



CORPORATION

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON TUESDAY 5 OCTOBER 2021 AT 17.00 via TEAMS**

Present: **Members:** Mr J P Casey (JPC) [Chair]
Mr J Barnes (JB)
Fr M Hall (FMH)

Clerk: Mrs J Firn (Clerk)

Invited to attend: Principal / SLT
Director of Finance & Operations / SLT
AM – TIAA
SG – Wylie & Bisset

21/001 Apologies
None.

21/002 Declaration of Interest
There was no Declaration of Interest.

21/003 Minutes of the previous meeting (24 June 2021) - enclosed
The Minutes of the previous meeting were accepted as a correct record and were duly signed by the Clerk on behalf of the Chair (Teams meeting).

21/004 Matters Arising

20/027 ICT Review of Cyber Security

This is currently under review with the IT Network Manager and research is underway. It was noted that no other establishment has a fully managed system (the most costly option), therefore, SLT will approve the IT Network Manager's decision / recommendation to ensure this issue is progressed and will update the Audit Committee on action taken.

The Committee are happy with this action.

All other items recommended to the Corporation for approval were approved.

21/005 Internal Audit Annual Report 2020/21 - enclosed

- (i) An overview of the report was provided: the report details the audit assignments carried out and the number and category of any identified recommendations made.
- (ii) It was noted that there was minimal or no impact on the delivery of the internal audit work throughout 2020/21 as a result of the Covid-19 pandemic.
- (iii) There were 5 audit assignments with a total of 2 important recommendations and 8 routine recommendations made throughout 2020/21.
- (iv) Three assignment reports received substantial assurance and two reasonable assurance.
- (v) ***TIAA is satisfied that for each area reviewed during the year the College has reasonable and effective risk management, control and governance processes in place.***
- (vi) TIAA will share a tracker / spreadsheet released by the ICO in terms of data protection progress.

The Committee accepted the Internal Audit Annual Report 2020/21 and will recommend it for approval to the Corporation at its next meeting.

21/006 Internal Audit Strategy and Audit Plan 2021/22 - enclosed

- (i) The Internal Audit Strategic Plan was considered.
- (ii) The Strategic Plan, the College's Risk Register, and key audit risks within the sector were considered in developing this plan.
- (iii) Key emerging themes identified are: Cyber Security and Information Governance, FE White Paper, Covid-19; Mental Wellbeing.
- (iv) The plan incorporates the GUARD risk analysis format (risk-based approach).
- (v) The Annual Plan (Annex D) for 2021/22 (20 days) is:

| | | |
|---------------|--|----------------|
| Oct-Dec 2021 | HR Recruitment | 3 days |
| Jan-Mar 2022 | Risk Management Framework | 3 days |
| Jan-Mar 2022 | Performance Management and Board Reporting | 3 days |
| Apr-Jun 2022 | Budgetary Control | 3 days |
| Apr-Jun 2022 | ICT Management Controls | 3 days |
| Apr-Jun 2022 | Follow-up | 1 day |
| Oct-Dec 2021 | Annual Planning | 1 day |
| July 2022 | Annual Report | 1 day |
| Oct 21-Jul 22 | Audit Management | 2 days |
| | | 20 days |

This was discussed and agreed.

- (vi) The Director of Finance is happy with the plan for the year, noting that funding assurance is covered by the External Audit.
- (vii) TIAA advise that they have been appointed by the ESFA as the number one provider regarding irregularity, however, there are a number of other internal audit firms that could conduct mock audits, if / as required.
- (viii) W&B referred to significant recent debates over the removal of assurance from the ESFA, thus leading to more work with external auditors, though noting that this is in no means a full funding audit. W&B have a plan in place which is sufficient to cover

off the risk in terms of external audit, however, sample sizes will not be as large as those that would have been looked at by the ESFA.

Q: The Chair asked how selection takes place for a funding audit.

A: W&B advised that it could be random; could be based on risk profile – attached to student numbers / funding / mix of income.

Q: Who would pay for a funding audit?

A: W&B and TIAA were both unsure on this, though, believe possibly no monetary cost to the College.

The Committee accepted the Internal Audit Strategy and Audit Plan 2021/22 and will recommend it for approval to the Corporation at its next meeting.

21/007 External Audit Planning Memorandum 2020/21 (prepared by Wylie & Bisset) - enclosed

- (i) The External Audit Planning Memorandum was outlined. The audit approach is risk based, primarily adopting a substantive audit approach. The format of the plan and the proposed audit is similar to last year.
- (ii) W&B and the Director of Finance met recently.
- (iii) A number of questions were raised with and answered by the Chair under the auditing standards.
- (iv) The plan details key risk areas and the Audit response. W&B confirm that these are sector risks and cover ACOP and auditing standards requirements, i.e., these are standard and form a normal approach:
 - Override of internal controls;
 - Revenue recognition.
 - Financial viability;
 - Pension funding and accounting;
 - Regularity;
 - Impact of Covid-19.
- (v) Wylie & Bisset has risk assessed the following internal control / procedures risk as low:
 - Income;
 - Expenditure;
 - Payroll and related;
 - Fixed assets;
 - Current assets;
 - Current liabilities;
 - Reserves;
 - Prevention and detection of fraud and irregularities;
 - Corporate Governance.
- (vi) The reporting timelines were agreed and are in line with previous years. It was noted that W&B will conduct the audit fieldwork remotely again this year.
- (vii) W&B independence was noted.

- (viii) The fee for 2021 audit is £12,275, plus an additional fee for the additional funding assurance work required as a result of the ESFA removing any level of assurance provided over funding – capped at £2,000. (The fee for 2019 was £12,000).
- (ix) Testing for the funding assurance work will involve a sample of students, picked both by W&B and through College systems, and looking at evidence. Students that fall into various categories will be considered as part of this.

Q: Chair asked about the approach to external audit fieldwork in terms of Covid-19.

A: Intended to be done remotely again; W&B are using a new piece of Cloud based software, which has worked well this year. This may be a hybrid model in the future.

Q: Confirm the date for the final accounts and Annual Report within the planning memorandum.

A: This will be updated to state 15 December 2021.

Q: Query over the change in the ESFA recommendation that the Chair of the Board hears audit recommendations from the auditors.

A: This can be through the Chair attending a meeting at which auditors present. W&B deem it acceptable that appropriate members attend the joint meeting (both Chair and Vice Chair of Corporation) of the Audit and Finance Committees on 8 December 2021.

The Committee accepted the External Audit Planning Memorandum and will recommend it for approval to the Corporation at its next meeting.

21/008 External Audit Letter of Engagement 2020/21 - enclosed

- i) W&B confirmed that this is relatively unchanged, other than a change through ACOP regarding resignations before end of term be notified through the ESFA.
- ii) W&B confirm that electronic signature from the Director of Finance is acceptable, following approval.

The Committee accepted the External Audit Letter of Engagement 2020/21 and will recommend it for approval to the Corporation at its next meeting.

21/009 Auditors' Recommendation Tracking Report - enclosed

The Auditors' Recommendation Tracking Report was considered.

- i) Governor's DBS – moving across to the update service; in hand.
- ii) Payroll reconciliations – will be undertaken as part of year-end accounts. However, the staffing database on Chris21 is an ongoing consideration for HR – update required for next Committee meeting.
- iii) Income and debtors – Director of Finance will be undertaking a full review of the Financial Regulations.

The Committee accepted the Auditors' Recommendation Tracking Report and will recommend it for approval to the Corporation at its next meeting.

21/010 Risk Register and Action Plan (incl. Covid-19 Risk Assessment and Contingency Plan) - enclosed x 3

- i) The Risk Register, which has been recently updated, was considered. The following points were noted:
 - a) The high-risk items are highlighted.
 - b) The Principal reported on an increasing number of emerging student mental health issues, with a potential risk of loss of life. It was agreed that this risk will be incorporated into objective 3 (pastoral system) and it was noted that much support is in place, i.e., additional staffing; support from MindMate.
 - c) The Chair will circulate feedback on the impact and probability of some of the risks for consideration at the next Committee meeting.
 - d) The Director of Finance asked that, in light of Risk Management Framework being on the internal audit plan for this year, the Committee feedback on the Risk Register (i.e., check risks are relevant, format, etc.). **Committee to feedback, by email, to DFO.** This will be an agenda item at the next Committee meeting.
 - e) TIAA will share risk register formats from other establishments with DFO and JPC. TIAA also suggested it may be appropriate for the Committee to consider strategic risks only, with operational risks being monitored by SLT. It was agreed that the Risk Management Framework review could take the form of appraisal, rather than assurance (or be postponed if necessary).
- ii) The separate Covid-19 Risk Assessment and Contingency Plan were considered:
 - a) Both documents follow the Leeds City Council format. The Covid-19 Risk Assessment is published on the College's website.
 - b) The Committee noted the College responded very well to the Covid-19 pandemic. Thanks were noted to all staff.
 - c) It was further noted that the current number of students with Covid-19 is very low and continues to be reported daily.
 - d) Property – forthcoming meeting.

The Committee accepted the Risk Register and Action Plan (incl. Covid-19 Risk Assessment and Contingency Plan) and will recommend them for approval to the Corporation at its next meeting.

21/011

Date of next meeting

Wednesday 8 December 2021, 17.30.

This will be a joint meeting with the Finance & Physical Resources Committee to consider the Annual Report of the Corporation & Financial Statements Year End 31 July 2021.

Due to holidays, the date for the June Audit Committee was agreed as Thursday 30 June 2021 (rather than the 16th June).

AOB

21/012

Appointment of External and Internal Audit Service

- i) Discussion held regarding the term of office for the College's auditors, in line with the ACOP requirement to consider every 5 years, with W&B reporting that most colleges are now adhering to this requirement. TIAA noted that the ACOP only specifies external audit.
- ii) W&B advise that processes and procedures must be in place to show this requirement is met.

The Director of Finance noted the wording in the ACOP stating that there should be tendering exercise 5 years.

TIAA and W&B retired from the meeting at 18.30.

- iii) Discussion continued on this issue. DFO has access to the purchasing framework for audit services with regards to a tendering process and will share this with the Committee. It was suggested that tendering invitations be issued early in the new year, prior to the Audit Committee meeting in March and DFO will produce a draft timetable for consideration at the December meeting.
- iv) PDY raised the question of tendering also for the internal audit service, not the same firm for both.

Following discussion, the Committee agreed to proceed with a tendering process for only the external audit service at this time. The internal audit contract may be extended by a further year if necessary.

There being no other business the meeting closed at 19.00.