



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 JUNE 2020 AT  
10.00 AM REMOTELY VIA MS TEAMS**

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## MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 JUNE 2020 AT 10.00 AM IN REMOTELY VIA MS TEAMS

Present: Kevin Slack (Chair), Hazel Clint, Mike Kapur, Rosslyn Green

In attendance: Richard Eaton (CFO)  
Michael Ford (DPO)  
Heather Simcox (Deputy CEO)  
Bernadette Doyle (Executive HR Director) – items 62/19-20 and 63/1920)  
Jonathan Creed (ICCA – Internal Auditors)  
Kyla Bellingall (BDO – External Auditors)  
Sam Lifford (BDO – External Auditors)  
Rose Matthews (Clerk)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO.

### PART ONE - GENERAL MINUTES

#### 58/19-20 APOLOGIES FOR ABSENCE

There were no apologies for absence.

#### 59/19-20 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM

All members were eligible and the meeting was confirmed to be quorate.

There were no new declarations.

#### 60/19-20 MINUTES OF THE PREVIOUS MEETING

**RESOLVED:** The minutes of the meeting held on 17 March 2020 were formally approved.

#### 61/19-20 MATTERS ARISING

46/19-20.1 The CFO confirmed in relation to the HR and Payroll Audit presented at the last meeting, he checked the Payroll each month and has access to starters and leavers. With most staff working from home there have been very few expenses, but those that had been received were sample checked.

46/19-20.2 A bolt-on to the finance system for purchase orders was being considered to streamline the system. If an invoice matched the purchase order this would go through direct and help budget holders in terms of timely payments.

Action Date

The CFO advised a report on student enrolment and associated budgetary impact would be presented at the first meeting in the academic year of the Audit Committee/Corporation.

51/19-20 The Prevention, Detection and Reporting of Fraud Policy was approved at the Corporation meeting on 18 May 2020.

**62/19-20 GENDER PAY DISCUSSIONS**

The Executive Director of HR joined the meeting to discuss the questions Members had in relation to the Gender Pay Report presented at the previous meeting.

She made the difference clear between gender pay and equal pay. Gender Pay is not a requirement seeking equal pay. Gender pay looks if there are any gaps in the organisation for the pay of female and male staff.

She briefly covered the data from the report and explained the reasons it had increased over the last 12 months, one of which related to a male employed on the date of the data collection, who was now no longer with the organisation.

There had been a significant change in the Engineering staffing during that period and although teachers were paid on the same scale, external impact affected the rates of pay with the external average salary increasing. Two females were appointed over a two year period out of eight new appointments in Engineering.

The Executive HR Director said her benchmark was always the sector, it did not mean the sector was right, but it would raise alarm if this was increasing at an exponential rate.

**63/19-20 INTERNAL ASSURANCE**

The Internal Assurance Plan progress was shared with the Committee and discussed.

**63/19-20.1 INTERNAL AUDIT SERVICE  
HR PERFORMANCE MANAGEMENT**

Jonathan Creed, of internal auditors, ICCA presented the HR Performance Management Report.

The scope of the audit was to provide assurance the College's HR Performance Management Framework was sufficiently robust to drive improvements in quality, performance and the outcomes for learners.

Overall, the report provided reasonable assurance. At the time the work was carried out the College was in a transition period moving from I-Trent to College IP to

record appraisal activity. Teaching staff used College IP as observations were also recorded through this and support staff had the option of which system to use for the academic year as part of the move to College IP.

Three recommendations were made relating to compliance, monitoring and reporting and measuring impact. In terms of compliance it was noted there was an element of timing when the visit was carried out.

Members questioned the compliance aspect in relation to completing the appraisals and noted this was due to a number of reasons and a lengthy discussion ensued on this matter which provided some assurance. The KPIs were monitored through the quality performance review process and that although the formal process had not been completed it did not mean communication was not taking place. BD would provide a summary for the next meeting to provide assurance. This was only one element of the process and further assurance could have been sought through discussions with the quality team.

BD

22/09/20

Mike Kapur left the meeting at 10.56 am (the meeting remained quorate)

Bernadette Doyle left the meeting at 11.04 am.

## **64/19-20.2 CORPORATE GOVERNANCE**

Jonathan Creed went onto discuss the Corporate Governance internal audit report, which was briefly discussed at the last meeting.

The objective of the audit was to review the suitability of the existing model of governance and membership composition in ensuring effective decision making is undertaken by the Board in pursuit of achieving the College's strategic direction.

The report provided substantial assurance with one recommendation relating to quoracy, which had since been resolved.

The Clerk reminded Members an external review of Higher Education governance was expected every four years which would be followed up through the HE Academic Board.

## **64/19-20.3 SUB-CONTRACTING**

Jonathan provided a verbal update on the Sub-Contracting Report and confirmed it would be finalised by 31 July 2020.

There were some minor low priority recommendations and the final report would be presented at the next Audit Committee.

**64/19-20.4 FOLLOW UP**

The Follow Up report was ongoing and had been delayed in light of distractions by Covid-19 and would be presented at the next meeting.

Two audits had not been completed and as such had been deferred to early 20-21. They were Prevention and Detection of Fraud and the ESFA Mock Funding Audit – which would be completed in July/August but would refer back to the 19-20 academic year. They would need to be concluded before an annual audit opinion could be issued.

**65/19-20 DRAFT INTERNAL AUDIT PLAN AND STRATEGY FOR 2020-21**

A very rough outline of the Internal Audit Plan and Strategy was shared with the expectation of presenting the final version to September’s Audit Committee.

The Chair acknowledged the situation was changing rapidly and the key areas could change. His opinion was to focus on the key areas identified as concerns.

It was agreed the Internal Auditors would work closely with Michael Ford to finalise for presentation in September.

MF/JC 22/09/20

**66/19-20 EXTERNAL ASSURANCE EXTERNAL AUDIT STRATEGY AND PLAN FOR 2019-20 FINANCIAL STATEMENTS**

Kyla Bellingall and Sam Lifford of External Auditors, BDO shared their report which outlined the plan for sign-off of the 2019-20 Financial Statements.

Kyla explained her role was changing within BDO and Sam would be taking over as the lead for the Audit and signing off the financial statements.

Sam presented the report explaining the Financial Statements and Accounts Direction included disclosures for higher education.

The primary risks were identified on the audit scope and these were discussed line by line. The high risks relating to pensions liability and liquidity and going concern. During the planning meetings there had been no significant changes.

Financial statement materiality would be 2% of revenue and would be reassessed once the financial statements for the year had been prepared.

Considerations in light of Covid-19 were highlighted and the implications for the audit approach.

Historically the subsidiaries had relied upon letters of support from the College, however, moving forward the Auditors would be looking for a legally binding document.

Kyla shared the fee increases proposed by BDO which caused much discussion within the meeting.

BDO explained the increase included an additional fee in relation to the Access and Participation expenditure and other disclosures relating to HE, alongside one-off additional work to cover Covid 19.

A third element took into consideration movement in audit fees within the audit market with the focus on regulation. This had led to some audit failures across the sector (although this did not relate to BDO) and a requirement to deliver a compliant audit, which is expensive, had pushed costs up significantly across the whole market. As such some of that cost had been passed onto the client.

Rosslyn Green expressed surprise that tax fees had increased alongside audit fees. She also questioned the failures mentioned, what they were and how that related to the Group's Audit.

Kyla explained additional costs came from a range of sources and BDO had not received a fine, but the regulator was raising the bar across the entirety of audit delivery. Investment in the audit regime and the time undertaken in the audit planning process had doubled, along with the level of documentation having to be included in audit files.

She went on to say there was likely to be further increases as part of audit market reform and that their increase reflected the lower end of the market.

The Chair acknowledged Kyla's comments but said it was the cost of doing business and sometimes these costs had to be absorbed or saved in other ways.

He said the Group had been placed in a difficult position and he felt this had been somewhat opportunistic. BDO were not in the spotlight and nearly a 50% increase on the audit and 100% increase on tax was substantial.

The challenge was to absorb the cost in one go. The Chair explained the Board were looking for a longer-term relationship and it was a lot to ask to absorb the cost in one year.

The CFO said he'd had the same discussions with BDO and had also queried the HE and Covid-19 elements. The

workload was uncertain and he had tried to understand how much work was involved.

Rosslyn also noted with Kyla moving on the team would consist of junior managers, yet the fees were increasing.

The Chair concluded that he hoped the costs could be managed and would be closer to last year. The Committee accepted some increment but hoped it would be more realistic than those proposed.

**67/19-20 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS**

The Internal and External Recommendations Monitoring report was shared with 29 of the 31 actions completed. Others remained on target for completion.

Rosslyn Green questioned the HR and Corporate Governance audits had not been included and it was explained they were always included following presentation at the Audit Committee meeting and would be added after this meeting.

**68/19-20 ANNUAL REPORT ON RISK MANAGEMENT AND STRATEGIC RISK MONITORING**

The Risk Management Report was shared with Committee Members and 'high' priority risks identified as detailed in the report.

With the exception of Covid-19 there were no significant health and safety risks to report, as with safeguarding and prevent.

Hazel Clint noted that Risk 9 had been on the Register since 2014 and questioned what could be done to close it.

The Deputy Chief Executive explained it related to the changing view of the health and safety culture and that as a Board retaining health and safety on the register maintained it at the forefront.

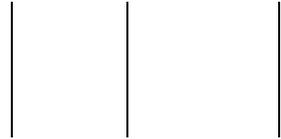
All risks were reviewed monthly at a corporate level and mitigations changed regularly.

**69/19-20 POLICIES**

The Travel and Subsistence Policy and Procurement Regulations and Tendering Procedures were presented. Some minor amends were identified on the Travel and Subsistence Policy.

Chair 06/06/20

The Committee recommended both policies to the Corporation for approval subject to the amendments identified.



*The meeting finished at 12 noon*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_