

## **AUDIT COMMITTEE**

### **MINUTES OF MEETING HELD ON WEDNESDAY 24 November 2021, 1700 HRS, In Room A018**

#### **Present:**

Mairead Taylor (Chair)

James Heaton-Smith

Alison Caplin

Bernie Topham (using Teams from A.24.21vi)

Paul Cox (Chief Executive and Principal) (for agenda item1 only, using Teams)

#### **In attendance:**

Kevin Jones, Vice Principal Finance, Funding & Management Information

Lesley Heasman – TIAA (Internal Auditor)

Stuart Mckay – MHA MacIntyre Hudson (External Auditor) (using Teams)

#### **A.20.21 See Confidential Minute**

(Mr Jones, Mrs Heasman joined the meeting)

(Mr McKay joined the meeting using Teams)

#### **A.21.21 COMMITTEE MATTERS**

##### **i Apologies**

There was one apology from Phil Harris-Bridge. Bernie Topham had previously apologised for having to join the meeting at a later stage.

##### **ii Declaration of interests**

Governors were reminded that it was their duty to declare any interests financial or otherwise on any of the agenda items. There were no declarations of interest raised.

##### **iii Minutes of last meeting**

The minutes of the meeting held on 26 May 2021 were agreed as a true record of the meeting and signed by the Chair.

##### **iv Matters arising**

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

There were no other matters arising from the previous minutes.

##### **v Review operation of Committee**

The Clerk informed the Committee that this was an annual review of the operation and Terms of Reference of the Audit Committee.

He said he had no further amendments to propose.

The Committee had no questions or proposals to make.

The Audit Committee recommended the operation and Terms of Reference to the Board for approval.

#### **A.22.21 GOVERNORS' MONTHLY REPORT (August/September 2021)**

##### **i,ii Financial aspects and Matters arising**

There were no questions raised by the Committee or matters arising from the Governors monthly report August/September 2021 not already covered or discussed elsewhere in the agenda.

#### **A.23.21 AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD (To Approve)**

Kevin Jones said that the report was an annual requirement of the Joint Audit Code of Practice, covering a summary of the committee's activities for the year under review, including any significant issues arising and any significant matters of internal control included in reports received from auditors or other assurance providers.

It provides the committee's view of its own effectiveness and how it has fulfilled its terms of reference. Also included in the report is the committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness

Kevin Jones invited Stuart McKay (the External auditor) to give his opinion on the report.

Stuart McKay said that there was a requirement within the College's Financial statements section within internal control part and outside of the strategic report. The Committee should report openly about any significant issues arising and any weaknesses in internal controls that have been identified and this is the report that would be used to communicate any issues raised.

He drew the Committee's attention to the internal audit conclusions section and said that the Financial Statements might want to comment of the area graded as 'no assurance' and the work that has gone in to remedying this situation.

The Committee collectively felt that the final conclusion and overall assurance in the report was fair and reasonable.

The Committee endorsed the report and recommended it to the Board for approval.

#### **A.24.21 AUDIT MATTERS**

##### **i Progress report on implementation of recommendations of previous audit reports**

Kevin Jones explained that the paper annotated the progress on implementing the recommendations of previous audit reports. They are tracked until such time that the task has been completed and the Audit Committee has signed them off as being completed.

At the last meeting it had been agreed not to remove anything from the list because of the change of internal auditors. Since that meeting the methodology has been migrated into a spread sheet recommended by TIAA.

He said that moving forwards the aim is to try and satisfy TIAA that the College has achieved the tasks, they will then recommend to the Committee that they have checked as part of an ongoing process, that these recommendations have been cleared rather than one audit once a year.

Kevin Jones asked for the approval of the Committee to remove the completed tasks from the list.

Alison Caplin asked if a single governor has the role of overseeing the Single Central Record (SCR).

Kevin Jones confirmed that the College has a Safeguarding Link Governor (Kerry Matthews) who would certainly challenge and interrogate any issues within this area as part of her Link Governor role.

Alison Caplin went on to ask how governors would know that this was happening.

The Clerk said this would be identified in her termly Link Governor report, which is reviewed by the Standards Committee before travelling to the full Board to receive.

Kevin Jones said that all Governors receive the termly Audit Committee minutes as a follow-up to inform and broaden the knowledge and understanding of the issues that each committee is dealing with. Kerry Matthews would have also seen the report at her meetings with the relevant area managers.

He went onto comment that the SCR issue had been covered in a Management Response to Work Placements Final Audit Report reviewed by the Committee on the 26 May 2021 before migrating to the full Board in July. It was also a later agenda item at this meeting.

Alison Caplin asked for a minute to be added that referred to the need for assurance to be provided regarding the challenge around SCR and that governors were regularly informed of the progress made against the assurance position.

**ACTION: KJ**

The Committee approved the removal of the tasks identified as 'cleared' (green) from the progress report on implementation of recommendations of previous audit reports.

James Heaton-Smith asked that new target dates need to be added where something was overdue.

**ACTION: KJ**

Governors reviewed the Progress report on implementation of recommendations of previous audit report.

**ii Internal Audit report – visit one 2021-22 (TIAA)**

Lesley Heasman covered the two internal audits carried out in the first term of the 2021/22 calendar.

**1. Governance conflicts of interest registers and whistleblowing**

This area received a 'Substantial assurance', with two routine recommendations at priority three, which were not assessed as urgent. These will be added onto the tracker and when the necessary evidence has been provided, they will be removed.

**2. Risk Management – mitigating controls**

This area received a 'Substantial assurance' with one routine recommendation and three operational effectiveness actions identified (suggested, not crucial).

Governors received the Internal Audit report – visit one 2021-22 (TIAA).

**iii Internal Audit Annual Report and Opinion 2020/21 (Final report Southern Internal Audit Partnership)**

Kevin Jones said that this was the final report from Southern Internal Audit Partnership and included all the reports from previous year.

He concluded by saying that the statement of the Annual Internal Audit opinion was used in the Audit Committee Annual report.

Governors received the Internal Audit Annual Report and Opinion 2020/21 (Final report Southern Internal Audit Partnership).

**iv TIAA Eastleigh College Annual Strategy and Annual Plan 2021/22**

Kevin Jones said that this item had previously been talked about at the Committee meeting in May; it has now been agreed with TIAA and covered previously.

Governors approved the TIAA Eastleigh College Annual Strategy and Annual Plan 2021/22.

- v **External Audit progress re 2020/21 closure and associated management report. (To include the External Audit Findings report and the latest draft of the Year End Financial Statements 2020/21)**  
**See Confidential Minute**

Governors recommended to the Board for approval the Financial Statements for 2021/22 including Board oversight – Accounting Estimates (Recommended previously by the Finance and General Purposes Committee), whilst recognizing and being mindful of the process, any further observations and amendments and potential developments.

(Bernie Topham joined the meeting)

- vi **KPI MS9: Minimum Internal Audit Conclusion(s)**

Kevin Jones said that this item was to note. He explained there is a new KPI Minimal Expectations, one which was previously agreed by Governors and this was just a summary.

Governors' noted the KPI MS9: Minimum Internal Audit Conclusion(s)

#### **A.25.21 TO REVIEW**

- i **Fraud risk assessment**

Kevin Jones explained that this was the template that Stuart McKay referred to earlier in the meeting focusing on risk 3 'Failure to Manage the College Finances'.

He asked the Committee if they were comfortable that this is a suitable note that will travel with the Financial Statements to the Board for approval.

James Heaton-Smith asked a question about the College's limited companies, which he said could be ripe for potential fraud. He asked what the awareness and controls were around these areas.

Kevin Jones said that the College is monitoring the spend and felt that in taking this forward the development of processes of the new finance team could look at further analysis into pattern of spend. Kevin Jones said he was quite happy to take this on as an action.

**ACTION: KJ**

Governors' reviewed the Fraud Risk Assessment.

- ii **Ongoing Sub-Contractor Matters**  
**See Confidential Minute**

#### **A.26.21 RISK MANAGEMENT**

- i **Review Risk Management Board minutes 7 October 2021**

Kevin Jones said that this was an item to note.

Governors' reviewed and noted the Risk Management Board minutes 7 October 2021.

- ii **Review Risk 4, 'Failure to comply with funding body audit requirement'**

Mairead Taylor said that this was a risk that had been reviewed by the Risk Management Board at their meeting on the 7 October 2021. The Risk Management Board agreed that the current Gross and Net Risk Rating to be accurate. They had asked to change 'self-assessment' to 'annual reports and area development plans'. There had been no further changes proposed.

Mairead Taylor asked for any further comments / subsequent questions / issues to be communicated through her.

Governors reviewed Risk 4, 'Failure to comply with funding body audit requirement' and were comfortable that that the risk captures everything and that the assurances in the controls as an Audit Committee are working.

**A.27.21 TO RECEIVE**

**i Self-assessment of compliance with regularity and propriety requirements**

Kevin Jones explained that this document travels with the accounts, it is a standard template and very similar to the previous year. Some areas have been tightened compared to the previous year because the Finance Regulations have been updated agreed in July.

Governors reviewed and endorsed the Self-assessment of compliance with regularity and propriety requirements.

**ii Management response to Work Placements Final Audit Report – final**

Kevin Jones explained that this was a report to note and advocated the huge amount of work going into resolving the issues in this area. He said that of course the real test would be in the re-audit by TIAA.

Governors' reviewed and noted the Management response to Work Placements Final Audit Report.

**A.28.21 TO CONSIDER**

**i Confidential items** (confirmation), 1i, 5v and 6ii and the second part of the meeting.

**A.29.21 Date of next meeting 9 March 2022**

Progress report on implementation of recommendations of previous audit reports

Internal Audit report – visit two 2021-2022

Review Performance of External Auditors against PIs

Review Risk management

Regularity Audit SAR

Anti-Bribery Policy

Governors' Monthly Report – including financial aspects and matters arising

**A.30.21 PART TWO OF THE MEETING**

**See Confidential Minute**

There being no further business, the meeting closed at 1925 hrs.