



**APPROVED MINUTES OF THE  
AUDIT COMMITTEE MEETING  
HELD REMOTELY ON 30<sup>th</sup> SEPTEMBER 2020**

<b>Present:</b>	Lucy Barrow Joe McArdle Nigel Woodcock	Independent Governor Independent Governor (Chair) Co-opted Committee Member
<b>In attendance:</b>	Sue Higginson Michael Norton Pooja Furniss Nikki Leising Paul Haydock Lesley Venables Louise Scott-Kelly	Principal Deputy Principal Executive Director of People and Culture Financial Controller RSM, Internal Auditor (minutes 1 to 18) Clerk to the Governors Administrator to the Governors

#### **APOLOGIES FOR ABSENCE**

1. Apologies for absence were received from Paul Smith (Independent Governor).

#### **DECLARATIONS OF INTEREST**

2. The following standing interests were declared:
  - Lucy Barrow – on secondment to the Liverpool City Region Combined Authority.
  - Joe McArdle – any matters relating to the University of Chester and as a parent of a student who attends the College.

#### **PRE-MEETING WITH AUDITORS**

3. 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.

#### **APPOINTMENT OF CHAIR**

4. **Resolved** That Joe McArdle be appointed as Chair of the Committee for the 2020/2021 academic year.

#### **MINUTES OF PREVIOUS MEETING**

5. **Resolved** That the minutes of the meeting held on 17<sup>th</sup> June 2020 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 the actions had been completed.

7. The impact of the COVID-19 pandemic was considered and addressed in all of the agenda items and would continue to be scrutinised by the Board and its committees. The Committee noted that the College had a statutory duty to publish a risk assessment and response plan to COVID-19. Under minute 131 the Principal reported that monitoring of COVID-19 had become part of the College's routine scrutiny processes and would also be addressed in the management accounts.

## **INTERNAL AUDIT ANNUAL 2019/2020 REPORT**

8. The Internal Auditor presented the Internal Audit Annual Report for 2019/2020. This summarised the Internal Audit work carried out from September 2019 until March 2020 when the Board decided to suspend the remainder of the 2019/2020 Plan during the Covid-19 lockdown.

9. As a result of the reduced Plan, the Internal Auditor was unable to issue an overall audit opinion. The Committee was advised that there had been 2 internal audit reports in 2019/2020, with a total of 6 recommendations made. A further 3 reviews were still to be completed, including any follow-up work.

10. A governor enquired as to whether there had been an equivalent reduction in fees for 2019/2020. The Internal Auditor reported that billing was undertaken on a quarterly basis and, therefore, the College had not been charged for the last quarter.

## **INTERNAL AUDIT 2020/2021 PLAN**

11. The Internal Auditor presented the draft Internal Audit Plan for 2020/2021 and the associated fees.

12. The proposed Plan included three internal audits from the 2019/2020 plan, namely Examination Process; Human Resources – Staff Sickness and Wellbeing and the Follow Up of previous recommendations..

13 The Committee asked when apprenticeships would be covered by the Plan. The Internal Auditor reported that only advisory audits had been undertaken in this area in the past and that RSM was unable to issue an opinion on apprenticeship provision due to ESFA regulations.

14. In response to a question about whether the plan should include some assurance over the financial framework, the Internal Auditor responded that RSM was satisfied that finance had been thoroughly audited in 2019/2020 through the internal audits of – Income & Debtors and Purchase Ordering & Supplier Payments, and the Financial Strategy and Sustainability Framework audit. The proposed audit for 2020/2021 on the Examinations Process would also cover some financial aspects.

15. A governor pointed out that, in line with the new Post-16 Audit Code of Practice featured under a later agenda item, colleges registered with the Office for Students would be required to comply with the OfS Accounts Direction, including the provision of an audit opinion on the appropriate use of funds. The Internal Auditor was asked whether this should be included in the Plan.

16. The Principal responded that the College's HE provision was already subjected to several audit and quality assurance processes, such as the Quality Assurance Agency for Higher Education (QAA), the Higher Education in Further Education Students (HEIFES) annual return and the annual statement to the Board on the monitoring of HE Quality and student outcomes (as required by the OfS). The External Audit Plan for the 2019/2020 Financial Statements also included additional work on the funding requirements of OfS.

16. A governor asked if the savings from 2019/2020 could be used to expand the number of areas for internal audit in 2020/2021. The Principal explained that the current 2020/2021 Internal Audit Plan comprised 35 days of work to produce an overall audit opinion. Management felt that staff were already dealing with the heavy disruption and adaptation of processes due to COVID-19 and it would not be feasible to introduce any additional audits at this time. The Principal also confirmed that the College had maintained internal audit to provide continued assurance, following the sector no longer being required to do so.

17. Cyber security frameworks for FE colleges was a high priority within the sector, following several recent ransomware attacks in the North West.

18. **Resolved** That the Board be **RECOMMENDED** to approve the Internal Audit Plan for 2020/2021 and to delegate to the Committee the ability to amend the Plan during the year should the need arise

**Paul Haydock left the meeting at this point.**

## **MANAGEMENT ACCOUNTS**

19. The Committee received for information the Management Accounts as at 31<sup>st</sup> May 2020 (which had been reviewed by the Board of Governors on 15<sup>th</sup> July 2020) to monitor the solvency of the College, in accordance with the Committee's terms of reference.

20. The Deputy Principal explained that the Management Accounts that were presented to the July Board had been produced during lockdown when the full impact of Covid-19 had not been assessed. Hence, the management accounts had reflected a cautious view of the College's finances and had not included the increase in 16-18 learner numbers that had been achieved in 2019/2020. The impact of this growth would not materialise until 2020/2021.

21. Staff and students had adapted well to the new, blended learning model and staff cost savings had been made due to agency workers being furloughed during the lockdown period.

22. A governor enquired about the staffing implications of having smaller class sizes due to the need to socially distance. The Principal responded that costs were likely to increase.

23. As the initial lockdown occurred during Term 3, the majority of students had already gained significant knowledge or skills within the academic year for their qualification or area of study. However, it was noted that any disruption for the whole academic year could have more of a detrimental impact on levels of learning and overall performance.

24. The Deputy Principal highlighted that there was likely to be a large increase in pension service costs and further Covid-19 expenditure to cover items such as IT resources and cleaning products, for which the College received no additional funding.

25. A governor enquired whether any lobbying activity had taken place for funding to purchase laptops for students. The Principal advised that she was part of a national sub-committee of the Association of Colleges that was seeking additional funding for colleges from the Government. In the meantime, bursary funding had been made more flexible and the College had spent a proportion of its bursary funds on laptops which had been allocated to learners, according to their needs.

26. The College had also received one-off funding from the ESFA which was ring-fenced for catch-up funding for 16-19s who had been affected by lockdown. There was also a capital funding amount allocated.

27. The Financial Controller and the Deputy Principal had recently revised the process for preparing the management accounts, using a zero-based budget approach and making each department an individual cost centre, which would be reported separately within the accounts. A new software system had been implemented over the summer. The annual financial statements audit was currently taking place, with the majority of work undertaken remotely.

28. The Deputy Principal reported that the College's financial health was currently graded as 'Outstanding' as detailed in the papers. The end of year July 2020 accounts would be presented to the Board at its meeting on 28<sup>th</sup> October 2020. However, governors noted that expenditure was likely to be significantly higher in future as a result of the pandemic and there had been no announcements from the Government as to whether additional funding would be allocated to FE colleges to offset these costs. The risk of the pandemic to income, particularly apprenticeships, traineeships and programmes that required travel to learn, was also unknown.

29 For 2019/2020 the College had supported its 16-18 learners effectively during the lockdown period. The adult provision target had been met and growth had been secured for 2020/2021. All higher education learners had completed their qualifications and progressed either to university or employment. Apprenticeship performance had been variable, with some individuals furloughed or on breaks in learning. The College was working with the latter group and any other students to enable them to complete their qualifications.

30 Any disruption in the early part of the academic year could have a significant impact on overall levels of performance, particularly retention.

## **POST-16 AUDIT CODE OF PRACTICE**

31. The Clerk to Governors presented an updated version of the ESFA's Post-16 Audit Code of Practice, highlighting the main changes. The Committee noted the content and was advised that the Clerk would be reviewing the terms of reference to ensure that these aligned with the revised version of the Code.

## **WHISTLEBLOWING POLICY**

32. The Executive Director of People and Culture and the Clerk to Governors presented both the current Whistleblowing Policy and a revised version intended for Board approval. The latter provided an enhanced process for dealing with any whistleblowing issues, whereby the independent Clerk to the Governors would be responsible for investigating any allegations. This would align the College's procedures with a new EU Directive, which would be incorporated into UK law shortly.

33. A governor asked whether an internal member of staff should also be included as a point of contact for any whistleblowing matters. The Principal explained that in any instances, she would be informed of these by staff and, under the revised policy, would then inform the Clerk, the Chair of the Board, the Chair of the Audit Committee and, if appropriate, the Internal Auditors, to ensure transparency.

34. In response to a question regarding staff using the Policy to report a grievance, the Principal explained that the College had a grievance procedure as part of its HR processes and this would be followed in these instances. The Policy would be amended to ensure that staff were aware that, in such circumstances, they should use the Grievance Policy at an appropriate level.

35 Governors were advised that in disciplinary cases only senior postholders could dismiss members of staff, with any appeals submitted to the Principal. Complaints were channelled through the Quality Department, unless they were a HR issues, which was channelled through line management with HR support.

36. The Clerk reported that it was good practice for the Board to receive an annual report on whistleblowing, even when there had been no cases. It was agreed that this would be introduced at the end of the 2020/2021 academic year

37. **Resolved**
- 1 That the Board be **RECOMMENDED** to approve the revised Whistleblowing Policy.
  - 2 That the Committee receive an annual report on Whistleblowing

### **REGULARITY SELF ASSESSMENT 2019/2020**

38. The Deputy Principal presented the Regularity Self-Assessment for 2019/2020. Governors were reminded that this questionnaire was issued by the ESFA and used 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.

39. A governor suggested that the Regularity Self-Assessment should include additional details about the College's Fraud identification processes.

40. **Resolved** That, subject to one minor amendment, the Board be **RECOMMENDED** to approve the Regularity Audit Self-Assessment questionnaire for 2019/2020 and for the final document to be signed by the Principal and the Chair of the Board.

### **RISK REGISTER**

41. The Deputy Principal provided an update on the College's Risk Register.

42. Although the transition to online teaching and learning appeared to be working successfully, student outcomes had not yet been assessed, so the risk continued to be scored as 'high'.

43. Covid-19 measures were embedded into all aspects of the College's operations. The Quality Key Performance Indicators now included monitoring attendance both online and onsite and online lesson observations. The College had also employed additional cleaning staff to enable the controls established as part of the Covid-19 Risk Assessment to be maintained.

44. The Committee noted that the pay to income ratio had decreased during the pandemic, however, the Deputy Principal advised that this was not a true reflection due to some staff being furloughed in 2019/2020 and that the ratio would increase in 2020/2021.

### **MONITORING OF PREVIOUS RECOMMENDATIONS**

45. Governors received a report on the progress of the implementation of previous audit recommendations. There had been no internal audits since the last meeting and one action was still 'open' which was not expected to be implemented until March 2021.

### **ANTI-FRAUD CHECKLIST**

46. 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. It was agreed that the revised Whistleblowing Policy would be added to the list of supporting evidence against the Anti-Fraud checklist.

**AUDIT COMMITTEE SELF EVALUATION**

47. The Clerk presented a draft proforma on the evaluation of the Committee’s performance in 2019/2020. The contents were agreed but it was decided that to include an overall grading of performance was limiting and this element would be removed from the evaluation.

**ITEMS TO BE REPORTED TO THE BOARD:**

48. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 28<sup>th</sup> October 2020:

- The Regularity Self-Assessment, the Internal Audit Annual Plan for 2020/2021 and the revised Whistleblowing Policy were recommended for approval by the Board
- The Anti-Fraud & Irregularity Assessment was received with no issues
- The Committee received for information the revised Post-16 Audit Code of Practice

**DATE OF NEXT MEETING – Wednesday 25<sup>th</sup> November 2020**

**SIGNED:**



**(Chair)**

**DATE: 25 November 2020**