



**CONFIRMED MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD REMOTELY ON 28th SEPTEMBER 2022**

Present:	Lucky Ali	Independent Governor
	Gary Baines	Independent Governor (Chair)
	Ian Parkinson	Independent Governor
In attendance:	Paul Groome	Assistant Principal MIS
	Sue Higginson	Principal/CEO
	Michael Norton	Deputy Principal
	Phillip Jones	Vice Principal - Quality
	Nikki Leising	Financial Controller
	Ryan Morris	Administrator to the Governors
	Lisa Randall	RSM Internal Auditor
	Will Simpson	RSM, Internal Auditor
	Lesley Venables	Clerk to the Governors

MEETING IN THE ABSENCE OF MANAGEMENT

1 The Committee met with the Internal Auditor in the absence of management and was advised that there were no issues that they wished to raise.

APOLOGIES FOR ABSENCE

2 Apologies for absence were received from Rory McCall (External Auditor).

DECLARATIONS OF INTEREST

3 There were no declarations of interest.

APPOINTMENT OF CHAIR

4 **Resolved** That Gary Baines be appointed as Chair of the Committee for the 2022/2023 academic year.

MINUTES OF PREVIOUS MEETING

5 **Resolved** That the minutes of the meeting held on 27th June 2022 be approved as a correct record and signed by the Chair.

MATTERS ARISING

6 Governors received a progress report against the list of actions from the previous meeting and noted that all of these had been completed. Under minute 127 it was noted that the electronic training packages available to the sector nationally were not tailored for governors, but were more generic. The Clerk would continue to seek alternatives and bring back any proposals to the Governance & Search Committee.

OFFICE FOR STUDENTS – ILR AUDIT

7 The Assistant Principal (MIS) presented a report on the recent ILR Audit of the 2019/2020 higher education data by the Office for Students and follow-up work undertaken in May 2022.

8 The Committee noted that this area of the College's provision had been graded as providing 'limited assurance' on both occasions, which meant that an action plan had to be implemented by February 2023. The Assistant Principal gave an assurance that the findings were not material to the number of learners or funding claims and were focused on ensuring that the weighting of calculations on individual programmes were accurate and that staff interpreted the funding rules in the correct manner. A governor questioned whether any sanctions would be levied on the College and was advised that this was unlikely.

9 In response to a question about the apparent lack of progress between reports, the Committee was informed that COVID-19 lockdowns and staffing changes had impacted on the continuity of the post audit follow up but this had been addressed by the new MIS Director, who had led the action plan presented. Communication between MIS and each curriculum department was now more robust and the audit action plan was updated on a regular basis. The College also now had the appropriate software to enable it to check the higher education data in-year instead of waiting until the year end before any errors could be rectified. Staffing within the MIS department had been reviewed and strengthened.

10 A governor asked about the process for identifying any anomalies in the data and was informed that this was done through an algorithm, with some errors more easily identified than others. The audit process had been helpful in enabling the College to cleanse its data and management was confident that the remedial measures that had been put in place would be effective. The issues had no bearing on finance or funding and were to identify the previous qualifications held by HE students, which were used to inform national data sets.

11 The Principal reported that the majority of student data related to the College's further education provision, with HE constituting a very small part of the overall data. However, it was noted that any outcomes such as this audit impacted on the OfS's ability to report on national trends in HE and that FE colleges were treated by this regulator in exactly the same way as large universities such as Oxford and Cambridge.

12 The College had introduced robust oversight systems at Senior Leadership Team level with the Deputy Principal/Finance Director having direct internal audit oversight. The results of any such audits and progress on any action plans would continue to be reported to the Audit Committee and the full Board.

INTERNAL AUDIT ANNUAL 2021/2022 REPORT

13 The Internal Auditor presented the Internal Audit Annual Report for 2021/2022.

14 The Committee was reminded that no opinion had been provided for 2020/2021 as the programme of internal audit work had been suspended due to the restrictions linked to the pandemic and lockdowns.

15 For 2021/2022 the Internal Auditor had concluded that the College had an adequate and effective framework for risk management, governance and internal control and further enhancements had been identified to ensure risk management, governance and internal controls remained effective. This was considered to be a good level of performance against

a challenging environment and compared favourably to other FE colleges within RSM's client base.

16 In 2021/2022 the overall assessment by the Internal Auditor was that the College's internal control framework provided a 'Substantial' level of assurance, with a total of 9 low priority recommendations and one 'advisory' recommendation. The Auditor had assessed progress against any follow-up actions from 2020/2021 as 'Reasonable'.

REGULARITY SELF-ASSESSMENT QUESTIONNAIRE 2021/2022

17 The Deputy Principal presented the College's response to the ESFA's Regularity Self-Assessment for 2021/2022, which provided assurance as part of the External Auditor's work on the annual Regularity Audit. The document required approval from the Board and would then be signed by the Principal and the Chair, prior to its submission to the ESFA.

18 Governors were advised that this formed a checklist on the content of the governance framework and that several changes had been made to the proforma for 2021/2022, including an assurance that 'fit and proper' persons tests had been undertaken on all governors on their appointment and annually thereafter. The document would be used by the External Auditors in their work on regularity as part of the financial statements.

19 It was noted that there had been no instances of fraud or termination payments to staff.

20 The Principal commented that finance had a higher profile across the management team and managers had a greater level of understanding of the link between the curriculum and the College's financial position.

21 **Resolved** That the Board be **RECOMMENDED** to approve the Regularity Audit Self-Assessment questionnaire for 2021/2022 and for the final document to be signed by the Principal and the Chair of the Board.

RISK REGISTER

22 The Deputy Principal provided an update on the College's Risk Register, which detailed the rationale for any amendments to the risk scores for each item.

23 The risks relating to staff costs and the level of Government funding had not changed, however wage inflation was currently exceeding any potential increase in the unit rate for learning, which may become a risk in the future. The level of the national budget for education in 2023/2024 was uncertain and could be turbulent during the next couple of years.

24 An amount for Adult Education Budget growth had been included in the calculations for staff pay in 2022/2023, but this had not yet been confirmed and may not materialise. The Committee also noted the high number of apprentices being carried over from 2021/2022 to 2022/2023.

25 Other risk factors were higher interest rates and the possibility of public sector funding reductions. The Principal reported that recent negotiations around the staff pay award for 2022/2023 had resulted in a 'failure to agree', despite the College making a good, but affordable offer. In the current climate, given the gap between cost of living, frozen funding levels and the affordability of pay increases, industrial action was always a risk.

26 Consultation for annual pay awards, which took place between the AoC and Unions, had concluded in June, with a failure to agree. The College's position is to pay the recommendation of the AoC which is 2.5%, subject to affordability. Collective bargaining is done nationally then the College endeavours to apply this, negotiating the affordability element with the local TUs. This year was the first year the College could actually afford more, which equated to an average of 7.6%. Unions had rejected this and the College had met with them 5 times, between June and late September. Their request, which is 10% or £2000 plus a commitment to the Real Living Wage was unaffordable. As a result of this the collective negotiation process had ended with a failure to agree and a decision had been taken to implement the pay arise in the October pay run, backdated to 1st August 2022.

27 A governor asked how the risk outlined above on staff pay could be articulated in the risk register. The Principal responded that it would be added to the register and that industrial action had already been taken at 29 colleges nationally. Whilst industrial action should be avoided where possible, the amount provided was the most the College could afford and with it, carried risk, particularly since the mini budget which had destabilised the economy and presented a likelihood of funding cuts.

28 In the event of strike action, legislation had recently changed such that services could be replaced with temporary workers. The Principal had carried out 7 staff briefings, setting out the financial position and demonstrating the importance of making an affordable pay award. It was noted that the same Unions had settled for less in other colleges and some colleges were still in dispute about last year, in addition to the current year.

29 A governor questioned whether there were limitations on the nature of strike action that could be taken by staff. The Principal advised that the process was highly regulated through legislation and that this would need to be followed by each of the trade unions involved.

30 The Principal confirmed that a significant number of staff had been directly in touch with the HR team, frustrated that the pay award had been held up by Unions. However, it was important that the College followed our due process of collective negotiation to respect and engage with our TUs, in accordance with our Recognition Agreement. This had now been exhausted and the College was keen to support staff recognising the challenge presented by the increased cost of living, particularly for those at the lower end of the pay scale, but it was important that the monies reflected in any pay increase were affordable and provided a level of financial stability given the challenges of funding and the risk linked to increased costs with which the College itself would have to deal .

MONITORING OF PREVIOUS RECOMMENDATIONS

31 Governors received a report on the progress of the implementation of previous audit recommendations and the respective implementation dates. There had been no internal audits since the last meeting (June 2022). A total of 3 recommendations had been closed since the previous meeting, with a further 5 due to be addressed this term.

32 Progress against 2 medium priority recommendations on apprenticeships was unclear from the report and would be followed up by the Deputy Principal and Vice-Principal Quality.

ANTI-FRAUD ASSESSMENT

33 In line with the previous academic year, the Clerk had conducted an assessment of the College's anti-fraud and irregularity arrangements and presented a report on the outcomes. This had been updated to align with the requirements of the Post-16 Audit Code of Practice.

34 Governors suggested that the assessment column of the question on governor responsibilities should be updated to reflect the fact that the Internal Auditor reviewed fraud issues on a 3 year cycle.

AUDIT COMMITTEE SELF EVALUATION

35 The Clerk presented a draft proforma on the evaluation of the Committee's performance in 2021/2022.

36 The Committee noted that the attendance rate was good and acknowledged this was due to meetings being held remotely. It was agreed that the Committee needed one or two additional members to strengthen its existing skills. This would be discussed by the Governance & Search Committee at its next meeting.

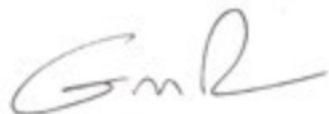
37 **Resolved -** That the Committee's Self-Evaluation for 2021/2022 be approved

ITEMS TO BE REPORTED TO THE BOARD:

38 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 20th October 2022:

- Report on OfS audit of HE ILR data, which demonstrated a robust action plan in response to the highlighted recommendations
- Annual Internal Audit Report for 2021/2022
- Risk Management Update was received for information
- Anti-Fraud & Regularity Assessments was received with no issues
- Audit Committee Self-Evaluation for 2021/2022 was approved

DATE OF NEXT MEETING – Wednesday 23rd November 2022



SIGNED:

23 November 2022

(Chair)