

Minutes of Virtual Audit Committee Meeting held at 1pm on 25 November 2020

Present: Ashley Cullen, Rob Nitsch & Mark Pembleton (Chair).

Apologies: Lena Itangata

In Attendance: Richard Bott
Denise Cheng-Carter
Paola Schweitzer
Karen Shaw
Penny Wycherley

Mazars
Interim Chief Finance Officer
Clerk to the Corporation
SIAP
Interim Principal

Minutes

1 – Standing Items

937 Apologies for Absence

Lena sent her apologies.

938 Membership

Given the new membership, everyone introduced themselves. Paul noted the Committee was now up to full strength and welcomed Penny to the meeting.

939 Declarations of Interest

There were no declarations of interest.

940 Minutes

The minutes of the meeting held on 19 May 2020 were **Agreed** as a correct record and will be signed by the Chair.

941 Matters Arising

Minute 932: Minute 930: Review of Outstanding Audit Recommendations:

Although cybersecurity was not considered a high risk and was therefore not detailed on the register considered by the Committee, it was closely monitored. Audit Committee was responsible for seeking assurance on process and Penny therefore suggested governors refer the matter of cybersecurity to Finance & Estates Committee, responsible for the College's IT resource, and ask them to request an update from the Director of Operations. She noted that risks were owned by managers who were accountable to the Board through the appropriate Committee.

2 – Matters for Discussion & Decision

942 Audit Committee's Annual Report to the Corporation 2019/20

Paola presented paper 2733/20/A setting out the Committee's annual report to Corporation advising governors and the Principal as Chief Accounting Officer on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness. The report summarised activities from 01 August 2019 to 31 July 2020 and included an overview of the Committee and its work, significant issues, audit providers and an overview of their work including going concern, risk management, fraud, irregularity and whistleblowing and performance indicators.

Penny thanked the auditors, noting that their work had been carried out online in difficult circumstances and to tight timescales. Mark stated it had been a transformational year and noted the auditors conclusion that Corporation's assurance arrangements, framework of governance, risk management and control procedures for the effective and efficient use of resources, solvency and the safeguarding of assets were adequate and effective.

Ashley asked about the fixed asset register and Richard summarised that the register had been wholly inadequate and that a wholesale review had been undertaken. Rob believed that it was a good report and made two suggestions: to emphasise the areas of limited assurance and summarise the priorities for the coming year. Governors agreed that the going concern section needed further work.

Mark thanked Penny, her team and the auditors. Governors **Agreed**, subject to finalisation by Mark and Paola, the Committee's Annual Report to Corporation.

943 Strategic Internal Audit Plan & Annual Internal Audit Plan (paper 2734/20/A)

Karen presented the strategic internal audit plan and annual internal audit plan. The 2020/21 plan had been drawn up following conversations with the executive team. The intention had been to carry out a full review of the three year audit plan but due to the interim nature of the senior leadership team, merger discussions and the pandemic, it seemed appropriate to focus on immediate risks and concerns. It was therefore proposed that the following areas be audit in 2020/21:

- The impact of Covid-19
- Subcontracting controls assurance
- Apprenticeships
- Additional learning support
- Financial planning, budget setting and forecasting
- Financial reporting and cashflow management.

Karen emphasised that the plan was fluid and regular meetings with the executive team would ensure it remained relevant. There was a discussion about follow up

days and Karen clarified that management actions were tracked internally and reported to the Committee. In their follow up activity, the auditors would focus on areas of limited assurance. Actions would be checked and tested after a few months, thereby giving time for the changes to be embedded effectively. After a brief discussion, it was agreed that an interim follow up (not a full report) for areas of limited assurance would be brought forward to the spring term. Penny raised the concern that the Committee was straying into operational matters and risked duplicating work with Finance & Estates Committee which was responsible for estates. Finally, Karen drew governors' attention to the remaining three appendices: the external quality assessment cover report which found that '*SIAP conformed to all aspects of the International Professional Performance Framework, Public Sector Internal Audit Standards and Local Government Application Note*', the SIAP external quality assessment final report and audit opinion terminology and definitions 2020/21 which standardised terminology. Governors **Agreed** to recommend the strategic internal audit plan and annual internal audit plan to Corporation.

944 Financial Statements Audit & Internal Audit Service Performance Indicators 2020/21 (paper 2735/20/A)

Denise presented performance indicators (PIs) for the financial statements audit and internal audit service for 2020/21. Evaluations would be brought to the Committee in the autumn term 2021 and information included in the Committee's 2020/21 annual report. Richard welcomed the PIs and stated he would follow up definitions with Denise. Governors **Agreed** the 2020/21 Financial Statements Audit & Internal Audit Service Performance Indicators.

945 Review of Committee Terms of Reference & Business Plan

Paola presented paper 2736/20/A setting out the annual review of the Committee's Terms of Reference to evaluate performance in 2019/20 and to ensure they remained fit for purpose. Richard (Mazars) noted the usefulness of evaluating performance against the Terms of Reference and the importance of meeting at least annually with the internal and external auditors without staff present. Paola stated the opportunity for governors to meet without staff and student present was now a feature of all Corporation and Committee meetings. Governors **Agreed** to recommend their Terms of Reference to Corporation and agreed their 2021 Business Plan.

946 Risk Management Monitoring (paper 2737/20/A)

Penny provided an update of the risks to the College's risk management register, noting that the Risk Register was a standing agenda item at Committee meetings.

A new risk management process was put in place in March 2020 and was reviewed annually in the autumn term. The College had carried out this review and revised the Risk Register with 2019/20 actions noted and, where appropriate, transferred to 2020/21. Risks were mapped against the College's strategic objectives. Two risks

were interdependent and so had been combined and there were two new risks: merger and apprenticeships. Penny was working on a draft merger risk register.

There was a discussion about some of the risks, with governors noting that there were now more than 12 on the Register. Penny clarified that the Register identified high level risks and was supported by a more comprehensive risk register. In response to a question, Penny stated that the Nigerian risk was not substantial as it was not material to the accounts (the money had been written off). Penny did not believe it appropriate to agree a risk management appetite statement at this time. Governors **Noted** the new risks, the link to the College's strategic objectives and the 2020/21 revisions and **Agreed** to recommend the Risk Register to Corporation.

947 Internal Audit Report – Summer Term 2020 (paper 2769/20/A)

Karen thanked Penny and Denise for welcoming the SIAP team into the College and acknowledged that good communication now existed. Karen presented the summer term internal audit reports, noting that due to changes within the College and Covid-19, the Committee was considering a year's worth of audits in one meeting.

Governors' Action Plan: This audit followed up actions from the whistleblowing investigation and sought to provide assurance about how actions had been taken forward. It was a high-level piece of work and some actions would be followed up in other reports in 2020/21. Generally, the auditors found that actions had been undertaken and where this wasn't the case, management had taken appropriate action eg strengthening financial controls rather than capping credit card limits which would have a negative impact on business needs. The auditors believed this was reasonable. Mark asked if the auditors were assured that the issues raised in the plan could never happen again, to which Karen responded that it would depend on maintaining strong processes and systems. In response to a question, Karen confirmed that nothing had been raised with the auditors that led them to question the College's policies. Rob stated that he did not want anyone in the College to think they could not make legitimate business expense claims. Penny noted that she used her own mobile phone and laptop.

Risk management: *Adequate assurance:* 1 medium & 3 low management actions: There had been a huge amount of activity in this area. It was a dynamic and regularly reviewed process that was embedding effectively across the College.

Estates management: *Limited assurance:* 5 high, 3 medium & 2 low management actions: A significant amount of work had already been undertaken to address the issues identified (Karen believed the audit confirmed what the executive team already knew). Rob noted that it was Committee's job to ensure the Board was kept fully aware that estates management was a concern and it was for Finance & Estates Committee to scrutinise the issues and ensure appropriate resources were available.

Procurement and Payments: *Limited assurance:* 7 high management actions: The audit covered the whole year and there had been significant improvements towards the end of the year.

Debtors Internal Report: *Adequate assurance:* 1 high & 1 low management actions:

Student recruitment: *Adequate assurance:* 1 high & 2 low management actions.

Safeguarding in Human Resources: *Adequate assurance:* 2 high & 3 medium management actions: The issues mainly concerned the Single Central Register and pre-employment checks.

Governors thanked Karen for the reports and **Noted** the Internal Audit Reports – Summer Term 2020.

948 Internal Audit Annual Report 2019/20 (paper 2738/20/A)

Karen presented the 2019/20 internal audit annual report. SIAP had been unable to give assurance on the College's framework of governance, risk management and control in 2018/19. However, a great deal had changed since then and there had been significant and positive change within the College. She was therefore pleased to report that the College's framework of governance, risk management and control was now adequate. However, the report noted that the College faced uncertainty concerning the merger and the interim nature of the senior leadership team so it was important to review progress in 2020/21. Mark thanked Karen and her team for her work, which had provided a helpful summary of progress made within the College. Governors **Noted** the 2019/20 Internal Audit Annual Report.

949 Review of Outstanding Audit Recommendations

Denise presented paper 2739/20/A summarising recommendations made by the internal auditors in 2019/20 and providing assurance that management actions had been taken. A table showed the recommendations, management responses and timelines. Governors **Noted** the review of outstanding audit recommendations and welcomed the information showing the timeframes within which actions had been completed.

950 Financial Statements Audit Planning Memorandum

Richard presented paper 2740/20/A setting out the financial statements audit planning memorandum. The memorandum summarised Mazars engagement and responsibilities and provided information on the audit team, the scope, approach and timeline, significant risks and key judgement areas, fees and confirmed Mazars independence as auditors.

Richard drew governors' attention to the issues identified in the 2019 Audit Completion Report, noting that whilst these had been corrected, it was important to ensure the matters had been dealt with appropriately and that accounting practices had improved. These areas included lack of record keeping for the Nigeria subsidiary, inappropriate accounting treatment for the Saudi Arabian Joint Venture, lack of fixed asset register, poor consolidation workings and audit trail and inappropriate accounting treatment for finance leases. Richard noted that two of these challenges had resulted in a qualified opinion. Auditors in Nigeria had not found anything problematic with the College's Nigerian subsidiary but in the absence of adequate record keeping, there was a degree of uncertainty. The subsidiary had

not been wound up due to the ongoing court case. The College had undertaken a revaluation of its properties to address the asset register issue. Richard stated that although this year's audit was not where he hoped it would be timewise, it was a huge improvement on the previous year. The significant risks identified applied to all audits and comprised management override of controls, income recognition and going concern due to Covid-19. Richard drew governors' attention to the new auditing standard concerning going concern introduced in March 2020 which set out higher expectations following high-profile corporate failures where the organisations concerned had received clean audit reports. In response to a question, Richard stated that it was not currently possible to determine the outcome of the audit. Mark thanked Richard and governors **Noted** the Financial Statements Audit Planning Memorandum.

951 Annual Report on Whistleblowing

Paola presented paper 2741/20/A providing an annual report on whistleblowing. Corporation had agreed a revised whistleblowing policy in December 2019 and this was available on the College website with a dedicated email address. The website also had a link to the ESFA's whistleblowing procedures, online form and email address. Paola confirmed that no whistleblowing allegations had been made in 2019/20 and that allegations raised in autumn 2018 had been completed during the year. Mark noted that the College was now a much more transparent organisation. Governors **Noted** the annual report on whistleblowing.

952 Review of Register of Interests

Paola presented paper 2742/20/A summarising the Register of Interest. Governors completed a declaration of interest on appointment and annually thereafter. These formed the Register of Interests which was available for public inspection. The Register was reviewed annually. Paola stated that there were no declarations in 2020/21 that gave her any cause for concern. Mark noted the importance of governors declaring any interests they/close family had and that responsibility lay with them to ensure the Register was up to date. Richard agreed, stating that it was important to make sure all interests were captured. Paola encouraged governors to speak with her in the first instance if they were unsure what constituted a conflict of interest. Governors **Noted** the review of register of interests.

Minute 953 was confidential

The meeting ended at 3.35 pm