

**Minutes of the Meeting of the Corporation's Audit Committee  
held on Wednesday 21 February 2024 at 4.00pm by Virtual Attendance**

Committee Members	Appointed as	Chair/Vice	Apologies
Emma Milson	External Governor		
Angela Moran	External Governor	<b>Chair</b>	
Peter Phythian	External Governor		Received
Ian Watson	External Governor		
Clare Walters	Co-Opted Governor		

In Attendance			
Steve Kelly	Chief Financial Officer		<b>(CFO)</b>
Richard Lewis	External Auditors (RSM)		<b>(RSM)</b>
Bill Meredith	Principal		<b>(Principal)</b>
Sallyanne Pearson	Director of Governance		<b>(DG)</b>
Stephen Pringle	Internal Auditors (Wylie & Bissett)		<b>(W&amp;B)</b>

*(until : 4:50pm)*

<b>23.22</b>	<b>Welcome and Apologies for Absence</b>			
	Apologies for absence were received, with consent, from Peter Phythian. It was explained that Kirsti Lord (Deputy Chief Executive and Deputy Principal) was absent from the Meeting having also noted her apologies.			
<b>23.23</b>	<b>Declarations of Interest</b>			
(a)	To <b>consider</b> and <b>declare</b> , as required, amendments to the Register of Interest Reference was made to the Register of Corporation Members & Clerk Interests included as part of the Agenda Pack. No amendments to were raised.			
(b)	Items to be raised as part of the evening's business Nothing was raised.			
<b>23.24</b>	<b>Minutes of the Previous Meeting</b>			
(a)	Reference was made to the Minutes circulated as part of the Agenda Pack. To <b>receive</b> and <b>approve</b> the Minutes of the Meeting held on 11 December 2023			
(i)	Non-Confidential The Minutes were approved as a true and accurate record of the Meeting and are to be signed by the Chair.			
(ii)	Confidential The Minutes were approved as a true and accurate record of the Meeting and are to be signed by the Chair.			
(b)	To <b>note</b> the Action Summary and any Matters Arising Reference was made to the Audit Committee Action Summary: 21 February 2024 paper circulated as part of the Agenda Pack. The Committee reviewed the Action Summary and its updates and <b>RESOLVED</b> as follows:			
	<b>Min Ref</b>	<b>Title</b>	<b>Action Point</b>	<b>Person Resp</b>
	23.13(b)	To note the Action Summary and	<ul style="list-style-type: none"> <li>DG to liaise with the Chair of the Audit Committee and provide the</li> </ul>	DG
				Resolved as
				Complete

	<b>consider Matters arising</b>	Internal Auditors with the External Board Report thereafter <ul style="list-style-type: none"> <li>CFO to amend the wording of point 2 of the High-Level Risk Register 2023/24 and the High-Level Risk Management Action Plan 2023/24 to provide clarity around the percentage of inflation and the actions required to manage the same</li> </ul>	<b>CFO</b>	Complete
<b>23.15</b>	<b>Governance</b>	DG to make amendments to the Annual Report of the Audit Committee and liaise with the Chair of the Audit Committee to finalise the Report in advance of the Corporation Meeting	<b>DG</b>	Complete
<b>23.16 (a)(vii)</b>	<b>RSM FE Emerging Issues – Autumn 2023</b>	DG to circulate the Further Education Emerging Issues Autumn 2023 Report to the Corporation	<b>DG</b>	Complete
<b>23.18(a) (i)</b>	<b>Risk Management</b>	CFO to review the High-Level Risk Management Action Plan 2023/24 to ensure that an operational lead/group are clearly identified as being responsible and accountable for the risk and the actions to manage	<b>CFO</b>	Complete
<b>23.18(b)</b>		Typographical error at point 9 of the Annual Report to be amended from 2021/22 to 2022/23	<b>CFO</b>	Complete
<b>23.20</b>	<b>The Freedom of Information Act Policy (2.02)</b>	DPCEO to explore why the Freedom of Information Act Policy was not available for the Committee and seek to ensure it is provided to the next Committee Meeting.	<b>DPCEO</b>	Complete / on Agenda
<b>23.21</b>	<b>Any other Urgent Items</b>	DG to reschedule the next Audit Committee Meeting	<b>DG</b>	Complete
		Angela Moran to write a script for Ian Watson should IT difficulties be experienced when reported to the Corporation on 19 December 2023.	<b>Angela Moran</b>	Complete

**23.25**

**Internal Audit**

Reference was made to the Internal Auditor’s Progress Report dated February 2024 which was included as part of the Agenda Pack.

To **consider** and **receive** a written update on the Internal Audit Programme including discussion around the Corporate Governance Audit

The Internal Auditor explained that, owing to the timings and scheduling of the second round of internal audits, no new internal audit reports were available for consideration. It was noted that internal audits for Budget Setting and Monitoring and Corporate Governance audits had provisional start dates of end February 2024.

The Internal Auditor confirmed that the Budget Setting and Monitoring audit would commence in line with the Assignment Plan but opened discussion on whether the Corporation Governance Audit should be postponed. Extensive discussion on this possible postponement was undertaken.

The Internal Auditor noted that, in line with discussions/actions of the previous meeting, himself and the DG had discussed amending this audit’s scope of work given the recently undertaken External Board Review. It was explained that carrying out a Corporate Governance Audit was likely to duplicate work undertaken by the External Board Review and it was questioned, by the Internal Auditor, whether this provided the Corporation with the best value for its money.

Discussions of the previous Committee Meeting were noted - including the proposal that the Corporate Governance Audit focus on governor recruitment and induction. The Internal Auditors put forward however that this was not a large enough area, in itself, to justify the days allocated to the audit.

The Internal Auditor went on to explain that he had reviewed the scope of work for the External Board Review, the subsequent Report and Action Plan whilst noting that a six-month follow up visit from the External Board Reviewer was yet to take place. It was put forward that, should the Internal Auditor's Corporate Governance Audit commence at the end of February, its resulting Report would be presented at the same Committee Meeting as that of the External Board Reviewer's six-month review. The Internal Auditor put forward the assumption that the External Board Reviewer, as part of the six-month review, would be testing whether actions from the External Board Review had been put in to place. The Internal Auditor explained that he had reflected upon this and what value would be added by undertaking the Corporate Governance Audit at the same point in time and had raised these queries as part of an email to the Chair of the Committee.

**The Committee requested clarity as to when the External Board Review was undertaken and whether it had been provided oversight of the External Board Review and its resulting Action Plan.** It was confirmed that the External Board Review had commenced in early 2023 with the External Board Report and Action Plan received and approved, in full, by the Corporation at its Meeting on 1 May 2023. It was acknowledged however that the Committee had not received oversight of the External Board Report or Action Plan and that the Committee's composition also contained both co-opted and/or newly appointed Members to the Corporation - who would not necessarily have had sight of the same. The DG confirmed this would be provided to the Committee as a whole and explained that the Action Plan had also been incorporated into the development of a Corporation Development Plan with a view to consolidating/prioritising works across governance as a whole.

**ACTION: DG to circulate the External Board Review and its Action Plan to all Members of the Committee.**

DG

**The Committee challenged whether the External Board Reviewer had been booked in for the six-month review. The DG confirmed he had not but would get this organised.**

**ACTION: DG to book in the six-month review with the External Board Reviewer**

DG

The External Auditor raised, whether, postponing the works of the Corporate Governance Audit would adversely impact on the Internal Auditor's ability to provide an opinion on the College's internal framework and controls and questioned whether an additional area of audit would need to be included. The Internal Auditor confirmed that he would consult with his colleague but that he did not believe that the removal of the Corporate Governance Audit, at this point in time, would adversely impact against this. Discussion continued and it was **RESOLVED** that it was an expectation of the Committee that the External Board Reviewer would review and test the actions put in place as a result of the External Board Report and Action Plan as part of that six-month review which would provide surety to the Committee. Based on this assumption and on the understanding that a six-month report (**Six Month Report**) would be provided to the Committee for review – the Committee noted that it was **ADVISE the Corporation** to postpone the Corporate Governance Audit at this point in time.

It was **FURTHER RESOLVED** that the Six-Month Report be made available to the Internal Auditors who would review it and provide an overview/opinion to the Committee also.

**ACTION: Six-Month review to be undertaken by the External Board Reviewer with subsequent report provided to the Internal Auditors for their consideration and included as part of the next Committee Meeting's business**

DG

Discussion was undertaken around whether to:

- bring internal audit works forward from the 2024/25 timetable;
- introduce a new audit area altogether; or
- forgo the four days of audit (realised from postponing the Corporate Governance Audit) and make the cost saving.

The External Auditors put forward however that the Risk Management Audit, currently included in the Assignment for the 2023/24 period, could potentially be substituted as the Committee demonstrated and evidenced risk management as part of its Committee Meetings. In terms of priorities, the External Auditors explained that forgoing this audit would create a further four days of internal audit which meant eight days (in total) could be utilised on other areas they wished to explore.

Following extensive discussion and with reference to the High-Level Risk Register it was **RESOLVED** that four days of internal audit works would be aligned to each of the following areas:

- (1) student intake (including recruitment, retention, progression) and student achievement
- (2) staff morale

It was **FURTHER RESOLVED** that the Committee would require testing and assurance around the effectiveness of interventions/strategies put in place in these areas of risk. It was **ACKNOWLEDGED** that the timescale, to complete these audits, may extend beyond the final Audit Committee Meeting of the 2023/24 academic year and, if so, would be received at the first 2024/25 Audit Committee.

The CFO acknowledged the same but put forward that Risk Management, as a whole, could not be postponed on a continuing basis and must be addressed in due course.

**ACTION: updated and revised Assignment Plan to be provided to the Corporation at its March Meeting**

**ACTION: Internal Auditors and CFO to draft the scope of the newly introduced audits in readiness for approval by the Corporation at its March meeting**

The Committee challenged why the Audit Plan appeared to have been “backloaded” with no internal audits being provided to the Meeting. It was noted that the timing of the meeting had shifted slightly and it was **RESOLVED** that the internal audit works and the meetings of the Audit Committee be coordinated in the 2024/25 period to ensure an even distribution of reporting.

**ACTION: DG and CFO to ensure the internal audit assignment/timetable aligns to the Audit Committee’s Meeting schedule**

*Stephen Pringle left the Meeting: 4:50pm*

CFO /  
W&B

CFO /  
W&B

DG/CFO

**23.26**

**Financial Statements Auditors**

(a) To undertake the Annual Discussion with the Financial Statement Auditors (in the absence of the Executive)

*The Principal and the CFO left the Meeting at 4:51pm*

The Chair opened discussion and invited conversation with the External Auditor in the absence of the Principal and the CFO.

Key points noted by the External Auditor, included:

**Non-Contractual Termination Payments**

Reference was made to the two non-contractual termination payments which had been made, by the College, outside of its delegated authority from the ESFA and in contravention of the ESFA’s bite sized guidance. It was explained that these two

payments had been brought, voluntarily, to the External Auditor's attention by the Executive Team who had worked openly and collegiately with them. It was explained that retrospective consent for both of these payments had now been applied for, from the ESFA, but this had not, to date, been authorised.

#### Bank Loan Covenants

Reference was made to the forecasted breach, by the College, of its loan covenants and the wording included in the Members' Report and Financial Statements for the year ended 2022/23 (MRFS). The External Auditor commented on the robust discussion and professional challenge undertaken with the CFO around the drafting of the wording to be included in the MRFS. The experienced and knowledgeable approach was noted as positive and the audit process itself as "strong".

The External Auditor invited questions on the points raised. **The Committee referred to the two non-contractual payments made and the retrospective consent applied for. The Committee challenged whether this was indicative of a serious breach in internal controls.** The External Auditor outlined the context noting the reclassification of Colleges, the subsequent and mandatory adherence to Managing Public Money and the "technicality" which had ultimately given rise to the non-contractual payments being made. It was put forward, by the External Auditors, that the regularity breach had occurred at a time when a number of regulatory changes were being introduced across the sector with operational practice having to continue and accommodate the changes on a very short timescale.

**The Committee opened further discussion around the breaching of bank covenants and the inclusion of the "Material uncertainty related to going concern" wording in the Independent Auditor's Report.** The External Auditor clarified that for the year ended July 2023 no technical breach of the bank covenants had occurred but, looking forward, financial forecasting had been indicative that loan covenants would be breached which was impacted further by the drop in student recruitment.

#### Succession Planning

The External Auditor raised the retirement of the current Principal and noted the importance of having succession planning, so far as possible, in place for the role of CFO. The Chair noted the responsibility of the Committee in this regard but added, in light of feedback in its External Board Review, that the Committee also needed to be mindful of its strategic remit and to not become operational.

#### Provision of Service provided by the External Auditors

**The Committee enquired whether the External Auditors were ensuring objectivity in their audit works, at the College, by rotating colleagues to prevent over familiarity/comfortable relationship between the auditor's colleagues and the members of staff at the College.** RSM confirmed that colleagues were suitably assigned and then provided a summarised, contextual overview to the Committee.

**The Committee enquired, for clarity, what the requirements for retendering External Auditors was.** It was confirmed that retendering had to take place at least once every five years. It was confirmed that should the College reappoint RSM, then the College was in its first twelfth month extension following an initial three-year period.

*Richard Lewis left the Meeting : 5:07pm*

*Bill Meredith and Steve Kelly re-entered the Meeting: 5:08pm*

The Chair summarised discussions undertaken with the External Auditor to the Principal and CFO.

	<i>Richard Lewis re-entered the Meeting</i>	
	Discussion was undertaken around re-tendering for Financial Statements Auditors. It was <b>RESOLVED</b> that this discussed at the circa November 2024 Meeting of the Audit Committee to allow for an invitation to tender to be released in January 2025 and thereafter a recommendation to be made by the Audit Committee (at its March 2025 Meeting) for approval by the Corporation at its March 2025 Meeting.	<b>Audit / Corp</b>
(b)	To <b>consider, discuss</b> and <b>advise</b> the Corporation on the:	
(i)	the performance of the Financial Statements Auditors Reference was made to the General Qualitative Performance Indicator Questions Applicable to all Audit Providers questionnaire, provided as part of the Agenda Pack. It was acknowledged and noted that the Committee had not discussed the questionnaire verbatim and Committee Members were invited to review the questionnaire and open discussion. The Committee <b>RESOLVED</b> that there were no areas of concern.	<b>Corp</b>
(ii)	the appointment of the Financial Statements Auditors for 31st July 2024 financial year (2024 to 2025) Discussion was undertaken and the original Letter of Engagement with the Auditors reviewed to ensure accuracy in the term of the service provided by the External Auditor to date. It was determined that any further appointment would be for the first of the twelfth month extension period. It was <b>RESOLVED</b> that RSM be <b>RECOMMENDED</b> to the Corporation to act as its External Auditors for the 2023/24 period. A typographical error of (2024 to 2025) in the title was noted.	<b>Corp</b>
<b>23.27</b>	<b>Audit Recommendations</b>	
	Reference was made to the Outstanding Audit Recommendations – February 2024 paper, circulated as part of the Agenda Pack.	
	To <b>receive</b> and <b>consider</b> an update on Outstanding Audit Recommendations	
	The Committee noted the same and the CFO summarised the paper noting good progress was being made.	
<b>23.28</b>	<b>ESFA: Outcome of Apprenticeship Compliance Testing</b>	
	Reference was made to the ESFA’s Letter to the College regarding the Outcome of Apprenticeship Compliance Testing	
	To <b>note</b> and <b>advise</b> the Corporation on Apprenticeship Compliance Testing	
	The CFO noted that Members were already aware that the ESFA had conducted an Apprenticeship Audit as part of the last academic year. It was explained that the outcome letter had been provided for completeness, to the Committee, which confirmed no funding/monetary clawback from the College. The Action Plan and recommendations were referenced and it was noted that procedural elements raised had been dealt with. It was noted that an Apprenticeship Audit had also been undertaken by the Internal Auditors during the same academic year. The External Auditor confirmed that apprenticeships were of high focus to the ESFA at this point in time. The Committee noted the same and referred to the Action Plan and the reference made in both the “Initial Assessment and Prior Learning / Experience” and the “Training Plan” section that the College “ <i>should [also] undertake a check of your wider population to update this information where missing</i> ”. <b>The Committee challenged whether the “wider population” check took place noting this was large piece of work to be undertaken.</b> The CFO noted that he could not remember the specifics but confirmed that a process had been undertaken whereby a wider population was checked. <b>The Committee challenged whether the Actions and Recommendations detailed in the Outcome Letter were included on the Outstanding Audit Recommendations.</b>	



	<p>Discussion was undertaken. <b>The Committee enquired how many Freedom of Information requests the College received.</b> The Principal confirmed an average of one to two requests a month but noted there was no pattern or trend identifiable. The Committee <b>RECOMMENDED</b> the policy to the Corporation.</p>	<b>Corp</b>
<b>23.31</b>	<b>Any other Urgent Business</b>	
	<p>Ian Watson noted his apologies, in advance, for the 20 June 2024 Audit Committee Meeting.</p>	

There being no further business the Meeting closed at 5:50pm

Signed by

Chair \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_