

**MINUTES OF A MEETING OF THE CORPORATION’S**

**AUDIT & ASSURANCE COMMITTEE**

**TUESDAY 13 JUNE 2023**

**Held electronically by Teams**

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| **Members [5]:** | \*Hannah Crocker; \*Rebecca King; \*Dan Knight (Chair); \*Nicola Newman; \*Jim Tirrell |
| **In attendance:** | \*Julian Tucker (CFO); \*Vanessa Gifford (Clerk) \*Wendy Cunningham (Deputy Clerk); \*Jonathan Creed (ICCA); \*Craig Sullivan (Bishop Fleming) |

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| **ITEM NO.** | **DETAIL** |  |
|  | **DECLARATIONS OF INTEREST**  There were no declarations of interest **NOTED.** |  |
|  | **APOLOGIES**  There were no apologies for the meeting. |  |
|  | **MINUTES OF THE MEETING HELD ON 14 MARCH 2023**  The Committee **APPROVED** these minutes as a true and accurate record, and also **APPROVED** the open minutes for website publication. |  |
|  | **MATTERS ARISING FROM THE MINUTE**.  The Clerk has provided the Corporation with a report on salary comparisons at different colleges as requested.  Issues relating to Going Concern are still outstanding as the clawback position has not yet been clarified by the ESFA.  The Audit Tracking Register has been updated. The FEC have requested a two year rolling cashflow and the CFO will clarify with them whether or not they are content with the cashflow that has been produced which is completed on a fixed term basis.  Risk Management is now distributed via the Committees and under review. Agreed the approach is working well with more attention focused on each risk at Committee level. The RMG will score risks and report back to the A&A Committee. The CFO will undertake a complete review of the Risk Register and incorporate some clarification relating to the definition of risk and impact, into the register as identified at the recent Q&S Committee. The Clerk and CFO will discuss this in more detail. | **JT**  **VG/JT** |
|  | **INTERNAL AUDIT REPORTS**  **2022/2023**  **Report 07: Key Financial Controls including Performance Reporting and Budgetary Control**  The objective of the Audit review is to provide management and the Audit Committee with an independent assurance opinion that the College has effective and efficient controls governing its fundamental financial systems supporting robust financial management and performance reporting and budgetary control.  As a result of the work undertaken the auditors have provided a **Reasonable Assurance** that the areas of the controlled environment tested are operating effectively with no significant weaknesses. There were four medium recommendations and one low risk recommendation.  The committee noted that only phase 1 of the implementation of the new finance system had been completed at the time of the audit, which related to systems and functions. Phase 2 had not been started and this phase will provide budgetary, fixed asset, year end and end user reporting once it has been fully installed. The CFO and Finance Manager have now implemented a project timetable to track tasks and ensure they are completed in a timely manner.  Cost levels for obtaining quotes are under review by the new CFO to ensure value for money is being obtained in the procurement process.  Reconciliations of the Unit-e and Advanced Financial systems relating to tuition fees will now be undertaken on a termly basis.  The Committee requested assurance that the monthly management account information is useful and meaningful given some of the issues highlighted with the new finance system. The Committee were assured by the CFO that there is no risk with the monthly data it is sound and robust. There have been some issues with the implementation of the new finance system but many of these have been addressed and improvements made.  The Internal and External auditors will discuss the scope of the finance system with regard to IT Controls as this will be part of the external audit at year end.  The Chair expressed some concern over a perceived pattern of behaviour with the College not meeting deadlines or learning lessons from previous audits and continuing with the same behaviour. The CFO assured the Committee that the finance system is fit for purpose and that there is no lack of control, the timetable for the phase 2 implementation of 1st August 2023 will be met. There is a drain on the Finance team but they are coping.  The Committee were delighted by the appointment of the CFO and can see that improvements are being put in place.  The Committee noted the Internal Audit plan for 2023/2024 and the following key points were noted;   * The internal audit plan for next year will focus on the operation of key business systems as the strategic position is being considered elsewhere. * The internal auditor confirmed that the internal audits planned are in line with audits conducted at other colleges. * The IT data security audit was carried out recently and the cashflow is detailed really well in the monthly management accounts. * The area of risk is pertinent as raised at the recent Q&S Committee and discussed under item 4, risks need to be more clearly defined on the risk register. * The FEC has requested that the College undertake an audit on the GSHP project and this will be carried out by ICCA during July. This audit will specifically review the management and governance of the project, relating to key decisions and what issues may have been identified. This request was triggered by the increase in the forecast for electricity useage of c.£500k. Immediate action was taken to reduce this expenditure. * The FEC have asked to see the TOR for this audit to ensure that it produces the outcome they need. The Internal Auditor left the meeting.   It was **AGREED** that the Key Financial Controls internal audit Report 2022/23 and the internal audit plan for 2023/2024 be **RECOMMENDED** to the Corporation for approval. | **JC/CS** |
|  | **EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 JULY 2023**  The external audit plan for the year ending 31 July 2023 was discussed and the following key points were noted;   * The risk assessment and significant risks section was highlighted, which include Fraud in Income recognition and Going Concern. * Revisions to auditing standards have been changed to strengthen auditors responsibilities relating to fraud and identifying and assessing the risk of material misstatement. * Changes relating to the ONS re-classification will be closely reviewed to ensure compliance with new regulations. * Field work will be undertaken in September and October and key areas of focus will be on cashflow and future viability. * The College have received a letter from the ESFA relating to a shortfall on the Audit Opinion of Regularity for the year ending 31 July 2021. The External Auditor was able to refute this statement and the Clerk will inform the ESFA that they were incorrect in their statement. * The ESFA have granted an extension to the end of July for the 2022 year end accounts to be signed. It was noted that the auditors cannot sign off the accounts if they remain unsigned, every effort should be made to sign them if possible. * The external auditors are checking what implications there are around Managing Public Money regulations and the College will need to apply the changes.   The Committee **AGREED**  to **RECOMMEND** the External Audit Plan to the Corporation for approval. | **VG** |
|  | **ESFA PMO – FUNDING ASSURANCE REVIEW**  The Funding Assurance Report for the funding year 2020/2021 was discussed at length and the following key points were noted;   * The Chair was disappointed that he had not been informed of the existence of this report in advance of a recent Corporation meeting. * The Chair requested a written summary of College activity relating to the two ESFA audits outlining action taken between the first and second audit to understand what progress was made. The report must contain what was learnt from the audit findings and what actions were taken to ensure mistakes were not repeated. The Clerk will arrange for the Systems Director to prepare this report and present it to the next A&A meeting. * The total clawback figure is now c.£1.2m. * The Committee agreed that it is vital that there is a learning process from audit outcomes and ensure that the same type and pattern of mistakes do not happen again. | **VG** |
|  | **AUDIT RECOMMENDATIONS TRACKING REGISTER**  The Committee **NOTED** the completed items on the audit tracking register and agreed that they could now be deleted. The CFO highlighted the remaining outstanding items and the key points were noted as follows;   * The cashflow reporting is for 12 months beyond the current year and not a rolling 2 year forecast as requested by the FEC. The CFO will clarify with the FEC exactly how they want the cashflow to be presented. * The new staff appraisal system is being rolled out now and HR will use the system going forward. * The Chair and the Clerk will assist the CFO in producing some corporate level KPIs. * Several recommendations from the Key Financial Control audit have already been completed.   The Committee agreed that there was a significant improvement in the Audit Tracking Register and it was noted that the Committee were very pleased with the CFO’s level of confidence and discipline. Any negative comments were not directed at the current CFO. The Deputy Principal has made a big impact on the Curriculum and the CFO is doing the same in finance. | **JT**  **DK/VG** |
|  | **COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME**  The Committee reviewed the Terms of Reference and Work Programme and **RECOMMEND** themto the Corporation for approval. | **VG** |
|  | **RISK MANAGEMENT**  No changes have been made to the format of the Risk Register the CFO will undertake this revision but has not yet had a chance to do so. The comments made above from the Q&S Committee have been noted. More clarity will be provided between the risk and the impact.  The Committee **NOTED** two new risks have been added relating to Bank Security on the Estate and inflation.  This continues to improve as the workload has now been spread across the Committees. The Board assurance cannot all be green and the CFO will adjust this as part of his review.  The CFO will be chairing the RMG from now and will ensure that the group agree a format that is workable and that meetings are held regularly and not postponed. | **JT**  **JT** |
| **10.** | **ANY OTHER BUSINESS**  The Committee discussed their role in this Committee and how well it was working. It was agreed that the appointment of the CFO will continue to strengthen the Committee. The Committee does challenge information presented to it and it is important that this continues and considers that it is firm but fair. Critical issues need to be highlighted and it is the job of Committees to identify these.  The Committee felt that it would be helpful to identify some non-financial risks such as data and H&S and review them. The Systems Director will be invited to the next meeting to discuss the ESFA audit and this can also provide an update on MIS. |  |
| **11.** | **2023/24 COMMITTEE DATES**  The Committee dates for 2023/24 will be distributed in due course. | **VG** |
|  | The meeting closed at 17.45 with no further business |  |

**APPROVED 21 November 2023**