



**MINUTES OF A MEETING OF THE CORPORATION'S
AUDIT & ASSURANCE COMMITTEE
WEDNESDAY 6 APRIL 2022
Held electronically by Teams**

Members [5]:	*Hannah Crocker; *Andy Foot; *Rebecca King; *Dan Knight (Chair); *Jim Tirrell
In attendance:	*Anna Bowen (Finance Director) (FD)); *Vanessa Gifford (Clerk); *Jonathan Creed (ICCA)(via Teams); *Craig Sullivan (Bishop Fleming)

ITEM NO.	DETAIL
1.	DECLARATIONS OF INTEREST There were no declarations of interest NOTED .
2.	APOLOGIES There were no apologies for absence NOTED .
3.	MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2021 The Committee APPROVED these minutes as a true and accurate record, and also APPROVED the open minutes for website publication.
4.	MATTERS ARISING FROM THE MINUTES No matters arising were NOTED .
5.	INTERNAL AUDIT REPORTS 2021/22 Draft Report 04:2021/22 HR Performance Management <ul style="list-style-type: none"> • It was noted that this was a draft report with the management responses awaited, however the audit opinion was noted as 'Substantial Assurance' that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. Two 'Medium' recommendations were noted and the Committee suggested that there appeared to be a theme of compliance being reported in recent audit reports. Covid was recognised as a contributory factor but this would be monitored going forward. TOR: IT Data Security and Disaster Recovery <ul style="list-style-type: none"> • It was noted that the audit review on IT Data Security and Disaster Recovery

	<p>was being undertaken that week and the Terms of Reference was presented for information. The Internal Auditor advised that an overview of the environment would be carried out to ensure that the College had made every effort to protect itself. The outcome of this audit would be reviewed at the next meeting.</p> <p>It was suggested that a review should be undertaken to ensure that the current external provider was value for money, and the objectives had been achieved by outsourcing. It was agreed that this would be taken up with the SMT.</p> <p>Follow up: Key Financial Controls</p> <ul style="list-style-type: none"> • It was noted that the Chair had requested a follow up on the Key Financial control audit to ensure that essential recommendations were being implemented. • It was clear that there had been areas of focus but some work was still required. There appeared to be a common theme of systems not integrating with each other. • The Chair suggested that clarity was required on Cashflow and the Director of Finance assured the Committee that a plan would be in place and implemented by the end of the academic year. • The Aged Debtor Report was highly skewed by transport debtors that had now been outsourced. Students now dealt with a third party for transport taking the pressure away from the College. It was noted that the majority of outstanding debt was to Dorset Council for High Needs. • Some financial reporting questions were considered around the following issues: <ul style="list-style-type: none"> ➤ Capacity: did the College run the risk of 'collapsing' with the loss of staff within the Finance Team. The Finance Director advised that the Team was still short of 'hours' compared with September 2019 but the salaries of those appointed were higher as they were more qualified and roles had changed. She suggested that there were insufficient staff members within the team at a critical time, although FEC and NLFE benchmarking had considered the Finance Team to be over staffed. ➤ Further Automation was required to alleviate pressure from manual processes. The Finance Director suggested that a new system was required which was a massive project. It was suggested that there had to be a vision to move away from manual processes and should be investigated. It was noted that the current software provider was investigating enhancements. ➤ The Chair questioned the stability of the team and the Finance Director advised that the changes that had been made were positive with more experienced staff and team players. ➤ The Committee was pleased to note the progress with the recommendations and would revisit for further updates on progress. 	AB/VG
5.30pm	<i>Graham Ledden and Luke Rake joined the meeting as Directors of KME Ltd and outstanding items on the Agenda were then taken out of order.</i>	
8.	<p>EXTERNAL AUDIT UPDATE</p> <p>The Committee RECEIVED and NOTED the 'Key Issues for Discussion document' (KIDD) from the External Auditor, and this was considered alongside the next item on the Financial Statements for KME Ltd.</p> <p>Letters of Representation for KME Ltd and KMC</p> <p>The Letters of Representation for KME Ltd and KMC were RECOMMENDED to the</p>	

	Corporation for approval.	
9.	<p>FINANCIAL STATEMENTS FOR KME LTD FOR THE YEAR ENDING 31 JULY 2021</p> <p>The Financial Statements for the year ending 31 July 2021 were CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • The role of the Audit & Assurance Committee was to review the statements after the financial information and the disclosures made. • The External Auditor had advised that the entities of KME and KMC should be split and reported on separate nominal ledger, rather than the same nominal ledger. This had now been carried out. • The External Auditor advised that the Statement of Income and Retained Earnings was not comparable to the previous year as the working documentation was not available from the previous auditors. • The Farm had not been included in KME accounts as the External Auditor advised that it was an educational resource. • The External auditor had engaged with its VAT and tax advisors to ensure that trading activity was included. • The Committee questioned the External Auditor whether he considered that the KME accounts could be approved before the KMC accounts and he confirmed. <p>Going Concern</p> <p>Going Concern was considered and the following points noted during the discussion:</p> <ul style="list-style-type: none"> • It was agreed that detailed evidence on the impact of Covid was required, broad assumptions were not sufficient with the current financial challenges faced by the college. Forecast cash flow, P&L , and Balance Sheet are required, and the Committee advised that detailed narrative setting out assumptions was necessary to ensure that Governors understood how the Going Concern basis has been substantiated. • There was no indication of future cost increases and whether inflation was a pressure especially around utilities. • It was considered that the going concern of KME was intrinsic with the overall college, as it was fundamentally part of the College. <p>Salix Grant</p> <p>The Chair had requested an update on the Salix grant for the Ground Source Heat Pump project to ensure that there were no risks whilst considering Going Concern. The Financial Advisor was thanked for his comprehensive report which was NOTED.</p> <p>Outcome of discussions</p> <p>The Committee AGREED that it could not consider the Going Concern of KME Ltd on a standalone basis. The External Auditor advised that ideally both entities would be considered together but the Going Concern of KME Ltd had to be considered individually as the College could not support KME in its charitable status. The Committee agreed that it was premature to form an opinion and no recommendation would be made.</p> <p>In the circumstance the Clerk was requested to submit an application to Companies House for a filing extension.</p> <p>The Directors of KME Ltd agreed with the decision of the Committee.</p>	<p style="text-align: center;">VG</p>

	UNFORTUNATELY THE MEETING WAS CLOSED AT THIS POINT DUE TO AN ELECTRICITY FAILURE AND THE OUTSTANDING ITEMS CONSIDERED AT A LATER DATE.	
	THIS MEETING OF THE CORPORATION'S AUDIT & ASSURANCE COMMITTEE RESUMED ON WEDNESDAY 4 MAY AT 4PM BY TEAMS	
6.	<p>AUDIT RECOMMENDATIONS TRACKING REGISTER</p> <p>The Audit Recommendations Tracking Register was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • The Finance Director advised that she could only comment on the recommendations that related to the Finance Team. • It was agreed that recommendations should not be allocated to the Committee as its role was to be assured that actions were being undertaken, and not to carry out itself. • It was noted that the Follow Up Audit which was due in the next couple of months would review all actions against the recommendations and a report issued. • It was agreed that the recommendations on the GDPR audit were now out of date but a complete new review was planned for the new academic year. It was agreed to wait for this report. • A full debate on Purchase Orders ensued and it was agreed that a Purchase Order had to be actioned in all cases, even if these were in the form of call-off for emergency supplies and services. There should be a commitment up front to ensure that the budget was not overspent at the end of the year. The Committee was adamant there had to be culture of discipline and accountability in all areas. There was a long standing issue of compliance within the College which had to be addressed as robustly as possible. • A rolling 24 month cashflow forecast was still outstanding. <p>It was agreed that the Committee was not receiving full feedback on the whole report and this would be discussed further with the Principal and GRS Committee, to ensure that the Committee received the information it required.</p>	AB
7.	<p>FINANCIAL REGULATIONS AND PROCEDURES</p> <p>The draft Financial Regulations and Procedures were CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • Regulations Point 9.4: it was agreed that a procedure for the Principal should be included to be signed by the Chair. • Procedures: it was noted that the word 'regularly' was included at various points and agreed that this was vague and a time frame should be identified. • Fraud Response Plan: it was agreed that there should be an obligation to notify the Audit & Assurance Committee of any occurrence. • It was agreed that any changes had to make the processes simple and effective. • It was noted that there were many comments from the Chair of F&R and the Committee Chair questioned whether the Chair of F&R was content with the responses and the Finance Director confirmed <p>It was agreed that all changes would be summarised for Corporation, rather than</p>	AB AB AB

	presenting the tracked changes. Once the above amendments were made it was agreed to Recommend to the Corporation.	VG
10.	<p>RISK MANAGEMENT 2021/22</p> <p>The revised Risk Register and Board Assurance was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • It was questioned how changes would be tracked and it was agreed to investigate with the Principal and the Risk Management Group. • It was agreed that verbal feedback to this Committee on the Risk Register would be helpful and this would be investigated. • It was agreed that the Committee had to ensure that all risks were monitored. The Risk Register was not an exhaustive list of risks, but the main strategic concerns, which the Risk Management Group would administer. • It was anticipated that each Committee would monitor its own risks and this Committee would ensure that the process was effective. • The Risk Register would enable risk to be thought about differently and to be used as a tool. 	<p>AB/VG</p> <p>VG</p>
11.	<p>ANY OTHER BUSINESS</p> <p>There were no further matters of business raised.</p>	
12.	<p>2021/22 COMMITTEE DATES</p> <p>The following dates were NOTED:</p> <ul style="list-style-type: none"> • 14 June 2022 	
	The meeting closed at 5.25pm with no further business	

APPROVED: 10 October 2022