



## AUDIT COMMITTEE

WEDNESDAY 16 FEBRUARY 2022

**Report:** Minutes of the meeting held on Wednesday 20 October 2021  
**Author:** Clerk  
**Action:** Approve  
**Status:** Open

**Present:** Michael Wood-Williams (MWW – Chair)  
Aneela Ali (AA)  
Neil Weddle (NW – co-optee)

**In attendance:** David Alexander (DA – Principal / CEO)  
Jeremy Cook (JC – Deputy Principal: Finance & Resources)  
Nadine Hudspeth (NH – Director of Marketing & Communications, Estates and Health & Safety)  
Ivan Jepson (IJ – Director of Business Development & Planning)  
David Keetley (DK – Financial Controller)  
Chris Toon (CT – Deputy Principal: Curriculum & Quality)  
Sharon Kinleyside (SK – Health & Safety Manager)  
David Hoose (DH – Mazars – External Audit)  
Claire McHaffie (CM – PwC – Internal Audit)  
Daniel Benjamin (DB – PwC – Internal Audit)  
Matthew Rooney (MR – PwC – Internal Audit)  
Graham Gillespie (GG – Wylie and Bisset – Internal Audit)  
Sally Cooper (SC – WBD, Clerk)

### **A/768 Welcome to new Internal Auditors / Apologies / Conflicts of interest**

The Chair welcomed everyone to the meeting including the new internal auditors ,Wylie and Bisset.

Members were invited to declare any interests on any item on the agenda. No interests were declared at this stage in the meeting; however, members noted that should the direction of debate on any item result in a potential conflict of interest, this should be indicated in the meeting.

### **A/769 Minutes of the last Audit Committee meeting dated 16 June 2021**

The minutes of the Audit Committee meeting held on Wednesday 16 June 2021 were agreed as a correct record.

### **A/770 Matters Arising**

The Chair noted that he had met with the Principal/CEO and Deputy Principal: Finance & Resources to discuss the auditor-only sessions at Committee meetings. The Chair noted that discussions were ongoing regarding proposed revised approach would be presented to the Committee for consideration once the Chair had had the opportunity to speak to auditors and committee members for their views. The Chair noted that to the extent necessary, auditors and committee members could be in communication at any point should they deem this necessary and that this did not require to revolve around the timing of a Committee meeting.

In relation to the review of risk register identified in the action log, the Clerk noted that risk management would be a topic of further discussion at the Board meeting on 15 December 2021 and the Board would be receiving training on the topic of risk. The Principal/CEO also noted that the full risk register had been presented to all committees in the interim so that there was greater visibility at committee and board level in relation to the College's current risks.

#### **A/771 Approval of Audit Committee Terms of Reference**

The report was presented by the Clerk.

The Principal/CEO noted that these changes were necessary to ensure ongoing compliance with the ESFA post-16 audit code of practice and noted that further updates to the terms of reference would be made as and when required to reflect any further updates in the future.

***The report was noted and the updated terms of reference for the Audit Committee were approved for formal sign-off by the Board.***

#### **A/772 ESFA Funding Assurance Review for the Funding Year 2018/19**

The report was presented by Mazars in their capacity as Independent Reviewer engaged by the ESFA, and the Director of Business Development and Planning.

DH noted that Mazars had been engaged by the ESFA and, in order to ensure independence from audit work this had been carried out by Mazars colleagues in another team. DH noted the largely positive outcome that the audit report presented.

The Director of Business Development and Planning advised the Committee that a full year funding audit had been undertaken with £7,000 of funding overclaim identified. Eight recommendations had been made. Implementation was underway for six of these, with the remaining two to be completed by the end of the calendar year.

The Chair noted his thanks to the team at Mazars and to the Director of Business Development and Planning for their work in this area.

***The report was noted.***

#### **A/773 External Assurance on Subcontracting Controls for the Year 2020/21**

The report was presented by PwC as internal auditor.

The Director of Business Development and Planning noted the following in response to the three areas identified in the audit as not fully addressing the ESFA's requirements: In relation to recommendations one and two regarding the requirement for AEB rules and apprenticeship rules to obtain legal advice as to whether the College was a contracting authority, this requirement has been amended slightly for the period 2021/22 and the College intends to take forward this requirement to consider compliance going forward. In relation to the third recommendation regarding quality and assurance checks over sub-contractors, these meetings had not been fully possible in the previous year due to

COVID, however this will be addressed in the year ahead as the College is able to return to normality of delivery.

The Principal/CEO advised the Committee that the College had engaged a procurement expert who has expertise in sub-contracting and will be able to advise on the College's ongoing compliance in this area going forward.

***The report was noted.***

#### **A/774 Internal Audit Reports for 2020/21:**

##### **Internal Audit Report – Business Development**

The report was presented by PwC as internal auditor.

The Director of Business Development and Planning noted that processes were rigorous and further strengthening was underway. He confirmed he was comfortable with the recommendations and work to action these was underway.

***The report was noted.***

##### **Internal Audit Report – IT Security**

The report was presented by PwC as internal auditor.

In relation to the recommendation regarding mobile devices, a committee member noted that this was a high risk rating but the deadline against this item was for May 2022 and queried the risk to the College of having a high risk recommendation outstanding for a number of months. In response, the Deputy Principal: Curriculum & Quality advised that discussions had been ongoing around strengthening the College's mitigation in this area including providing training to staff where individuals may download content and material to personal devices, notwithstanding that this is stored by the College on a cloud-based system. The Deputy Principal: Curriculum & Quality noted that the risk of any issue occurring was low, however accepted that the impact on the College in the event of such an occurrence could be high. The College was therefore looking to mitigation measures in order to bridge this gap in lieu of implementing new systems, which could be financially costly for the College.

The Principal/CEO noted that financial considerations would not be a barrier to the College implementing processes and procedures where these were a necessity, but a balancing exercise between cost and mitigation of risk/benefits to the College was inevitably required. However, the College would invest in these areas where needed. He noted that in relation to process and control for formal documentation, this aspect did not require a significant investment and could be addressed by the College.

In response to a question from a committee member, the Principal/CEO advised that the recommendations would be noted in the current audit action tracker log going forward.

The Deputy Principal: Curriculum & Quality noted that it was helpful to receive this feedback from internal auditors and advised the Committee that multifactor authentication was on the College's roadmap for this year.

***The report was noted.***

##### **Internal Audit Report – Student Admissions**

The report was presented by PwC as internal auditor.

The Director of Marketing and Communications noted the good timing of the report and that the College would take forward the recommendations. NH advised the Committee that some recommendations had already been actioned with the remainder due to be in place later in the year.

***The report was noted.***

The College thanked PwC for undertaking these audits and preparing the report.

#### **A/775 Internal Audit Annual Report for 2020/21**

The report was presented by PwC as internal auditor.

CM noted her thanks to the College's staff involved in the internal audit review this year.

In response to the questions from the Chair, CH confirmed that under the number of agreed actions listed against learner numbers on page five of the report, four agreed actions were listed and the final version of the report would show that four actions had been implemented.

***The report was noted.***

#### **A/776 Internal Audit Action Tracker**

The report was presented by the Deputy Principal: Finance & Resources.

The Deputy Principal: Finance & Resources advised the Committee that the report is currently a work in progress and the Executive Team intends to review this on a continuous basis going forward. It was noted by a Committee member that some of the actions on the tracker showed an overdue due date, however, the Deputy Principal assured the Committee that these have not fallen off the Executive Team's radar and that this report was an initial exemplar format for the Committee's consideration – which if approved would be updated with full information for the next meeting – including a status update on the internal audit actions arising at the Committee meeting today.

The Deputy Principal: Finance & Resources noted that the College was intending to move away from the spreadsheet system and develop a new system for monitoring audit actions. In response, a committee member noted that it was good to see the College moving to a new tool which would be more efficient at tracking actions and the committee member noted her willingness to support in helping with this project if of assistance.

The Deputy Principal: Finance & Resources noted that a number of finance-related actions related to the College's Financial Regulations. Work in this area has been put on hold pending the Deputy Principal's arrival and work has now commenced to review and update the College's Financial Regulations, which would be brought to Governors in the College's next cycle of meetings.

The Principal/CEO advised the Committee that the new system to be implemented would have mechanisms for ensuring direct ownership by individuals within the College and the ability for those individuals to update progress on an ongoing basis. The Principal/CEO therefore advised that the current tracker document would be updated and the full status of each audit recommendation arising reported on by JC at the next meeting. He noted that some actions had been completed however this was not expressly stipulated in the document at present. Going forward, the Committee will receive a status update at each meeting to ensure clarity and visibility. In addition, the internal auditors will test where the College is throughout the year against the College's stated position, to provide additional assurance on the progress of actions.

The Chair noted that this was a positive development as the process of assurance would therefore be enhanced going forward.

***The format of the report was approved and it was agreed that an updated version would be provided at the next Audit Committee meeting.***

#### **A/777 Internal Audit Plan 2021/22**

The report was presented by Wylie and Bisset as the College's new internal auditor.

In response to a question from a committee member regarding whether any areas required internal audit assurance on an annual basis, the internal auditors advised that generally they would take a risk based approach to identifying areas to audit and so would not undertake the same audit each year, but would instead look at a different aspect of the same broad area, for example looking at a different area around the College's financial systems each year. However, if the internal auditors did identify issues in a particular area, this could then be followed up within the subsequent year. In relation to audit around governance, the internal auditors undertook a degree of ongoing audit and assurance through attendance at meetings and related governance matters. In identifying areas for audit, there was therefore a necessary balance between the use of resources and the risks attached to each area.

In response to a question from the Chair, the internal auditor confirmed he had experience of using the internal audit management tracking systems proposed to be implemented by the College, and advised the Committee that in his view the system worked well and he was pleased to hear that the College was proposing to implement this approach.

***The report was noted.***

#### **A/778 Financial Statements Audit 2020/21**

The report was presented by Mazars as external auditor.

The external auditor advised the Committee that there would be a 10-15% expected increase in the proposed fee against what was set out in the plan, due to the need to audit the ZCF accounts, which had not been included in the original scope. The exact quantum of these fees would be confirmed in writing to the Deputy Principal: Finance & Resources.

In relation to timings for the 2020-21 year end audit, the external auditor advised the Committee that Mazars remained confident the timetable out in place remained deliverable and, having listened to the College's concerns regarding the timescale for undertaking the audit work, the external auditors had adjusted this slightly by bringing forward the testing work by one week. In relation to the timeline for the audit, the Deputy Principal: Finance & Resources noted his gratitude for the detailed work being brought forward by a week although noted his underlying concerns regarding the timeline and advised that the College would work with Mazars to deliver audit completion within tight timescales. JC noted the College's requirement for the detailed field work to commence earlier in the following year to avoid any further concerns regarding timing going forward. The external auditors agreed to implement earlier timelines next year.

***The report was noted.***

#### **A/779 ESFA Chief Executive Letter to College Accounting Officers**

The report was presented by the Deputy Principal: Finance & Resources.

The external auditor noted that related party transactions were included in the letter and suggested this may be indicative that it is an emerging area of concern within the sector.

The Chair noted his appreciation for the timely work in addressing the actions identified in the letter.

***The report was noted.***

Sharon Kinleyside, Health & Safety Manager joined the meeting at 5.20pm.

## **A/780 Risk**

### **Risk Register**

The report was presented by the Deputy Principal: Finance & Resources.

The Deputy Principal: Finance & Resources noted that the Risk Register is now being presented at every Board Committee meeting as well as at the Board. JC noted that this will continue to be a key area for review going forward as the College reviews its risk management strategy and framework.

The Chair thanked the Deputy Principal: Finance & Resources, noting the large amount of work that had gone into the College's risk register.

***The report was noted.***

### **Draft Assurance Framework for Health and Safety**

The report was presented by the Director of Marketing & Communications, Estates and Health & Safety and the Health & Safety Manager.

The Chair and the Principal/CEO noted the work that had been undertaken in producing the document and recognised the hard work of the Health & Safety Manager in this area.

In response to a question regarding whether the health & safety policy should be subject to legal review, the Committee agreed that the policy should be subject to legal review as this would provide a degree of further assurance. The nature and detail of the review to be undertaken would be discussed and agreed on the basis of what is proportionate.

In response to a question from a committee member regarding the application of the framework, the Director of Marketing & Communications advised the Committee that the intention was to bring back a report periodically to future Audit Committee meetings, probably on an annual basis, providing information and assurance regarding the application and implementation. Ultimately this assurance approach would inform how the College manages, mitigates and assesses health and safety risk with this being captured and reflected by the College risk register on an ongoing basis,

***The report was noted and the draft framework was approved, with an annual update to be provided.***

Sharon Kinleyside, Health & Safety Manager left the meeting at 5.35pm.

*Action: agree scope and commission legal review of Health and Safety Policy.*

## **A/781 Auditor Evaluation**

The report was presented by the Deputy Principal: Finance & Resources.

In response to a question from a committee member regarding whether relevant managers dealing with auditors on a day to day basis should also be engaged, the Deputy Principal: Finance & Resources advised that informally he would talk to the finance team in providing his responses, so as to capture the thoughts of teams working with auditors on a day to day basis. It was noted that this would be useful in ensuring a positive relationship is maintained between the College and auditors. The Principal/CEO noted that there were also questions within the template that could be shared with staff involved in audit reviews for completion.

***The report was noted and the questionnaire and process were approved. The evaluation for the outgoing internal auditors, PWC, would now be circulated for completion.***

*Action: Update auditor evaluation questionnaire to accommodate input of teams directly engaging with auditors.*

#### **A/782 Audit Committee Self-Evaluation and Annual Report to the Board**

The report was presented by the Deputy Principal: Finance & Resources.

In response to a question from the Chair, it was confirmed that the completed self-evaluation checklist would be available for other committee members to see, with responses being summarised and the outcomes being able to be included by the Committee within their annual report.

The Chair noted his thanks to the Deputy Principal: Finance & Resources for undertaking this work.

***The report was noted and the content of the checklist and proposed process were approved for distribution and completion.***

#### **A/783 Any Other Business**

There was none.

#### **A/784 Date of the next meeting**

The date of the next meeting was confirmed as Wednesday 16 February 2022 at 4.00pm.

There is also a Joint meeting of Audit and Finance and General Purposes Committees on Wednesday 1 December 2021 at 10.00am