

MEETING OF **AUDIT COMMITTEE**
TIME/DATE **5.00pm, Wednesday 9th June 2021**
VENUE **VIRTUAL (MICROSOFT TEAMS)**

ATTENDANCE:

Committee Members	Kath Causey (Chair) <i>Gill Edwards</i> <i>Susan Loudon</i> <i>David McDonald</i>
External Co-opted Member	Pauline Hunter
Clerk Finance Director Vice Principal, Corporate Services Assistant Principal IT, MIS and Subcontracting	Robert Smith Steve Scott Louise Brown Dave Harrison
Internal Auditor (ICCA) External Auditor (Wylie & Bisset)	Jonathan Creed Scott Gillon

Italics denotes absence

MINUTES

Item The meeting opened at 5.00pm and was quorate with at least 2 members present.		
1	A/21/06/01	CONSULTATION WITH AUDITORS Members agreed that they had no items they wished to discuss with the auditors without the presence of the Clerk and members of the Executive Team.
2	A/21/06/02	APOLOGIES Apologies for absence were received from Susan Loudon and David McDonald. It was also noted that Gill Edwards was on a sabbatical for the remainder of the academic year.
3	A/21/06/03	DECLARATIONS OF INTEREST There were no declarations of interest.
4	A/21/06/04	MINUTES OF THE MEETING HELD ON 3RD MARCH 2020 The minutes were approved as an accurate record of the meeting and for signature by the Chair.
5	A/21/06/05	MATTERS ARISING The Clerk confirmed that the remaining item on the Action Sheet was now complete.
6	A/21/06/06	INTERNAL AUDIT PROGRESS REPORT The Internal Auditor provided a summary of internal audits carried out to date for the 2020/21 cycle of activity. He advised that audits had been completed for the following areas:

- Covid-19 Management
- Mock Funding Audit
- Follow-up Audit
- External Assurance of Subcontracting Controls

Members noted that the audit for Subcontracting External Assurance had been reported at the previous meeting.

The Auditor provided a summary of the audit outcomes for the Covid-19 Management Audit and reminded members that the scope had been discussed by the committee at its previous meeting and finalised with the Executive Team shortly afterwards as agreed. He explained that, as this was not a standard audit, it had not followed the usual pattern of considering the design and application of systems and processes as it focused more on the ways in which these were adapted to meet the challenges posed by the pandemic. However, he was pleased to report that the overall audit outcome was that it provided 'substantial' assurance. Members noted the areas of activity covered by the audit, including governance arrangements, adaptation of financial processes and the ways in which safeguarding and other student support had been maintained during lockdowns. The Auditor presented the findings for each specific area covered by the audit and concluded that the approaches used had put the college in a position where services and controls could be maintained, whilst providing sensible and pragmatic solutions to the challenges presented.

The Auditor also highlighted discussions with members of the Executive Team, including the Principal. He commented that it had become clear that many of the temporary changes put in place to adapt to the pandemic would probably lead to long-term changes for the future. Members noted that these changes included the appropriate use of remote working for staff, increases in the use of online delivery of courses, and continued availability of online enrolment. The Auditor also commented that the challenges presented by the pandemic had also tested previous college investments in IT infrastructure. Members were pleased to learn that these investments had put the college in an excellent position in terms of being able to maintain services during lockdowns, to provide workable solutions for staff and to generate high levels of continued engagement of students. The Chair responded that it was very pleasing to hear that the college had continued to function effectively during the pandemic. The Co-opted Member added that this was clear evidence of the hard work of all managers and staff and the clear commitment to students.

The Auditor outlined the findings of the Mock Funding Audit and confirmed that the design of controls was found to be good, with compliance to the controls being adequate. He was pleased to report that the overall assurance level was 'substantial'. Members discussed the list of errors discovered during the audit and asked whether this should cause concern. The Auditor responded that this audit did not take account of materiality and reported every error no matter how trivial. He explained that his overall view was that the level of errors was not a significant concern and the overall findings were indicative of controls that were working well. He also explained that some errors were likely to be the result of Covid-19 challenges, such as cases where learners would usually sign enrolment forms during their first week in college but were unable to do so during lockdowns. Members recognised that, in these cases, learners had still signed the required documentation shortly afterwards. The Auditor highlighted the need to learn from these challenges if the college decided to continue with higher than usual levels of remote learning post-pandemic.

The Internal Auditor also provided a summary of the Follow-Up Audit and was pleased to report that all recommendations had been demonstrated to be fully implemented.

7	A/21/06/07	<p>INTERNAL AUDIT PLAN 2021/22</p> <p>The Internal Auditor outlined the content of the plan presented within the committee papers and the processes used to identify proposed audits. This included review of the college's risk register and performance data, as well as focusing on known risks across the further education sector. It was noted that the draft plan had been presented by the auditor to the Executive Team and had been provisionally agreed without modification.</p> <p>It was noted that the proposed audits for 2021/22 were as follows:</p> <ul style="list-style-type: none"> • Learning Support (ALS) and High Needs Student (HNS) Funding • IT Data Security, Infrastructure and Disaster Recovery • Financial Planning and Budgetary Control • Post Implementation Review of Finance System • Risk Management • Subcontracting External Assurance Audit • Mock Funding Audit • Follow-Up Audit <p>Members discussed the proposals and sought further information in relation to why specific audits had been recommended. This included gaining further understanding of the rationale behind the audit of high needs funding and learning support. The Auditor explained that, prior to the Covid-19 pandemic, the ESFA had started to carry out funding reviews at colleges to identify how funding was being utilised and whether evidence was in place to support funding claims. It was noted that this audit was planned in order to better prepare the college for any future audits by the ESFA. It was also noted that the audit would help to identify potential funding opportunities that were being missed.</p> <p>The Chair asked whether the arrangements would remain sufficiently flexible to introduce audits for areas identified as a concern in-year. The Auditor confirmed that the Plan would remain flexible and that changes to meet the committee's requirements would be accommodated if necessary. The Co-opted Member asked how confident the college was that the new financial systems would be in place in time for a review of their effectiveness to take place in-year. The Finance Director explained that the college expected the new systems to be in place by December 2021, which would allow plenty of time for a review audit to take place during the Spring Term or Summer Term 2022.</p> <p>RESOLVED: That the Governing Board be recommended to approve the proposed Internal Audit Plan for 2021/22.</p>
8	A/21/06/08	<p>AUDIT IMPLEMENTATION TRACKER</p> <p>The Clerk outlined the reported audit actions and it was noted that all but one of the actions had been implemented. It was noted that the outstanding action related to reviewing and replacing existing finance systems. It was also noted that the committee had received regular updates on progress and had agreed that it would be more practical to extend the action deadline to December 2021 to enable the Finance Team to return to college after Covid-19 restrictions before completing the systems replacement.</p> <p>Members were pleased to note that the college had successfully completed outstanding audit actions and commented that the current position of only one outstanding action demonstrated its commitment to putting in place identified improvements.</p>

9	A/21/06/09	<p>FINANCIAL STATEMENTS 2020/21 AUDIT PLANNING MEMORANDUM</p> <p>The External Auditor outlined the principal audit objective of obtaining sufficient, relevant and reliable evidence to enable the Auditor to express opinions on the college's financial statements for 2020/21. He explained that the committee and the Governing Board would be notified if proper accounting records had not been kept or if the necessary evidence required to support audit opinions was not disclosed by the college. The Auditor also outlined the nature and scope of audit activity. He highlighted a change to the Post-16 Audit Code of Practice which would result in the ESFA no longer providing any assurance in relation to funding claims and an expectation that the External Auditor would need to introduce additional audit activities to provide such assurance. It was noted that formal guidance from the ESFA was expected but had not yet been provided. Members recognised that this would mean that the additional audit activity would remain unknown until the guidance had been provided.</p> <p>The Auditor explained that some assurance could be taken from the annual Mock Funding Audit but that this was not expected to be sufficient, with further testing during the Financial Statements Audit expected. Members acknowledged that this would also lead to an increase in the cost of the audit, but that this could not yet be quantified until the extent of the extra work became clearer. The Chair asked whether this unknown element would affect the committee's ability to recommend the Plan to the Board for approval. The Clerk responded that the committee should base its recommendations on what was currently known and the Board would need to accept that the plan may need to be modified after approval if the additional work meant that this was necessary.</p> <p>The Auditor explained that, depending on the extent of any additional work, the audit may need to commence earlier than previous years or may need to have a separate period of activity simply to test funding assurance. The Assistant Principal asked that the Auditor bear in mind that the college had already compressed annual staff leave requirements to accommodate early exam results and early enrolment. The Auditor acknowledged that this would mean that there would be less opportunity to include additional activity during the summer. He agreed to work with the college to find a suitable and appropriate time for any additional audit activity.</p> <p>The Auditor also drew members' attention to the key risks identified within the Audit Plan and explained that these were known sector-wide risks, rather than risks specifically associated with the college. He also commented that he was satisfied that all audit staff would be independent of the college and of the Internal Auditor.</p> <p>RESOLVED: That the Governing Board be recommended to approve the proposed Financial Statements 2020/21 Planning Memorandum.</p>
10	A/21/06/10	<p>RISK REGISTER</p> <p>The Finance Director advised that the risk register was regularly reviewed in order to reflect the current strategic position and changes in the levels of risk intensity. It was noted that the level of risk intensity had increased significantly around a year earlier as a result of the Covid-19 crisis. The Finance Director explained that risk levels had since fallen considerably as a result of many potential issues not coming to fruition or potential further impacts reducing. He highlighted the key changes and members noted</p>

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		<p>that there were still uncertainties due to the pandemic but that the overall risk position was now considered much less significant.</p> <p>The Chair asked whether risks of further lockdowns should be more clearly reflected in the risk register. The Finance Director explained that further full lockdowns were now much less likely but the register could be updated at any time to reflect this risk should it become more likely. Members accepted that it was right to remain flexible, rather than managing risks that were now significantly less likely.</p>
11	A/21/06/11	<p>ESFA (& GMCA) FUNDING AUDIT REPORT</p> <p>The Assistant Principal explained that these reports reflected the audit findings outlined at the previous meeting, and that the reports provided more detailed information than was available at that time. It was noted that one report related to ESFA funding and the other related to devolved adult funding provided by the Greater Manchester Combined Authority. The Assistant Principal advised that the college had put in place a number of improvements as a result of the audit findings and suggested that this was partly responsible for the positive audit outcomes in the subsequent Mock Funding Audit.</p> <p>Members noted the identified error rates and acknowledged that the overall funding value was relatively modest and had meant that the funding could be written off in the same financial year without leading to an overall financial deficit. The Co-opted Member asked how often the ESFA carried out these audits. The Assistant Principal responded that the audits were generally several years apart, although there was often an immediate repeat after one year to identify whether improvements had been put in place.</p> <p>The Internal Auditor and External Auditor left the meeting at 6.10pm.</p>
12	A/21/06/12	<p>REVIEW OF AUDITOR PERFORMANCE</p> <p>The Clerk drew members' attention to the commentary on auditor performance for both the Internal Auditor and the External Auditor. Members discussed the proposed conclusions and the auditors' compliance with relevant KPIs and concurred that the KPIs had been met. The Clerk explained that there had been little opportunity for the auditors to deliver 'Value Added' benefits during 2020/21, such as training and development activities, due to Covid-19 restrictions.</p> <p>Members commented that the college's relationship with both audit firms was positive and that both worked well with the committee. They concluded that they were satisfied with the services provided. It was noted that the internal audit services were due to be re-tendered in 2021/22.</p> <p>RESOLVED: That the appointments of both sets of auditors be re-affirmed in line with current contractual arrangements</p>
13	A/21/06/13	<p>ANY OTHER BUSINESS</p> <p>There was no further business.</p>
		<p>DATE AND TIME OF NEXT MEETING – To be confirmed by the Governing Board on 6th July 2021</p>
		<p>The meeting closed at 6.20pm</p>

