



**MINUTES OF A MEETING OF THE CORPORATION'S  
AUDIT & ASSURANCE COMMITTEE  
TUESDAY 23 NOVEMBER 2021  
Held in the Pengelly Room**

<b>Members [5]:</b>	*Hannah Crocker; *Andy Foot; Rebecca King; *Dan Knight (Chair); *Jim Tirrell
<b>In attendance:</b>	*Anna Carvisiglia (Finance Director) (FD)); *Vanessa Gifford (Clerk); *Jonathan Creed (ICCA) (via Teams); Craig Sullivan (Bishop Fleming); *Lawrence Ware (Director of MIS and Systems Integration)

ITEM NO.	DETAIL	
1.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest <b>NOTED</b>.</p>	
2.	<p><b>APOLOGIES</b></p> <p>Apologies for absence were <b>NOTED</b> from Rebecca King.</p> <p>It had been agreed prior to the meeting that Bishop Fleming would not be in attendance as the final accounts were not ready for consideration, and a written update had been provided.</p> <p>The Chair welcomed new members to their first meeting of the Committee.</p>	
3.	<p><b>MINUTES OF THE MEETING HELD ON 15 JUNE 2021</b></p> <p>The Committee <b>APPROVED</b> these minutes as a true and accurate record, and also <b>APPROVED</b> the open minutes for website publication, subject to one minor typographical error being corrected.</p>	<b>VG</b>
4.	<p><b>MATTERS ARISING FROM THE MINUTES</b></p> <p>The following matters arising were <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• Discussions on the quantum of the clawback were still ongoing.</li> <li>• It was noted that Bishop Fleming would present virtually to the Corporation, once the accounts were ready, to comply with the new guidance.</li> <li>• The Chair advised that he would update on the Risk Register later on the Agenda.</li> </ul>	

5.

## INTERNAL AUDIT REPORTS

2020/21

### Report 02:2020/21 HR and Payroll

The overall Assurance Conclusion for the audit review was '**Substantial**' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. There were 2 Low Risk Recommendations and 2 Advisory.

The following points were **NOTED**:

- It was noted that it was unusual for a College to carry out in-house payroll services, and the recommendations mainly related to this. The Finance Director updated the Committee and advised that from 1 January 2022 the College was outsourcing its payroll externally and the HR Team would be liaising on the changeover and then updating on any staff or pay changes going forward. The opportunity for this change had arisen with the resignation of the Payroll Officer and a tender exercise had been undertaken, and the contract had been awarded to the current HR system provider.

### Report 03: 2020/21 Learning Support and High Needs Funding

The overall Assurance Conclusion for the audit review was '**Reasonable**' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. There were 3 Medium Risk Recommendations and 2 Low.

The following points were **NOTED**:

- The Internal Auditor advised that this area was subject to a significant element of funding nationally and had never been given audit focus to any degree across the sector. Prior to Covid the ESFA had started to roll out audits in this area as it recognised that it had not been given insufficient attention previously.
- The Director of MIS and Systems Integration responded to Recommendation No: 3.1 advising that he was fully aware of the Learning Support budget which had been claimed in the past. However, the College had few apprentices who required additional support, as when the student applied and required support they were steered towards an FE programme, as they could be supported better.
- Recommendation 3.2: the Internal Auditor advised that there were no written contracts in place with the local authority which was not unusual, however he recommended that the College pursued if possible.
- Recommendation 3.3: the Internal Auditor advised that it had been quite a task to find a definitive list of funding claimed, therefore the recommendation was around reconciliation and reporting to making it clear.
- Recommendation 3.4: The Director of MIS and Systems Integration confirmed that PDSAT reports were run on a weekly basis as this was mandatory for the ESFA. It was agreed that reports would be shared more widely within the college going forward. The Committee agreed that the management response had shown a breakdown in communication and the Committee was concerned that the 'joining up process' regarding audit recommendations, management responses and subsequent implementation was not robust enough. The Clerk advised that with the support of the Principal's Executive Assistant audit reporting and the tracking register would be managed through them going forward. The Director of MIS and Systems Integration also advised that a new system had been introduced for EHCP's which was reconciled to Unit 4 and this should address the recommendation. The Committee questioned whether these responses

would eradicate some of the recommendations in the report and the Internal Auditor advised that some of the lower risk items had been resolved but this would not change the overall opinion.

- Recommendation 3.5: The Internal Auditor emphasised that if Ofsted required evidence during an inspection the system had to be robust and if a gap was found the inspectors would drill further into the system to try to substantiate funding claims. It was acknowledged that not holding sufficient evidence on file was the root of the ongoing ESFA clawback regarding Apprenticeships and something that the College should take very seriously.

#### **Report 05: 2020/21 Risk Management**

The overall Assurance Conclusion for the audit review was '**Reasonable**' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. There was 1 Medium Risk Recommendation and 4 Low.

The following points were **NOTED**:

- It was noted that the College had separate Risk Register and Board Assurance Framework (BAF) and it was unusual for them to be standalone. The Chair advised that he had met with the Principal to progress this item. It was noted that some of the actions had been allocated to this committee and this should not be the role of the committee, which was in place to review the effectiveness of systems and processes, not create them. It had been agreed to redesign the Risk Register to incorporate the BAF and make it more "usable" document. The Risk Management Group (RMG) would be progressing this work and eventually the register will be able to be filtered by department and relevant committee to make updating and review more effective. It was suggested that this would be actioned in the new year and the Committee expected to see it in use by the end of January 2022 as this had been talked about for a long time and progress was necessary.

#### **Report 06: 2020/21 Key Financial Controls**

The overall Assurance Conclusion for the audit review was '**Reasonable**' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. There was 5 Medium Risk Recommendations and 3 Low.

The following points were **NOTED**:

- It was noted that this report should be read alongside Report 8 as there were common factors, although the audits had been carried out different times.
- The Internal Auditor advised that the back drop to this report was set out in the first section on page 3 and came down to the succession of Finance Directors within the college over the last 2-3 years.
- The Finance Director had accepted the recommendations and advised that the majority had been actioned. She acknowledged the significance and importance of the issues and would accelerate feedback to the internal Auditor, and would meet with him to agree timings.
- The Chair questioned whether, considering the amount of scrutiny that the College was under, was the timeframe for implementing the recommendations swift enough. The Finance Director suggested that it would be difficult to commit to anything more quickly, as resources were required to progress the actions in a timely way. The FEC had now recommended a more regular appraisal system and the Finance Director would be meeting with all her staff before Christmas and setting objectives and priorities. The Chair acknowledged that a key theme coming from the FEC was that there were some good ideas and intentions but these are not being actioned fast enough.

**AC/  
ICCA**

	<ul style="list-style-type: none"> <li>It was agreed that there should be an interim follow up on this report as a supportive exercise in the Spring Term and the Clerk would liaise with the Finance Director to see whether any existing audit time within the plan could be reallocated to enable the follow up within the existing budget. It was acknowledged that the Finance Team was in transition and many of the recommendations were symptomatic of the instability within the team over recent years. The Finance Director was confident that there was no reason why the actions could not be implemented, although there were still two vacancies that had not been filled and the team was not yet complete. The Chair suggested that interim appointments should be put in place and additional resource engaged to ensure that actions were implemented as soon as possible.</li> </ul> <p><b>Report 08: 2020/21 Follow Up</b></p> <p>The overall Assurance Conclusion for the follow up was '<b>Substantial</b>' and progress in implementing the previously agreed internal audit recommendations had been timely and effective. In total, 14 recommendations had been followed up during the review and the Internal Auditor confirmed that:</p> <ul style="list-style-type: none"> <li>12 (86%) of the previously agreed recommendations were found to have been fully implemented by management; and,</li> <li>2 (14%) of the previously agreed recommendations were found to have been partially implemented by management.</li> </ul> <p><b>Report 09: 2020/21 Cashflow Forecasting and Bank covenant Monitoring</b></p> <p>The overall Assurance Conclusion for the audit review was '<b>Reasonable</b>' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses, with 1 High Risk Recommendation.</p> <p>The following points were <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>The Finance Director advised that it had taken 12 weeks for the historic postings to be reviewed, with over 10,000 entries checked. Most had been adjusted or reversed within the ledgers and until this had been completed work on the final accounts could not proceed. It was considered to be critical to have a clear balance sheet at year end on which to base the forecast outturn for the current year and this was agreed. The Finance Director was asked what the net impact of this work was on the accounts and she could not recall the specific value, however confirmed that it was positive, with historic liabilities derecognised and a credit posted to the I &amp; E account.</li> <li>It was acknowledged that cashflow reporting was now acceptable and the earlier risk had been that the Finance Director had not yet known the College well enough to provide accurate forecasts, although the framework had been in place.</li> </ul> <p><b>Internal Audit Annual Report 2020/21</b></p> <p>It was noted that this document was not submitted to the ESFA, but was a standard document providing a summary of the year, and was key to the overall opinion in the final accounts.</p> <p>Based on the work undertaken during the year, the implementation by management of previous internal audit recommendations, and with the exception of the operation of its Key Financial Controls, including Cashflow Forecasting and Bank Covenant Monitoring, the auditors provided the Audit &amp; Assurance Committee and Corporation with Reasonable Assurance that Kingston Maurward College's governance, risk management, and systems of internal control were operating adequately and effectively, and that there were no instances where any</p>	<p><b>VG/AC</b></p>
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	<p>breakdown of control resulted in a material discrepancy. In the auditor's opinion, the College had adequate and effective governance, risk management, and with the exception of Key Financial Controls, including Cashflow Forecasting and Bank Covenant Monitoring, systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness. With the exception of one 'high priority' recommendation raised within Report 09.20/21 Cashflow Forecasting and Bank Covenant Monitoring and the Application of, and Compliance with, Key Financial Controls, no significant control issues were identified in 2020/21 as a result of the work undertaken.</p> <p>The Committee reviewed and assessed this opinion and included in its Annual Report to the Corporation. The exception was noted seriously and it was agreed that the Finance Director should make an interim appointment to accelerate progress. The Chair questioned the Internal Auditor on how often a caveat was included reports and he advised not often, and the College was the only one this year, although there had been others in the past. It was agreed that the College was experiencing the outcome of having had several Finance Directors over short period and additional resources were required to accelerate the recommendations.</p>	
4.30pm	<i>The Internal Auditor left the meeting.</i>	
6.	<p><b>UPDATE ON END OF YEAR ACCOUNTS 2020/21</b></p> <p>The Finance Director advised that the completion of the final accounts had been delayed due to the review of historic postings in the balance sheet, and there were too many anomalies to progress without this having been completed.</p> <p>The update from the External Auditor was considered with the key accounting discussion points, with updates from the Finance Director, being:</p> <ul style="list-style-type: none"> <li>• The outcome of the VAT case: it had been agreed that £600K would be included as a debtor in the accounts following discussions with the VAT consultant as it was now probable that it would be repaid by HMRC.</li> <li>• Agreement of banking facilities: the Finance Director advised that a waiver had been agreed with Barclays, subject to security being provided. It was suggested that the F&amp;R Committee should consider how the college ownership deeds are proposed to be split to facilitate the required security. It was noted that the Principal was continuing discussions with NatWest Bank to provide an overdraft facility and, separately, the consolidation of the Barclays loan. NatWest required the updated forecast due on 15 December to proceed with the negotiations.</li> <li>• Outcome of the ESFA clawback on Apprenticeship funding: the auditors had agreed that this would be contingent liability as the quantum of the clawback had not yet been confirmed.</li> <li>• Receipt of the revised financial forecast due on 1 December 2021</li> <li>• Outcome of the land sale</li> </ul> <p>The Chair emphasised that the consideration of 'Going Concern' required careful consideration, as 'Going Concern' had to be considered for the 12 months following the approval of the accounts, and there were still some significant questions on outstanding issues. It was agreed that due to the uncertainty around the cashflows associated with the key accounting discussion points, the College should apply for emergency funding from the ESFA for the pinch-point in the cashflow in March 2022.. It was noted that the ESFA was aware of the issues.</p>	<b>F&amp;R</b>

	The Committee was content with the findings on the Fraud case and pleased with how the College had handled it. The Committee was assured that processes were in place and relied on the external assurance.	
<b>7.</b>	<b>AUDIT &amp; ASSURANCE COMMITTEE SELF ASSESSMENT</b>  The Audit & Assurance Committee Self-Assessment was considered and the draft report was <b>AGREED</b> subject to one slight amendment to Point 5.	<b>VG</b>
<b>8.</b>	<b>ANNUAL REPORT OF THE AUDIT &amp; ASSURANCE COMMITTEE 2020/21</b>  It was agreed that the Annual Report would be considered with the Final Accounts as the opinion of the External Auditor had to be included.	
<b>9.</b>	<b>REGULARITY AUDIT FRAMEWORK – SELF ASSESSMENT 2020/21</b>  The Regularity Audit Framework Self-Assessment was <b>RECOMMENDED</b> to the Corporation for approval.	
<b>10.</b>	<b>AUDIT RECOMMENDATIONS TRACKING REGISTER</b>  The Audit Recommendations Tracking Register was <b>NOTED</b> , with the majority of recommendations being from the 2020/21 audits, with many complete. It was noted that the Clerk and the Principal's Executive Assistant would manage this report going forward.	
<b>11.</b>	<b>DEBTORS UPDATE REPORT</b>  The following points were noted on consideration of the report: <ul style="list-style-type: none"> <li>• There had been good progress in key areas and the detail on recoverability would be considered by the F&amp;R committee in due course.</li> <li>• It was agreed that debtors had improved but still required progress.</li> <li>• The Finance Director advised that there was now a new system for transport costs so processes were improving. She advised that a debt recovery firm was being utilised for transport when appropriate.</li> <li>• The Finance Director was questioned whether there were any debtors she considered would not be recoverable and was she providing for them and this was confirmed. She advised that the Debtors ledger would be cleaned by the end of March 2022.</li> </ul> <p>It was agreed that it was more appropriate for this report to be considered by the Finance &amp; Resources Committee going forward, and Work Programmes would be amended accordingly.</p>	<b>VG</b>
<b>12.</b>	<b>RISK MANAGEMENT 2020/21</b>  The Chair had previously updated on work that was progressing on the Risk Register and BAF. He had joined the recent RMG meeting and considered that the work was being taken seriously and underway, and progress should be seen by the next meeting.	
<b>13.</b>	<b>ANY OTHER BUSINESS</b>  There were no further matters of business raised.	

<b>14.</b>	<b>2021/22 COMMITTEE DATES</b> The following dates were <b>NOTED:</b> <ul style="list-style-type: none"><li>• 29 March 2022</li><li>• 14 June 2022</li></ul>	
	The meeting closed at 5.05pm with no further business	

**APPROVED: 6 April 2022**