 2020/21 and noted that it was benchmarked against the Committee Terms of Reference. It was noted that any changes generated by the Audit Code of Practice would be encompassed within the review criteria. It was suggested that at an appropriate point the review document should be circulated to all Corporation Members for them to comment and potentially identify areas for improvement.

The Committee NOTED the report.

28/21 GDPR DATA BREACHES

It was NOTED that there have been no data breaches since December 2020.

29/21 AUDIT COMMITTEE SCHEDULE 2021/22

Members noted the meeting dates.

30/21 DISCUSSION WITH AUDITORS WITHOUT MANAGEMENT PRESENT

Not required.

31/21 ANY OTHER BUSINESS

The Chair of Corporation thanked the Audit Committee for allowing him to sit in and observe the meeting and he also thanked them for ensuring the College remains compliance and safe.

The Chair of Audit concluded by stating that he had completed his first full year as chair of the committee and thanked the Director of Finance & Curriculum Planning and her team, the Assistant Principal (Finance & Resources) and the Principal for their hard work during a challenging academic year.

32/21 DATE OF NEXT MEETING

Wednesday, 13 October 2021, 12.00pm – 1.30pm, room to be confirmed.