

MINUTES OF THE EASTLEIGH COLLEGE CORPORATION AUDIT COMMITTEE

Meeting	Audit COMMITTEE		
Date	22 November 2022	Time	17.00
Venue	Virtual meeting via Teams©		
Chair	Bernie Topham		
COMMITTEE MEMBERS: Bernie Topham (Vice-Chair); Phil Harris-Bridge; Alison Caplin; James Heaton-Smith			
IN ATTENDANCE: Kevin Jones, Vice Principal Finance, Funding & Management Information; Ra Hamilton-Burns, Governance Advisor; Lesley Heasman - TIAA; Stuart Mckay - MacIntyre Hudson			

1	<p>1.i Appointment of Committee Chair It was agreed that Ra Hamilton-Burns would contact the Committee members to invite expressions of interest in becoming the Audit Committee Chair ahead of the February meeting.</p> <p>ACTION: RHB to contact members in advance of February meeting.</p> <p>1. ii Governors' meeting time without SMT present Stuart McKay reported that the audit had not gone to plan due to the factors listed in item 4.iii which were outside the College's control. It has not impacted on the deadline but has an effect on fees. There were no particular concerns. The future is uncertain, but this is common across the sector in the current climate.</p> <p>Lesley Heasman – had no concerns to share with the Committee.</p> <p><i>Kevin Jones joined the meeting at 17.05.</i></p>
2.i	<p>APOLOGIES FOR ABSENCE There were no apologies for absence.</p> <p>James Heaton-Smith has informed the Chair that he may be slightly late.</p>
2.ii	<p>DECLARATIONS OF INTEREST There were no declarations of interest.</p>

2.iii	<p>MINUTES OF THE PREVIOUS MEETING</p> <p>The minutes of the Audit Committee meeting held on 25 May 2022 were agreed as a true record of the meeting and signed by the Chair.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED THAT THE MINUTES OF THE MEETING HELD ON 25 MAY 2022 WERE A TRUE AND ACCURATE RECORD.</p>
2.iv	<p>MATTERS ARISING</p> <p>Governors asked the following questions:</p> <ul style="list-style-type: none"> • A 21/22 cybersecurity – is there another phishing campaign planned? The College had carried out a third exercise in September 2022 with a marginal improvement with one person failing all three and they have received a formal warning. The College systems are extremely effective, and this is controlling the situation well. • A 29/22 – The minutes stated that health and safety management audit would be brought forward, and governors sought confirmation that this has been done. Kevin Jones reminded the Committee that this will be brought to the Committee in May 2023 by TIAA for the audit plan for 2023/24. <p>It was agreed that all other matters arising had been closed or are being actioned.</p>
3	<p>GOVERNORS' MONTHLY REPORT</p> <p>3.1 Financial aspects</p> <ul style="list-style-type: none"> • The September report had been circulated and identified that the forecast now is aiming for £183k deficit. This is a challenging target but by bringing provision in house the College direct salary cost of delivery is 50% of the income rather than 80% paid to subcontractors. • The College is now able to gauge accurately where they have been able to deliver curriculum as costed. • The move to direct provision from subcontracted, does improve the cash position although the College has ESFA permission to exceed the 25% limit as included in the budget. • Key message from September accounts that the College will go below the £1.5m cash level and potentially breach the covenants. Once this was known, Kevin Jones had immediately contacted Lloyds bank in a Teams call on 11 October 2022. A response in writing is still awaited. • Forecasting is challenging with the move to direct delivery as some amounts are paid in arrears • Many of the issues are due to timing as the money is not lost and is still due to the College • There are savings in staff costs but this is not yet reflected in the forecast which would offset income losses <p>Governors asked if there are any unforeseen impacts on the College from the teachers' pay award. There was no direct impact as College staff are not linked to this pay settlement, there may however be an adverse effect from proposed increased contributions to the LGPS.</p> <p>The Committee asked for clarification on the total reserves line. Kevin Jones explained that the budget was based on a flatline assumption for the y/e actuarial review for LGPS. A recent actuarial review in May 2022 had then moved the underlying deficit from £14m</p>

	<p>to £4m.</p> <p><i>James Heaton Smith joined the meeting at 17.15</i></p> <p>3.ii Matters arising from the governors' report There were none.</p>
4	Audit Matters
4.i	<p>Progress report on implementation of recommendations of previous audit reports Lesley Heasman reported that TIAA had been working closely with the College team on the implementation of recommendations both from TIAA and prior auditors. There has been excellent progress made and evidence has been provided that actions have been taken.</p> <p>There were no questions, and the Committee gave permission to remove the green items which are now closed.</p> <p>Kevin Jones reminded the Committee that the amber item for procurement delay is tied into contractual end dates for the current provider which fall into 2023. The tender process is complete and there is a preferred supplier. An update is awaiting on the IT amber item.</p>
4.ii	<p>Internal audit reports – visit one 2022/23 Lesley Heasman reported on the two internal audit visits carried out this term:</p> <p>Assurance review of HR management and wellbeing – November 2022</p> <ul style="list-style-type: none"> • The overall assessment was substantial assurance • There were no action points and no recommendations <p>Staff had been extremely helpful in responding to the audit team.</p> <p>Correction: Page 4 – Governance Framework should read as 'in place' not 'partially completed'.</p> <p>The Committee offered congratulations to the staff and particularly with reference to the substantial assurance for HR management.</p> <p>Assurance review of safeguarding - November 2022</p> <ul style="list-style-type: none"> • The overall assessment was substantial assurance • There were two routine and one operational action points • The introduction of the hub is extremely positive, and TIAA are now recommending this to other colleges as best practice. • The staff throughout the College were so positive and committed to safeguarding which was encouraging to note. <p>Governors asked how this report relates to the comments made in the Ofsted report which outlines concerns. LH said that TIAA has not had sight of the Ofsted report but the audit visit was evidenced and reviewed thoroughly. BT commented that there may have been different criteria. KJ said that it is difficult to reconcile the two positions.</p> <p>Governors commented that the Search and Governance Committee had asked if there is a mechanism to know if students feel safe. Lesley Heaton said that the audit had</p>

	<p>witnessed learners visiting the hub and self-referring which was a very positive sign. A survey might contribute but is dependent on who responds to it. Kevin Jones reminded members that a learner voice event and a student survey both happen during the year and feedback is reported to SMT. Governors suggested that these reports might be shared with governors.</p> <p>ACTION: KJ to investigate sharing reports from learner voice events and student surveys with governors.</p>
4.iii	<p><i>External audit progress re 2021/22 closure and associated management report (to include the external audit findings report and the latest draft of the year-end financial statements 2021/22)</i></p> <p>MacIntyre Hudson presented the report outlining comments and recommendations gathered during the course of the company's audit of the financial statements of the College. They noted that the audit timetable had been extended due to:</p> <ul style="list-style-type: none"> • A key member of the Group's finance team resigned, and their replacement was recruited during the year. This inevitably led to a loss in institutional knowledge and as a result the production of certain accounts disclosures was delayed. • A management accountant within the finance team left post during the audit process. • An Ofsted inspection and a significant issue the Group's payment-collection provider, WorldPay, occurred whilst we were completing our audit fieldwork, understandably requiring the primary focus of staff. <p>Despite this being outside the College's control there will be implications to the fees. The reports are now in a good position.</p> <p>Stuart McKay took the Committee through the report in detail from a financial statements perspective.</p> <p>Advisory matters – MacIntyre Hudson recommends considering a reserves policy. Governors asked if there is a reason that the College does not have a reserves policy. The response is that the College does not have reserves but has agreed that a policy may be drafted in time for the 2022/23 statements.</p> <p>ACTION: KJ to put in place the process of a reserves policy to be presented by July 2023.</p> <p>AGREED: THE COMMITTEE AGREED TO RECOMMEND THE EXTERNAL AUDIT FINDINGS REPORT AND THE LATEST DRAFT OF THE YEAR-END FINANCIAL STATEMENTS 2021/22</p> <p>Sector updates</p> <p>ISA 315 – there is an update on how to identify risk. Forcing audits to a controls-based approach. MacIntyre Hudson has already adopted this approach for the current audit.</p> <p>Governors noted that the substantial improvement in the deficit from £655k to £105k is very pleasing and presents a very positive picture.</p> <p>Kevin Jones explained that he will provide a bridging statement for the Board between the management accounts to the Financial statements.</p>

4.iv	<p>Pay/holiday/pension flexibility policy audit</p> <p>The Committee was reminded that the College had commissioned an audit to review the flexible pension/pay and holiday arrangements. The TIAA team are working on this, and the audit has gone well. The recommendations appear to be around a default pension box on one of the forms and a date requirement that should be marked HR only. It is expected that this will offer reasonable assurance. A full report will come to the next meeting.</p>
4.v	<p>Audit committee annual report</p> <p>Kevin Jones presented the Audit Committee's annual report to the Board in accordance with the requirements of the Post-16 Audit Code of Practice¹. It was drafted by Fiona Chalk and has been reviewed by Kevin Jones.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO APPROVE THE AUDIT COMMITTEE'S ANNUAL REPORT TO THE BOARD FOR 2021-22 AND PRESENT IT TO THE BOARD.</p> <p>The audit committee offered thanks to Fiona Chalk and Kevin Jones.</p>
5	<p>Risk Management</p>
5.i	<p>Fraud risk assessment</p> <p>Kevin Jones presented the report for information, and it has been updated for this year. It is part of the assurance process in preparing the annual statements.</p> <p>MacIntyre Hudson confirmed that this met the requirements.</p> <p>Governors asked if there are proper controls to ensure college supplies are monitored. Earlier in the year the College had held a robust review of materials held and monitored this alongside expenditure. This exercise will act as a deterrent. In motor vehicle, consumables are locked in a cage for the majority of time. The monitoring of supplies will be revisited when staff capacity allows. Tight budgets are also encouraging lecturers to monitor supplies closely.</p>
5.ii	<p>Review risk management board minutes October 2022</p> <p>Risk management board did not have a governor at the meeting and an Audit Committee representative was sought. Phil Harris-Bridge volunteered and was thanked by members.</p> <p>ACTION: KJ/RHB to send PHB risk management board dates.</p> <p>All risk owners had reviewed their risks and updated them which informed the discussions. Risks have been rescored where appropriate with only minor changes.</p> <p>Risk 4 – Failure to manage the college finances</p> <p>Governors asked if it was appropriate that there had been no change to the risk rating of this item bearing in mind pressures on energy rates, pay, economy. RMB had discussed this and it had been decided that it would not be failure to manage if the situation is tight. Governors said that it falls within the remit of this risk and asked the team to revisit this risk.</p> <p>ACTION: KJ to to feedback Audit Committee concern to support the re-scoring discussion for this risk at the next risk management Board.</p>

¹ [Post-16 audit code of practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/post-16-audit-code-of-practice)

	<p>Governors asked if the College is comfortable with the controls in these key risk areas. There is concern as the position is challenging and FE is one of the least funded sectors. Cashflow is faltering and the College has described itself as being in the 'eye of the storm' in delivering its strategic plan to 2024.</p> <p>A further uncertainty to the sector is the pending decision relating to the public sector status of colleges, it was agreed to use part of the meeting to discuss this in more detail.</p> <p>ONS classification: Stuart McKay summarised the position and had prepared a paper using Julian Gravatt's paper – Accounting Association of Colleges (aoc.co.uk)</p> <ul style="list-style-type: none"> • The outcome is now expected on 29 November and likely that the decision will take FE colleges into the public sector. • The implications of VAT, funding, capital treatment, loans, pensions, pay and severance pay were outlined. • The rules of managing public money contains a must list which is restrictive and non-compliance would lead to a qualified regularity report. • Increased intervention could mean a variety of things on appointment of governors, forced mergers and intervention. <p>Kevin Jones added that there is a potential benefit that this would de-risk the LGPS contribution position with immediate effect. A reclassification would possibly allow the College to persuade Hampshire LGPS not to increase contribution rates. A possibility of writing off the debts of the College would also be very positive.</p> <p>Governors asked why this is being done. RHB explained that the original 1992 decision for incorporation and independence had been reviewed and deemed to be a mistake which had led in the first instance to 'freedoms and flexibilities' and now to this reclassification.</p> <p>Governors asked when it will come into effect. KJ said that some elements will take place immediately and others will take place over the longer term.</p> <p>The Committee noted the report.</p>
6	Policies
6.i	<p>Sub-contracting policy AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE SUB-CONTRACTING POLICY AND FEES TO THE BOARD.</p>
6.ii	<p>Whistleblowing procedure There had been one addition to include 'failure to report'.</p> <p>Governors commented that there are differing semantics which look inconsistent in terms of wording around complaint, allegation, disclosure, concerns etc. The Committee asked for these to be reviewed.</p> <p>Correction: 4.2 – the last line says the SFA but this should read the ESFA</p>

	<p>ACTION: KJ to make the agreed changes to the whistleblowing procedure</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE WHISTLEBLOWING PROCEDURE WITH CHANGES OUTLINED TO THE BOARD.</p>
7	<p>Self-assessment of compliance with regularity and propriety requirements</p> <p>The Committee was asked to confirm that they agree with the RSAQ.</p> <ul style="list-style-type: none"> • The regularity self-assessment questionnaire is received annually at the November Audit Committee. The format is standard and updated each year, so despite the change in external audit provider the questionnaire format is largely the same as last year. • The questionnaire includes minor updates this year including financial regulations approved by Board on 6 July 2022. Many of the policies and procedures referred to in the self-assessment have been updated during the year. • The self-assessment questionnaire is presented as a fair and updated assessment of the College control measures. <p>AGREED: THE COMMITTEE AGREED THAT IT IS SATISFIED THAT THE RSAQ IS AN ACCURATE REFLECTION.</p>
8	<p>Confidentiality of items</p> <p>It was agreed that due to the timing of the approval and publication of the minutes most of the items are not confidential.</p> <p>ACTION: RHB to discuss with PC if Safeguarding audit should be confidential</p>
9	<p>Committee meeting review</p> <p>ACTION: RHB to send it round a survey.</p>
10	<p>Date of next meetings</p> <ul style="list-style-type: none"> • 22 February 2023 • 07 June 2023 <p>The meeting closed at 18.35</p>