

**EASTLEIGH COLLEGE BOARD  
AUDIT COMMITTEE**

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 10 MARCH 2021, 1700 HRS, USING 'TEAMS'**

**Present:**

Mairead Taylor (Chair)  
Bernie Topham  
Phil Harris-Bridge  
James Heaton Smith

**In attendance:**

Melanie Weston	Southern Internal Audit Partnership
Kevin Jones	Vice Principal Finance, Funding & Management Information
Dr Chris Davis	Clerk to the Board (minutes)

**PART ONE OF THE MEETING**

**A.01.21 GOVERNORS' MEETING TIME WITHOUT SMT**

No matters discussed.

**A.02.21 COMMITTEE MATTERS**

**i Apologies**

There were no apologies received.

Mrs Taylor informed Governors that she had decided not to call the Chief Executive and Principal to this meeting, as she felt there was no requirement for him to provide further clarity to any of the items within the agenda.

**ii Declarations of interest**

There were no declarations of interest, financial or otherwise declared.

**iii Minutes of last meeting**

The minutes of the meeting held on 4 November 2020 were agreed as a true and accurate record.

**iv Matters arising**

All the actions had been completed from the previous meeting or would be covered in a later agenda item.

Mr Harris-Bridge referred to minute A.20.20, i and the College undertaking large capital expenditure against the FE Capital Allocation (FECA) and wanted clarification that work would be completed by 31 March 2021.

Mr Jones said that the ESFA had invited the College to extend the March 2021 deadline for FECA funded building works and with the extension approved these now need to be completed by 30 September 2021.

He confirmed that the works are on-going:

- D Block roof in progress
- Learner Hub, design signed off, tender has been completed, expected start date 22 March 2021
- The College heating system will be addressed in the Summer 2021

Mr Harris-Bridge asked for an update on the Lloyds bank loan and an extension beyond 31 March 2021.

Mr Jones informed the Committee that the contract documents are with the College's lawyers Womble Bond Dickenson, no issues are expected and he hopes that confirmation will be received very shortly.

#### **A.03.21 GOVERNORS' MONTHLY REPORT (January 2021)**

##### **i Financial aspects**

(Commentary on Management Accounts for the period 1 August 2020 to 31 January 2021)

Mr Jones reported that the January 2021 accounts had been completed on the 24 February 2021.

The updated half-year forecast January 2021 is an increased deficit of £460k from the December 2020 forecast of £395k deficit, because of the detailed review of the income and expenditure lines.

He went on to explain that the original budget total income included a realistic reduction in apprentice income to reflect the impact of lockdown on the economy and the employers that apprentices are employed by, and the assumed loss of apprentice income linked to terminating a subcontractor apprenticeship contract.

The half-year update of income forecast has been as detailed based on data recorded in the Student Records database and includes some large movements from the early year forecast.

##### Income lines:

The updated variance is a net decrease of £473k and includes the impact of the approved cancellation of a sub-contract for apprentices as well as the projection based on latest apprentice numbers.

Mr Jones explained some of the variances from the income lines focusing on:

- Grant Funding
- Tuition Fees
- Other Income

##### Expenditure lines

Total budget expenditure is £21,613k, the latest forecast is £20,826k a reduction of £787k this month and is aligned to changes in the forecast to income.

Mr Jones then went on to summarise the expenditure variances focusing on:

- Pay Costs
- Subcontractor Payments
- Operating Expenses

He concluded by drawing attention to the financial health score. He reported that the budget outturn figures as previously reported deliver a financial health score of 120, this is the minimum score to achieve a rating of 'Requires Improvement' and avoid an 'Inadequate' rating. The latest forecast suggests an improvement in the score to 140, which is a mid-scale 'Requires Improvement' score.

Mr Harris-Bridge asked for clarification regarding the £395k forecast deficit; he assumed this was a forecast before the College knew that the lockdown on the 4 January 2021 was going to take place. Considering the two and a half months in lockdown and only reducing the financial position by £65k, he felt this was quite good a good forecast.

Mr Jones said that there would be another review in month 7 to continue to update from the half-year forecast January 2021 and now monthly .

Mr Jones concluded by updating the Committee on the potential repayment to ESFA on the Subcontractor impropriety.

He reported that the College had proposed a three-stage payment process, with the first payment due on the 1 May 2021.

He also said that he had recently been invited to consult with the FE Commissioner's advisor. Mr Jones believes there is a complexity involved over the merger, this might be a discussion around reducing the overall ask of the bid. More news would be forthcoming.

Governors noted the Financial aspects from the tabled Income and Expenditure Account as of 31 January 2021.

## **ii Matters arising**

Mr Harris-Bridge asked as a relatively new governor for insight on the need for the very detailed and complex information provided in the report and for an understanding on how and where Governors used this information.

Mr Jones explained where the relative contents of the report were discussed within the other committees. He said there was a requirement for a further review of the Governors' monthly report to ensure that what was in it, was useful and provided the evidence required of a Governor.

The Clerk said he would discuss this matter with the Chair of the Board and SMT members to get their views on the subject.

Governors felt that the report was a useful document but perhaps needed minor refinement and if possible further streamlining.

**ACTION: CD**

Governors noted the financial aspects and there were no matters arising raised regarding the Governors' Monthly Report, January 2020.

## **A.05.21 AUDIT MATTERS**

### **i Progress Report on Implementation of Recommendations of Previous Audit Reports.**

Mr Jones reported that as a result of the previous meeting a number of recommendations from the previous audit reports had been removed, however there were still two outstanding actions that had not been completed.

Mr Heaton-Smith that with regards to the first recommendation, Debtors and cash income; Debt collection process that as it was going to be added in full in the next iteration of Financial Regulations, that it needed to be completed as soon as possible and removed.

With regards to the second one referring to Bursary funds; he said it was rather unclear what was going to happen within the two-year period and had no real clarity around the action moving forward.

Mr Jones responded by saying that in response to the first recommendation the Financial Regulations would go to the next meeting of the F&GP Committee for recommendation to the Board.

The Bursary funds is more complex, the ESFA accounting process and the means of repaying the money is not clearly defined; he felt that the potential merger could resolve the situation with the need to do a detailed reconciliation at this time.

Mr Heaton-Smith asked for a further summary for clarification to be made alongside the recommendation in the comments column.

**ACTION: KJ**

Governors noted progress on implementation of recommendations made in previous audit reports.

**Confidential item**

- ii Sub-contracting controls assurance, audit report and audit certificate**  
(See confidential addendum).

**End of Confidential item**

**iii Internal Audit reports**

Ms Weston explained that visit one had looked at six business areas agreed in the audit plan:

- Marketing received a 'Substantial' assurance opinion
- Single Central Record received a 'Limited' assurance opinion with five observations raised

The audit reports on four other areas had not been completed because of the issues around COVID-19 and the difficulties with receiving hard-copy documentation during lockdown:

- Contract Management
- Health and Safety
- Work placements (draft issued this week, waiting for the College to consider the draft recommendations)
- Business Continuity

Mr Heaton-Smith asked whether there had been any wider action on the issue of DBS highlighted in the Single Central Record audit checks on staff, especially the new staff, he felt this was a safeguarding risk. Theoretically those without current appropriate DBS clearance shouldn't be working at the College and there was potential of reputational risk.

Mrs Taylor also asked for details of the appropriate actions being taken so that this does not occur again.

Mr Jones said he would follow this up.

**ACTION: KJ**

Mr Harris- Bridge agreed with what previously had been said and expressed his views that Single Central Record is fundamental to safeguarding. He had concerns relating to the action dates which all seemed to be in the past, it would be useful to understand whether these actions had been completed.

Mr Jones responded by saying that if there was a date annotated against the action, then it had been dealt with.

Ms Weston said that when the final report had been issued at the beginning of February, the dates would have been in the future. If the actions had been completed, an updated version would have been produced.

Mrs Taylor felt that what was missing in the report in respect of the action, was precisely what the College was going to do to ensure this situation wouldn't happen again.

Mrs Topham felt that the report highlighted a number of areas that need to be addressed, many of which were mandatory fields and exposed elements of risk.

Ms Weston said that the College will pick up these recommendations through the SMT and an explanation of how the College is responding will come back to the next Audit Committee meeting to sign off, until that time the recommendations will remain on the list.

Ms Weston confirmed that follow up work would take place, with more testing next year to verify the actions had been put in place and working affectively, with a follow up report coming back to Audit Committee.

Mr Heaton-Smith felt that it should be something that the Chief Executive and Principal and his SMT would need assurance on immediately and fixed in the very short term.

Mr Harris- Bridge agreed with the previous sentiment entirely; he also wished to highlight and congratulate the report on Marketing and the 'Substantial' assurance opinion.

Mrs Taylor asked for the concerns of the Audit Committee to be raised with the Chief Executive and Principal and in future if there were any interim updates to a report that had already been issued, then those updates needed to come to the Committee so that Governors were dealing with the latest position regarding any actions.

**ACTION: KJ/CD**

***Post meeting:***

*The Clerk raised the observations of the Audit Committee on the internal Audit report on the Single Central Record with the Chief Executive and Principal in his one-to-one meeting on the 15 March 2021. The Chief Executive and Principal was eager for the Committee to receive a Management response, he therefore asked the HR manager (Mrs Mickiela Blake) to provide a statement of the actions being taken / actions to be taken to resolve these issues.*

*The management response was communicated with the Audit Committee and a meeting with the HR manager was also offered to Committee members to clarify any issues they might have had.*

Governors noted the Internal Audit reports.

**iv Review Performance of the College's Audit Service Providers against Performance Indicators (PIs)**

Mr Jones made Governors aware that the Audit Committee is required under its terms of reference to monitor the performance of the College's auditor service providers (RSM UK Audit LLP). The Committee have previously agreed a set of PIs, against which the auditors' service providers is monitored.

The review of internal audit performance uses the agreed Performance Indicators per appendix B of the Internal Audit Annual Report, which was received by Audit Committee on 4 November 2020.

He reported that all the PIs had been achieved across all areas of both external and internal audit services.

Governors' reviewed the performance of the College's Audit Service Providers against the Performance Indicators.

(Ms Weston retired from the meeting ensuring that there was an opportunity for the Committee to raise any issues that they might have with her. There were no issues raised by Governors or Internal Audit).

**Confidential item**

- v External Audit Tender Process**  
(See confidential addendum).

**End of Confidential item**

**A.06.21 RISK MANAGEMENT**

- i Risk Management Board minutes, 19 January 2021**

Mr Jones asked if there were any questions appertaining to the Risk Management Board minutes, 19 January 2021.

Governors' noted the Risk Management Board minutes, 19 January 2021.

- ii Risk Register Review and Update**

Mr Jones explained that as a result of recommendation made by the Audit Committee at their meeting in November 2020, the Board approved the new College Risk Register and the new approach to risk management within the College. The Risk Register and Risk Matrix will now be presented in a summary form at Governor Meetings to enable more focused discussions of risk.

He said that the full set of risks will be reviewed and rescored at future meetings of the Risk Management Board.

After the Standards Committee meeting on the 10 February 2021, the Risk Register was updated to include an additional column to identify risks matched to the most relevant Committee.

He identified the risk that be believed fitted most closely with the workings of Audit Committee:

- 4. Failure to comply with funding body audit requirement.

The Committee were satisfied that the risk identified was aligned with the work of the Audit Committee.

He reported that the Individual Risk Reports are still being populated and a full set will be provided to Governors when available.

He concluded by saying that the summary College Risk Register has also now been added to the monthly Governors report.

He then asked for Governors' for any views on the gross and net scorings within the register.

Mr Heaton- Smith said that the College has done an incredible job in supporting learners during the COVID-19 lockdowns and perhaps it had been too harsh on itself around the risks to IT systems and Business Continuity.

His second observation was around safeguarding of children and vulnerable adults, he thought it might be worth linking the controls and Audit report to see if the controls were sufficient or being robustly managed.

**ACTION: KJ**

Mr Harris-Bridge thought that the new format was succinct and provided a clear picture, however he drew attention the risk matrix, which he felt provided Governors with a false sense of security, because no time scale was specified, the net risk rating (the difference between where we are now, the risk mitigating actions and the effect of those actions to reduce those risks to a net level). He therefore would really like to see for each strategic risk an indication of 'by when' we are going to the net risk rating.

Mr Heaton-Smith felt that the current risk rating was the current net risk rating, ie after the current controls had been implemented. He felt that standard practice was that the net risk would be the current net risk, not a future net risk.

Mr Jones explained that in terms of this document the gross risk is the current state of the sector and the net risk is reflecting what has been put in place to mitigate against the risk.

Mr Harris-Bridge felt that the definitions needed to be included somewhere within the document for clarity.

**ACTION: KJ**

Mr Harris-Bridge wanted to know where another potential pandemic would fit into all this.

Mr Jones said that it was captured in the individual risk report for risk 14, 'Failure to maintain business continuity including pro-longed periods of restricted access to learning resources'.

The Committee then considered if another risk was required around Environmental Sustainability.

It was felt that this was the wrong 'lens' to focus a risk around the framework of Environmental Sustainability, this should be part of the management plan, sustainability agenda around the College 'brand' and proactivity elsewhere. It was agreed that there was no need for a risk now. Perhaps the way forward would be to take the question back to the Risk Management Board and for them to come back to the Committee with a proposal.

Governors' received the Risk Register Review and Update.

Mr Jones then tabled the individual risk report for risk 4, 'Failure to comply with funding body audit requirement'.

He took the Committee through the headings:

- Triggers
- Consequences
- Controls
- Assurance controls
- Actions to mitigate growing risk
- Mitigations after risk events

Mr Heaton-Smith felt that it was a really good format, balanced and appropriate. He felt that some of the risks (especially around cyber) needed to focus on post-risk mitigation, corrective controls and providing clarity of reducing the impact.

Mr Harris Bridge thanked Mr Jones for his really good work on moving the register forward and looked forward to seeing further progress at the next meeting.

#### **A.08.21 TO CONSIDER**

##### **i Confidential items**

Governors agreed that agenda items 4.ii, and item 4.v would be determined as a confidential agenda item and will be annotated as such within the minutes of the meeting.

#### **A.09.21 DATE OF NEXT MEETING**

**Wednesday 26 May 2021 commencing at 1700 hrs**

Progress report on recommendations of previous audit reports

External Audit Plan –financial year 2020-21  
Annual Internal Audit Plan 2021-22 and strategic Internal Audit Plan 2020-2024  
Review of risk management (including annual review of effectiveness of systems of internal control 2021-22)  
Governors' Monthly Report – updates re Financial aspects and matters arising  
Progress report on recommendations of previous audit reports

**A.10.21 PART 2 OF THE MEETING** (without SMT)

No issues were raised by Governors or Internal Audit.

There being no further business, the meeting closed at 1855 hrs.