



**MINUTES OF A MEETING OF THE CORPORATION'S
AUDIT & ASSURANCE COMMITTEE
TUESDAY 16 JUNE 2020**

Held by Microsoft Teams due to Covid-19 at 4pm

Members [5]:	*Henry Cox; *Rebecca King; *Dan Knight; *Graham Ledden (Chair); Andy Stillman
In attendance:	*Tom Barlow (Deputy Principal Finance & Commercial Services) (DPFCS)); *Vanessa Gifford (Clerk) *Richard Bott, *Carol Davey and *Joe Barnfield (Mazars) *Jonathan Creed and *Patrick Clark (ICCA) *Ollie Symons and *Nicky Porter (KMC – SMT Members observing for CPD)

ITEM NO.	DETAIL	
1.	<p>DECLARATIONS OF INTEREST</p> <p>This meeting was carried out using Microsoft Teams due to Covid-19, and all attendees were introduced and welcomed to the meeting.</p> <p>There were no declarations of interest NOTED.</p>	
2.	<p>APOLOGIES</p> <p>Apologies for absence were NOTED Andy Stillman.</p>	
3.	<p>MINUTES OF THE MEETING HELD ON 24 MARCH 2020</p> <p>The Committee APPROVED these minutes as a true and accurate record, and also APPROVED the open minutes for website publication.</p>	
4.	<p>MATTERS ARISING FROM THE MINUTES</p> <p>The following matters arising were NOTED:</p> <ul style="list-style-type: none"> • The DPFCS advised that the VAT claim was currently awaiting the outcome of the Colchester case which was due 2/3 July 2020. Therefore he did not expect the KMC case to be resolved by the end of the financial year but was optimistic that it would be before the end of year audit. • It was noted that the LEP bid of £126K for IT infrastructure work had been approved and the funding was awaited. 	

5.

INTERNAL AUDIT REPORTS

01:19/20 Corporate Governance

The review had included a structural review of the governance framework, including the composition of the Board, Standing Orders, Instrument & Articles, membership, skills, attendance, and reporting, but also considered the College's Risk Management arrangements, from the perspective of Governor ownership, challenge and oversight. When completing the assessment, the auditors drew upon recent governance guidance and recommendations issued to the sector.

As a result of the work carried out, the Auditors provided management and the Audit & Assurance Committee with **Substantial Assurance** that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. There was one low risk recommendation and one advisory.

It was agreed that this was a good report, and the Committee was pleased to have one report completed under the current circumstances.

Update

The following reports had been agreed in the Audit Plan for 2019/20 and the current position was **NOTED**:

- **Funding Audit:** ICCA had received the KMC ILR and a sample had been selected and returned to the college. This review would be carried out as a mock approach of the ESFA although the sample size would be smaller. In the auditors experience he considered the sample to be sufficient to identify any issues.
- **Follow up:** the Clerk had sent all the information required and ICCA was starting to track implementation.
- **Financial Planning and Budgetary Control:** it had been agreed that due to the change of DPFCS this would be postponed until later in the summer and focus on 2020/21. The current DPFCS had inherited the budget for 19/20 and was now concentrating on the re-submission of the Integrated Financial Model (IFM) and drafting the Budget for 20/21. The Committee was content with this action.
- **Sub-Contracting:** the DPFCS advised that he had reviewed the current contracts and noted that an audit was required if the aggregate was greater than £100K. He reported that Apprenticeships was well under this amount, but AEB did go over the limit, so would require auditing. ICCA advised that this would be a desktop approach to ensure that the appropriate arrangements were in place and there was transparency. It was confirmed that this was an ESFA requirement and a certificate had to be signed for submission. If requirements had not been met an Action Plan would be implemented. The certificate had to be submitted to the ESFA by 31 July 2020, and the Audit Report would only have to be submitted if requested. It was ICCA's intention to conclude this report and then report to the November meeting of the Committee. The auditors confirmed that they would be working over the summer and this would not be problematic.

The Committee questioned whether there should be any further actions to assure the Committee that the College was responding to the current pandemic adequately. The Auditor advised that there were no specific legal requirements and colleges were dealing with this in different ways. It was suggested that some of the bigger risks would impact 2020/21 eg Recruitment. There was a level of doubt for all colleges. Allied to that would be student retention with the online

	<p>curriculum delivery and the costs associated for the different delivery models.</p> <p>Other risks that had been carried out by other colleges were:</p> <ul style="list-style-type: none"> • Key financial controls with remote operations especially purchase ledger and payroll; • Re-opening plan - ICCA advised that there were not health & safety consultants and would only advise whether colleges had followed the guidance. <p>It was agreed that the Committee would consider the Audit Plan for 2020/21 when there was more information to ensure that sufficient areas were covered to identify the risks of Covid-19.</p> <p>The DPFCS advised that the immediate impact of Covid-19 was on commercial income and the new IFM would highlight all the risks, with nothing being clear at the present time. It was acknowledged that KMC was unusual, and the mix and balance of curriculum v commercial was different to other colleges. It was noted that 16-19 funding had been confirmed for 2020/21 and if there was a decline in numbers this would impact 2021/22 due to the lagged funding model.</p>	
6.	<p>EXTERNAL AUDIT</p> <p>Audit Strategy for the year ending 31 July 2020 inc Engagement letters for KMC and KME Ltd</p> <p>The External Auditors confirmed that these were strange times for everybody, however the responsibilities for external audit of the accounts for the year ending 31 July 2020 would be:</p> <ul style="list-style-type: none"> • Audit opinion • Going Concern • Fraud • Regularity <p>Mazars advised that there would be a big focus on 'Going Concern'. Earlier guidance had already suggested more focus but the current pandemic had exacerbated the situation. Senior management were encouraged to review how long the college could survive with no income.</p> <p>Every set of accounts would include a section regarding management's view with an emphasis on matter, and there was a fundamental issue with Covid-19 for all colleges due to the uncertainty and the ever changing picture. The issue could be made easier for colleges as numbers for 2020/21 would be confirmed before the sign-off of the accounts.</p> <p>It was acknowledged that trading income would impact the subsidiary accounts and a more detailed report would be required for sign-off by the Corporation.</p> <p>It was noted that the risk with the Bank Covenants was to ensure that a bank waiver was in place before year end. The DPFCS advised that he had been in discussions with the banks. A piece of work had been completed pre-covid with NatWest and it was pragmatic on a waiver. The situation was less clear with Barclays and the DPFCS was awaiting a response, but he assured the Committee that clear mitigation would be in place. It was confirmed that the AoC was communicating with the ESFA and Auditors about the issues in the sector and all colleges were in the same position, but it was recommended that issues were identified early as the ESFA was unwilling to re-set the deadlines and the college would have to adhere to the original guidance.</p>	

	<p>Mazars advised that it would be interesting to see the assumptions on the valuation of the pension scheme with salary increases being set at 0% the previous year. They advised that there could be slight movement with the McCloud and GMP cases. The DPFCS advised that the discount rate would have an impact.</p> <p>It was noted that there would be additional requirements from the Office for Students (OfS) for HE provision, with some slight changes to the audit report. Auditors had to ensure that FRS funding was utilised appropriately with the OfS being more directive to auditors than HEFCE had been.</p> <p>The Committee AGREED to RECOMMEND the Audit Strategy for the year ending 31 July 2020 inc Engagement letters for KMC and KME Ltd to the Corporation.</p>	
	<p><i>Richard Bott and Carol Davey of Mazars left the meeting.</i></p>	
<p>7.</p>	<p>AUDIT RECOMMENDATIONS TRACKING REGISTER</p> <p>The Committee CONSIDERED the Audit Recommendations Tracking Register and the following points were NOTED:</p> <ul style="list-style-type: none"> • The Committee had previously been concerned that the previous internal audit services provider had accepted the management responses to some recommendations, which the Committee had considered weak. • The DPFCS advised that the Register had not been updated in relation to any actions on the IT Infrastructure recommendations, which had not previously been advanced due to lack of funding or resources. The DPFCS was pleased to update the Committee that since that time the Systems Administrator had left the College and the SMT had made the decision to appoint an IT company, Prodigy Ltd, for three months to review the recommendations and the college systems whilst supporting the College with its IT. Prodigy had completed a lot of the housekeeping initially, which had been detailed in the JISC report. Funding had now been secured from the LEP to progress the infrastructure further. The Committee asked if the JISC Report had been shared with Prodigy and the DPFCS advised that it had and he expected progress to be made. • There had been reference in a recommendation on the role of the Data Protection Officer and the DPFCS advised that it still sat within his role at the present time. SMT was aware of the issues regarding independence but no other person had been identified. The Committee considered there to be an increased risk with data protection with staff working from home and suggested it warranted attention. It was agreed that finding an independent role was an issue in other colleges and there could be the possibility of sharing a resource eg auditors. ICCA advised that they were aware that some colleges had outsourced the provision, but the majority held the role in-house with consideration on the level of independency, avoiding anyone with the day to day management of data in all forms whilst balancing workloads. It was considered that it was not necessary to outsource or recruit but SMT should keep the matter under review, particularly in the current environment with remote working. • It was acknowledged that the DPFCS had inherited the Tracking Register and it was agreed that he would review with the Clerk once ICCA had completed its follow-up review over the summer and present a completely updated document for the next meeting. There were also a number of old recommendations that had been completed. This report would be used as a catalyst for a new report which would be rationalised as the 	<p>SMT</p>

	<p>Committee did not want to see it growing any further.</p> <ul style="list-style-type: none"> It was agreed that a lot of the IT recommendations were crucial, but other very vague. These would be reviewed with Prodigy and actions reported back to the Committee. 	
8.	<p>DEBTORS UPDATE REPORT</p> <p>The Debtors Update Report was NOTED, and the following points made:</p> <ul style="list-style-type: none"> The Committee asked if there was any concern for the debtors at 90+ days and the DPFCS advised that there was nothing in particular and they were being pursued. It was suggested that the 30-60 day debtors had increased but the DPFCS advised that at the present time he was not aware of any issues. The Committee considered that there could be an increasing risk in this area due to the lockdown and the inability of companies to pay. The DPFCS advised that the report did not include student loans and in fact, the Student Loans Company had brought forward its payments which assisted with cashflow. 	
9.	<p>TERMS OF REFERENCE AND WORK PROGRAMME 2020/21</p> <p>It was NOTED that the recommendations of the Governance Review had been included in the Terms of Reference and it was therefore AGREED to RECOMMEND the Terms of Reference and Work Programme 2020/21 to the Corporation for approval.</p>	
10.	<p>RISK MANAGEMENT 2019/20</p> <p>Corporate Risk Register</p> <p>It was suggested that Risk Management had been neglected with the changeover of staff, and the Principal had now reviewed the presented Risk Register. It was agreed that the current financial position and actions relating to Covid-19 had been paramount. The following points were NOTED for the consideration on the Risk Register:</p> <ul style="list-style-type: none"> Data Protection had been deleted from Risk 3. It was agreed to check this with the Principal as this was considered to still be a risk especially in the current pandemic. It was suggested that the risk of a pandemic was within the Register however it did not pick up the risks coming out of Covid-19, or acknowledge the impact in Student recruitment; retention; experience; and outcomes. It was considered that the document could be rationalised in due course. Some items were fundamental however the Register should reflect on the key risks at the time and concentrate on the things that really mattered. It could be that the Top Ten Risks could be identified, however that could possibly miss current risks. It was agreed that the reporting mechanism would be reviewed with possibly a summary established to ensure that the current issues were identified whilst acknowledging the past and future risks. It was agreed that this would be looked at in due course and linked to internal audit reviews. It was requested that the scoring for Risk 1 was reviewed as the likelihood showed as a '5' which was not on the scale. The scoring of the Safeguarding risk should also be reviewed if Data Protection was not included. 	<p>LR</p> <p>TB/VG</p> <p>TB/VG</p> <p>TB/VG</p>

	<p>Risk Management Group</p> <p>The minutes of the Risk Management Group held on 6 December 2019 and 12 March 2020 were NOTED.</p>	
11.	<p>ANY OTHER BUSINESS</p> <p>There was no further business discussed.</p> <p>The Chair thanked everyone for attending the virtual meeting. The Chair advised that he was meeting with the Chair Elect and the DPFCS the following week to catch up on the financial situation. It was acknowledged that this was an interesting time whilst ensuring sufficient cashflow, keeping safe and recruiting students for the following year.</p>	
12.	<p>2020/21 COMMITTEE DATES</p> <p>The following dates were NOTED subject to Corporation approval when there would be some new members on the Committee:</p> <ul style="list-style-type: none"> • 24 November 2020 • 30 March 2021 • 15 June 20210 	
	The meeting closed at 5.30pm with no further business	

ChairDated.....