

## AUDIT COMMITTEE

Minutes of the Meeting held on 22 June 2021 at 17:30

### A Microsoft Teams meeting

#### Present

##### Governors:

Kevin Gaffney (KG)	Chair
Stephen Bolton (SB)	
Lucy Hodgson (LH)	
Tony King (TK)	
Debbie Morris (DMo)	
Sue Nicholls (SN)	

##### In Attendance:

Stuart Laverick	Principal
Nicki Williams	Vice Principal and Deputy Chief Executive Officer
Cherie Clements	Director of Finance
Louise Tweedie	Partner, RSM Risk Assurance Services LLP (Internal Auditors)
Nathan Coughlin	Partner, Bishop Fleming (External Auditors)
Kay Kavanagh	Clerk to the Corporation
Donna Gibson	Deputy Clerk

#### Action

##### 23.1 Apologies

Apologies were received from Denis Miles (DMi).

##### 23.2 Declarations of Interest

Members were asked to declare any Interests, financial or otherwise, which they may have in any Agenda Item. Members confirmed that they had no interests to declare.

##### 23.3 Audit Committee Concerns

Members were invited to raise any issues which they wish to discuss. Members confirmed that there were none.

##### 23.4 Auditor Concerns

The Auditors were invited to raise any issues which they wish to discuss, and all confirmed that there were none.

##### 23.5 Minutes of the Previous Meeting

The Audit Committee **approved** the Minutes of the meeting held on 9 March 2021 as an accurate record for signature by the Chair.

**23.6 Matters Arising**

The Audit Committee **monitored** action taken, and remaining to be taken, in respect of Matters Arising from the Minutes of previous meetings.

1 action had been completed. 1 action was carried forward concerning the risk management and risk appetite workshop, which will take place during the workshop in September (details to be agreed).

**23.7 Determination of Any Other Urgent Business**

Debbie Morris advised that due to leaving the College, this would be her last governor meeting.

KG asked NW if there was an update on the guidance concerning face-2-face meetings. NW advised that the Delta variant is causing concern locally and meetings are still required to be carried out remotely. SL added that the College continues to follow PHE advice.

**23.8 Strategic Risk Register – Summer Term Update**

The Summer Term Register has several updates to wordings but does not include any alterations to the scoring of any risk. Some items will be incorporated for the Autumn term review.

Alongside the Risk Register the College continues to maintain a detailed Covid Return to Work Plan which gives more detail on specific Covid risk management, in addition a full and positive risk assessment of the return to work plan and the Covid secure measures in place at HoW College was undertaken by our insurers Risk Assessor prior to the start of the Autumn Term, and a recent review by the HSE confirmed that we remain compliant with all the necessary precautions.

No risks were added or removed during the Summer term review.

The following **questions** were raised by governors:

- Looking longer term (beyond the next year or two), are there any perceived risks arising from the White Paper implementation? NW advised that any risk arising will be reviewed during the autumn term.
- Are there any threats likely in relation to Worcester University offering Level 5 courses? SL advised that the College work well with the University of Wolverhampton for Engineering, which isn't offered by Worcester University. There are no perceived threats in relation to Worcester University.
- Can 'Impact' be added as an extra column on the Risk Register? NW advised that the format of the Risk Register will be reviewed over the summer and any changes will be made following the Risk workshop September.

**23.9 Internal Audit Reports****a) Internal Audit Follow Up Report**

As part of the approved internal audit periodic plan for 2020/21 progress made to implement the previously agreed management actions has been followed up.

The 22 management actions considered in this review comprised of eight 'medium' and 14 'low' priority actions. The focus of this review was, to provide assurance that all actions previously made have been adequately implemented. RSM confirmed that Heart of Worcestershire College has demonstrated good progress in implementing agreed management actions.

#### **b) Internal Audit HR – High Level Advisory Review**

The College has been developing the JANE system as a one stop central system for HR and Payroll functions. There are two levels of access to JANE:

- Self-Service Access
- Management Team's Access

JANE is also used to produce Management Information reports for the Senior Leadership Team. The following monthly reports are generated and circulated:

- Absence
- Mandatory Training
- Staff Appraisals
- Staff Probations

The JANE system is currently being developed further, with the next stage of implementation planned to centralise the recruitment function.

Two 'medium' priority management actions and two 'low' priority management actions have been agreed.

#### Medium priority management actions:

- A formal project plan is to be developed for the next stage, to include an estimate of resource calculated and a timeframe for implementation.
- The data generated from JANE is to be summarised and analysed for trends. The level of detail could be by department/ curriculum area as well as College level trends.

A governor **questioned** if the system could be used to record training undertaken by governors. NW explained that governors could be added to the system. **Action:** NW to investigate the possibility of the JANE system being used to track Governor training and records.

NW

#### **c) Internal Audit – Learner Number Systems & Curriculum T-Level Preparation**

Following the recommendations made last year in relation to adult provision, and the T-Level preparations during 20/21, no actions have been found.

Governors **agreed** that this was a positive report, and no questions were raised.

SL commented that Leslie Baker and Yvonne Thomas have worked exceptionally hard on T-Levels. **Action:** KG to thank Leslie Baker and Yvonne Thomas, on behalf of the Audit Committee, for their work in relation to T-Levels.

KG

#### **d) Governance and Risk Management Arrangements**

Governance and Risk Management Arrangements have been audited.

#### Governance:

- 3 low priority actions and 3 medium priority actions have been identified.

#### Risk Management:

- 1 low priority action has been identified.

A governor asked for **clarification** around the priorities relating to governance. LT advised that the report covers the evidencing of tasks and training, and in some cases, not all evidence could be seen.

#### e) Internal Audit Progress Report

LT confirmed that RSM have delivered all the internal audit reviews that were agreed in the internal audit plan. All reviews were Green or Amber, with nothing to cause concern for the annual opinion.

There were no questions.

### 23.10 Internal Audit Strategy 2021-2024

LT explained that the internal audit activity for 2021/22 is based on analysing the corporate objectives, risk profile and assurance framework as well as other factors affecting the College in the year ahead, including changes within the sector.

Core Assurance continues to apply over governance, risk management and areas of core controls such as finance, HR, facilities, and legal compliance.

Proposed areas for coverage are:

Risk based assurance:

- Estates Management Arrangements
- Framework for Compliance with Legal Requirements: Data Protection
- Higher Education Framework
- Processes for Harassment and Sexual Misconduct (students); and Mental Health and Wellbeing (staff)

Core Assurance:

- Key Financial Controls: Financial Planning and Budgetary Control

Other internal audit activity:

- Follow up
- Management
- Learner Number Systems (contingency allocation)

#### Governors asked the following questions:

- Do RSM have expert Estate Management auditors? LT confirmed that specialist internal auditors with the skills around Estate Management will be involved in the audit.
- Regarding the Audit Code of Practice and the lack of assurance around ESFA funding, can RSM give us any assurances? LT confirmed that the External Auditors need the assurance that the income from the ESFA is correct. NC added that Bishop Fleming will rely on assurance provided by the ESFA or the MCA/GLA when considering whether income, recognised in the accounts from the main funding grants generated through ILR returns, is fairly stated. However, responsibility for the accuracy of funding claims remains with the Corporation.
- What are the views of RSM in relation to the number of bids, the tight timeframes, and the opportunities, given that these are non-recurrent funds? LT confirmed that various aspects of audit will consider these, including:
  - Project Management arrangements

- Controls for bids
- Monitoring of delivery partners

Governors received the Internal Audit Strategy 2021-2024 and agreed to **recommend to Corporation** for approval.

### 23.11 2020/21 Financial Statements Audit

NC provided an overview of the Audit Plan (For the year ended 31 July 2021).

Bishop Fleming have contacted the previous auditors (KPMG) to review their audit files from previous years. By doing this, Bishop Fleming have been able to minimise any disruption for HoW College management team and enables a seamless transition.

On completion of the audit work, an auditors' report for the College will be produced. Due to a change to the Auditing Standard, each audit report will be customised and will explain how the audit process dealt with certain areas, including:

- detecting material misstatements in respect of irregularities, including fraud. This may include detailing relevant procedures undertaken during the course of the audit.
- understanding any key laws and regulations that may apply, and any instances of material non-compliance.

The report will include the basis under which the financial statements have been prepared and whether they give a true and fair view, the report will also:

- report on whether the information given in the Governors Report and Strategic Report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements
- report on whether other information presented in the Governors Report and Strategic report is materially consistent with the financial statements.

The report will also conclude on the appropriateness of management's use of the going concern basis of accounting and will now positively conclude that the basis used is appropriate.

The report will also contain, by exception, the following matters, if:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from sites not visited by us
- the College's financial statements are not in agreement with the accounting records and returns
- certain disclosures of governors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.

Where no matters are identified this will also be confirmed.

#### Risk assessment and significant risks

The following have been identified as significant risk areas to be addressed during the audit:

- Management override of controls
- Fraud in income recognition

The following areas of heightened risk have been identified, where there will be a greater audit focus:

- Accounting for capital projects and capital grant funding
- Pension assumptions

A governor **questioned** if there is likely to be any change to Accounting Policy. CC confirmed that there will be no change.

Audit Code of Practice:

NC explained some of the changes in the most recent Post-16 Audit Code of Practice.

There is an expectation that external auditors will have the opportunity to present their findings to the Board. The change is in response to a recommendation in the 'Report of the Independent Review of College Financial Oversight' which was issued by Dame Mary Ney in 2019. This recommended that "there is a requirement for the External Auditor to present their Audit Plan findings to the Chair and Board members either at a Board meeting or by invitation to join the Audit Committee meeting receiving the Auditor's report." Governors **agreed** that the External Auditors should present to the Audit Committee, and join the following Corporation to present to the full board (remotely if needed).

Related Parties:

As part of the auditing standards, Bishop Fleming are required to undertake enhanced audit work on related parties. Part of this work is to enquire about the identity, nature of relationships and any transactions with related parties. This includes governors, key management personnel as well as close family members of these individuals.

A pro-forma has been supplied and governors **agreed** to use the pro-forma for 2021/22.

**23.12 College accounts direction 2020-2021 - Financial reporting requirements for sixth form and further education colleges**

Governors **received** the College accounts direction 2020-2021. There were no questions.

**23.13 Regulatory Items**

Governors **received** the Post 16 Audit Code of Practice, noting the changes.

The Post 16 audit code of practice requires Corporations to develop a counter fraud strategy with consultation and involvement of the audit committee, a draft strategy has been provided along with a completed "Anti-fraud checklist for post-16 providers".

Governors **received** the Register of Gifts and Hospitality Annual Report.

**23.15– CONFIDENTIAL ITEMS**

**23.19** See confidential minutes.

**23.20 Any Other Urgent Business**

There was no other business.

**23.21 Date and Time of Next Meeting**

Tuesday 30 November 2021, 17:30 - The Source, Worcester

The meeting closed at 19:05

**Signed:**

**Date:**