



**MINUTES OF A MEETING OF THE CORPORATION'S
AUDIT & ASSURANCE COMMITTEE
TUESDAY 15 JUNE 2021**

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

Members [5]:	*John Bullen; Henry Cox; *Rebecca King; *Dan Knight (Chair); *Annetta Minard
In attendance:	*Anna Carvisiglia (Finance Director) (FD)); *Vanessa Gifford (Clerk); *Jonathan Creed (ICCA); *Craig Sullivan and *Lee Vallance (Bishop Fleming) Invited: *Luke Rake (Principal) for the beginning of the meeting.

ITEM NO.	DETAIL	
1.	<p>DECLARATIONS OF INTEREST</p> <p>This meeting was carried out using Teams due to Covid-19.</p> <p>There were no declarations of interest NOTED.</p>	
2.	<p>APOLOGIES</p> <p>Apologies for absence were NOTED from Henry Cox.</p> <p>Auditors from Bishop Fleming were welcomed to the meeting and introductions made.</p>	
3.	<p>MINUTES OF THE MEETING HELD ON 30 MARCH AND 12 MAY 2021</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>There were no matters arising NOTED that were not covered on the Agenda.</p>	
5.	<p>INTERNAL AUDIT REPORTS</p> <p>2020/21 Report 01:2020/21 Student Journey Enquiry to Enrolment</p> <p>The overall Assurance Conclusion for the audit review was 'Reasonable' being fundamental to the College's continuing viability to recruit, retain and ensure all students had clear career and employability pathways. The audit focused on the systems to capture enquiries, interview and assessment processes, application process, and enrolment for 16-18 year old students, to ensure recruitment and</p>	

retention was maximised. It was noted that there were two 'Medium' recommendations.

The following points were **NOTED**:

- The College had exceeded the ESFA allocation which appeared to be common across the sector in the current year, although reductions in Apprenticeships were being noted.
- The College had been consistent with conversion rates from application to enrolment over the last three years.
- There was a significant variation in conversion rates between curriculum areas, and it was recommended that the College should investigate the reasons and look at best practice.
- The retention rate for 2020/21 had improved with students responding well to remote learning.
- The College was currently in the process of revising its internal management reporting framework to create an 'Excellence Framework', underpinned by a set of key performance indicators.
- It was agreed that the management responses were positive.
- The Committee questioned whether there were any further details for the comparisons with the market and asked if the comparisons were in relation to a similar land-based cohort. It was noted that the comparisons were with similar colleges and had excluded 6th form activity. It was ensured that responses were relevant to make them achievable and stretching.
- The Principal thanked the Auditor for a detailed and helpful review.

Report 04: 2020/21 Student Journey Retention and Intervention

The overall Assurance Conclusion for the audit review was '**Reasonable**' and had reviewed retention and timely intervention with students at risk of withdrawal, as this was fundamental to retaining funding and ensuring best outcomes. Particular focus had been placed upon the College's intervention processes when attendance fell below established 'trigger points' at individual student level. Compliance testing was also carried out across each academic area. It was noted that there were three 'Medium' recommendations.

The following points were **NOTED**:

- The College was gradually moving from ProMonitor to Unit E with both systems being common across the sector.
- The hybrid curriculum delivery model that had been implemented in response to the Covid-19 pandemic had developed well.
- Attendance had declined slightly from the previous year but was not dissimilar to other colleges.
- There was a disparity in retention of different academic areas and it was recommended that the College should understand the data better and what was driving and influencing the learners.
- A random test on compliance had been carried. The College should ensure that students were on the right course. A 4-5% attrition rate was normally expected but the current year was showing as 11-12%. All reasons were on file and withdrawals had been managed. It was considered that the issue had been exacerbated due to the inflated GCSE grades for 2020 from schools, and some students should have been on lower ability levels. There were other reasons which came back to the quality of the initial assessment.
- It was agreed that the Management responses were detailed and it was a good outcome, with developments in place to provide monitoring and KPI's.
- It was questioned whether students undertook an exit interview process and the Principal advised that there was a process for every student to ensure that if there were any welfare concerns they were signposted.

	<p>It was noted that the same individual carried out both reviews to ensure continuity. Her background had been Student Services in a college so the processes were understood.</p> <p>2021/22 Internal Audit Plan 2021/22 The Internal Audit Plan 2021/22 was considered, noting that the plan covered:</p> <p>Risk Based Coverage</p> <ul style="list-style-type: none"> • ESFA Mock Funding Audit: it was agreed that it was sensible to carry out this review and with the changes to the Audit Code of Practice was more important for the External Auditor. • Commercial Income: this was scheduled for the third term to allow more normality following the pandemic. • IT Data Security, Infrastructure and Disaster Recovery: it was agreed that this was vital notwithstanding the out-sourcing of provision. • HR Performance Management Framework • Curriculum Efficiency and Teaching Staff Utilisation • Management Information and KPI: this would not be linked to financial information but to the Excellence Framework. <p>Non- Risk Based Coverage</p> <ul style="list-style-type: none"> • ESFA External Assurance Review of Sub-Contracting Controls: this had not been necessary for the last couple of years as the College had not exceeded the threshold. It was not anticipated that it would be required for the current year • Follow Up of Previous Internal Audit Recommendations • Management, Planning and Attendance at Audit Committee <p>The following additional points were NOTED:</p> <ul style="list-style-type: none"> • A cashflow review was currently being undertaken and would be reported to the next meeting. • It was considered that the main areas of risk would be covered by reviews over a two year period, and the Committee was content with the resource available. • It was noted that if there were any emerging issues at any time the plan could be revised, and the Auditors had the capacity and willingness. • It was suggested that a review of capital expenditure could be considered to look at the processes due to the unprecedented funding that could be allocated this year. It was agreed to keep this in scope and on the radar. <p>It was AGREED to RECOMMEND the Internal Audit Plan 2021/22 to the Corporation.</p>	
4.50pm	<i>The Internal Auditor left the meeting.</i>	
6.	<p>ESFA FUNDING AUDIT</p> <p>The Auditor from RSM Risk Assurance Services LLP was welcomed to the meeting and she provided an update to the Committee on the report, which had previously been shared. She thanked the SMT for their help and support during a difficult period and process. The following points were NOTED during the discussion:</p> <ul style="list-style-type: none"> • The Auditor had sampled 60 learners, and as the ILR had been closed, it could not physically be amended to rectify any issues. Audits were normally carried out in year to enable updates to be made, so this had resulted in additional challenges. On closed data the ESFA claimed back any over claims. • The key issues were set out in the Executive summary of the report. There 	

	<p>had been some areas where additional testing had been carried out, causing a lot of work. The summary detailed the issues found, with indicative funding clawbacks.</p> <ul style="list-style-type: none"> • The Principal thanked the Auditor for her work which had been enormous work on both sides. The Auditor had been professional and supportive with the challenging situation. • The report was now in the hands of the ESFA to consider the way forward. • The Principal advised that there had now been changes to process management, recording and delivery by the Apprenticeship Manager, so the College was moving in the right direction, and going forward was where it needed to be. • The Principal considered that a proportional response was required as the ESFA was aware of the issues two years ago, and students had gained their qualifications. This was the first full audit for 9 years, with a new Principal and SMT being appointed within the last 4 years, so there was some negligence on the part of the ESFA for the lack of audit which was a healthy regime for the College. • The results of the Audit had caused interesting repercussions and the Principal had undertaken many conversations with the ESFA, with the full impact awaited. • The Committee considered that from its point of view it had to understand that the issues had been addressed for the current year, especially around evidence. The Auditor advised that the Apprenticeship manager had carried out a lot of work since commencing the role with reviewing enrolment documentation and revised procedures. This year's data had not been reviewed in the sample but theoretically it followed through and should be acceptable. • It was noted that off the job training evidence was not always the College's fault, as it was the responsibility of the learner to ensure that it was recorded in the workplace with sufficient detail. Assessors should pick this up within Progress Reviews to close the loop. • It was noted that other colleges had the same issues, although not as large, and it was agreed that Internal Audit should review to ensure the issues did not re-occur. • The Auditor advised that there was one caveat, that if the College was selected for a review for 2020/21 there could still be some historic issues. • The Principal suggested that a funding audit in September/October 2021 to review the Apprenticeship data logs would probably occur. • It was agreed that the next key step was to review the recommendations to ensure that the Action Plan was aligned to staff for immediate action. It was agreed that the Apprenticeship Manager should be requested to attend the next meeting or request the Quality and Standards Committee to follow up the issues. • The Principal advised that the quantum of the clawback was in discussion by the ESFA. This could be payable within 28 days notice; a plan put in place for repayment; or exceptional support as other local colleges had received. It was agreed that forecasting the quantum of any future audit was not necessary. The Auditor added that the time it would take was not beneficial and the College should wait and if there was another review to focus on that sample. • The Committee supported this and preferred that management addressed the challenges in processes and documentation going forward. <p>In summary:</p> <ol style="list-style-type: none"> 1. The outcome of the negotiations with the ESFA would be awaited, although there were no timescales but the Principal agreed to keep the Corporation updated. 	LR
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	<p>2. An Action Plan would be agreed. 3. The Internal Auditors would ensure that the Plan was carried out.</p> <p>The Committee questioned how much vulnerability the College had around cultural issues. The Principal advised that the reported issues were a combination of staff changes; a shift in ESFA regulatory changes, which required clarification; and cultural issues. The Principal considered that the College was now in a better place with new staff appointments, procedures and policies in place, and the College had learnt from the experience. Actions and accountability were for the department heads and with a new Deputy Principal being appointed this would enable new focus and expectations.</p>	
	<p><i>The Principal left the meeting.</i></p>	
<p>7.</p>	<p>EXTERNAL AUDIT</p> <p>The Auditors from Bishop Fleming were welcomed to their first meeting and thanked the Committee for appointing them. It was acknowledged that the College had a number of challenges and they would provide the necessary support.</p> <p>Engagement Letter for KMC and KME Ltd It was AGREED to RECOMMEND the Engagement letter to the Corporation for approval.</p> <p>Strategy for the year ending 31 July 2021 The Strategy for the year ending 31 July 2021 was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • The details of the Audit Report were highlighted, noting the key changes. This year there was more of an onus on the auditors following the publication of the Post 16 Audit Code of Practice, and a positive statement would be required regarding Going Concern assurance. • The risks that had been identified in initial planning discussions were: <ol style="list-style-type: none"> 1. Management override of controls 2. Fraud in income recognition – tests would have to be considered for validity of income 3. Going Concern 4. Accounting for capital projects and capital grant funding 5. Pension assumptions – these varied year on year. • It was noted that there was new guidance on Going Concern procedures with a positive statement required. There would be more focus on management reaching its own conclusion relating to cashflow. A material uncertainty paragraph would be included mostly around the breach of loan covenants. • The main changes to the Post 16 Audit Code of Practice were NOTED, with assurance by the ESFA removed. The External Auditors advised that this would not be an issue, they would review and understand the College procedures and utilise the Funding Statement to corroborate. It was noted that a Mock Funding Audit by the Internal Auditors would be advantageous. The expectation that the External Auditors would present their finding to the Corporation was subject to further discussion and would be progressed with the Clerk. • It was noted that the template Casterbridge Accounts were now available for download. • The Timetable was noted. • It was understood that the ESFA was drafting guidance to improve accuracy 	<p>BF/VG</p>

	<p>on the ILR and Funding Audits which should be useful in progressing the College's Action Plan.</p> <ul style="list-style-type: none"> • The Committee queried whether the External Auditors envisaged any issues with the end of year audit, bearing in mind that the previous year had been undertaken remotely and had been very challenging. The External Auditors advised that they would follow a hybrid approach and would work with the Finance Team. An interim audit with early samples would be undertaken to ease the pressure at year end. It was agreed that it was inevitable that there would be some issues being the first year but the auditors and the college would work collaboratively to ensure clear transparency. • It was agreed that provision for any additional clawback if there was a further audit was not necessary as it was not easily identifiable and had to meet the auditing standards. <p>It was AGREED to RECOMMEND the Strategy for the year ending 31 July 2021 to the Corporation for approval.</p>	
8.	<p>INTERNAL PROCEDURES</p> <p>The Finance Director advised the Committee that the College had been subject to a successful email scam where two fraudulent payments had been made, which should have been stopped, and had resulted in a total loss of £62K. Bank details had changed on an attached invoice and procedures were not followed to check. It was noted that Disciplinary Procedures had been carried out resulting in sanctions, and one member of staff had since resigned. The Finance Director was disappointed that this had occurred as cyber training had been undertaken three weeks earlier with the Bank, and Financial Procedures had been updated in April with all of the Team being required to read, with verbal confirmation recorded at Finance Team meetings. SMT had worked with the College insurers and £34 had been recovered, however the rest was irrecoverable.</p> <p>The Committee questioned how the 'attack' had been identified and the Finance Director advised that a third invoice was received, which was not expected, which exceeded £100K. The IT Team had carried out a lot of investigation and had been invaluable.</p> <p>It was noted that the sanctions for the staff involved had differed depending on their levels of responsibility, with one resigning of their own accord with immediate effect and no handover, although she had now attended for a few days. An interim Finance Manager had been put in place, who understood the finance software, and he was currently reviewing all items on the balance sheet.</p> <p>The Committee questioned how confident the Finance Director was that this issue had not occurred in other cases. The Finance Director advised that the procedures and policies were all in place and the Internal Auditors were scheduled to undertake a 'Fundamental and Internal Controls' audit early in July 2021. Changes had also been made to roles within the Finance Team and this would be further considered in due course. There had been some work carried out to check payments in the last year.</p> <p>There had been no further action against any person by the Police as it was deemed as 'Fraud' and the case was closed. The Finance Director considered that any further actions were exhausted, as the procedures were not complex, just basic principles.</p> <p>The External Auditor advised that additional procedures would now have to be</p>	

	<p>It was noted that the Committee had been requested to make some decisions on the Risk Register and it was agreed that it could not make decisions on the risk, but to review the framework. It was considered that the Risk Register was too big and should be split into the relevant committee to monitor and to ensure that closer attention was paid to the risks. It was agreed that the Committee would complete a 'deep delve' in certain areas when appropriate, with updates on the 'Red' issues.</p> <p>It was questioned whether Apprenticeships should be at a higher risk due to the recent findings of the ESFA Funding Audit, and after discussion agreed that this was not necessary as mitigation has increased.</p> <p>The RMG Minutes of 25 February 2021 were NOTED.</p>	AC/VG
12.	<p>AUDIT CODE OF PRACTICE</p> <p>The Post 16 Audit Code of Practice was NOTED.</p>	
13.	<p>TERMS OF REFERENCE AND WORK PROGRAMME 2021/22</p> <p>The Committee Terms of Reference and Work Programme were RECOMMENDED to the Corporation for approval, noting that amendments had been made to take account of changes within the Audit Code of Practice.</p>	
14.	<p>ANY OTHER BUSINESS</p> <p>There were no further matters of business raised.</p>	
14.	<p>2021/22 COMMITTEE DATES</p> <p>It was NOTED that dates for 2021/22 had now been drafted, and added to calendars, subject to approval by the Corporation.</p> <p>The Chair added that he considered that this Committee should continue remotely going forward to enable all members to contribute, and this was agreed.</p>	
	The meeting closed at 6.25pm with no further business	

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