

Minutes of the Audit Committee meeting held on Monday 12th June 2023 at 5pm in Conference Room 2, Broadway

Members Present: Liam Butler (Chair)
Wendy Davies
Nirmal Gupta (via Teams) (item 7 onwards)

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG)
Jane Grimshaw (Bishop Fleming)
Louise Jones (Chief Finance Officer) (CFO)
Craig Sullivan (Bishop Fleming) (to item 8)
Neil Thomas (Chief Executive & Principal) (CEP)
Louise Tweedie (RSM) (to item 8)

Committee administrative matters

1 **Confirmation of quorum**

1.1 The Director of Corporate Governance confirmed that the meeting was quorate.

2 **Apologies for absence**

2.1 There were no apologies for absence.

3 **Declarations of interest**

3.1 There were no declarations of interest.

4. **Minutes of previous meeting held 6th March 2023**

4.1 The minutes and confidential minutes of the meeting held on 6th March 2023 were accepted as an accurate record for signature by the Chair.

4.2 **Matters arising**

There were no matters arising.

5 **Appointment of Chair and Vice Chair for 2023/24**

5.1 Liam Butler was appointed as Chair and Wendy Davies as Vice Chair of the committee for 2023/24.

6 **Committee business plan for 2023/24 and meeting schedule**

6.1 The DCG presented the draft business plan for the Committee which provided an indication of business and reports which would be submitted to the meetings of the Committee scheduled for 2023/24. There had been no substantive changes to the business plan from the previous year. Members noted the planned dates for committee meetings in 2023/24.

6.2 **It was resolved** to recommend the business plan for 2023/24 and meeting schedule to Corporation.

N Gupta joined the meeting.

External Audit Matters

7 Plan for external audit of 2022/23 accounts

7.1 C Sullivan and J Grimshaw outlined the external audit plan for 2022/23 accounts, providing an overview of the nature and scope of their audit work and highlighting key aspects of the external audit for both Dudley College of Technology and Transformational Technologies Partnership Limited (TTPL). The key points were noted as:

- Materiality was based on 2% of income.
- Significant risks addressed by the audit would be (DCOT only):
 - Management override of controls
 - Fraud in income recognition
 - Pension assumptions
 - Going concern
- There were revisions to two auditing standards (ISA 240 and 315) which would impact on the level of audit work.
- The audit plan also reflected the changes arising from the ONS reclassification of colleges.
- The interim audit would take place on 14 August with the main audit taking place weeks commencing 2 and 9 October.
- The fee of £37,775 represented an 8% increase on the 2021/22 fee; there were additional costs of £3,000 to reflect the changes required by the auditing standards revisions and the impact of the ONS announcement.

7.2 C Sullivan and J Grimshaw provided further clarification on points of detail in response to questions from members of the committee, in relation to the revised auditing standards and the implications of ONS reclassification with particular reference to the requirement for prior approval of write offs. L Tweedie advised that the minimum level of write offs could be a cumulative figure and L Jones further advised that this was calculated as a percentage of turnover.

7.3 **It was resolved** to recommend the plan for external audit of 2022/23 accounts to Corporation.

8 Fraud and irregularity annual report 2022/23

8.1 The CFO presented the fraud and irregularity annual report for 2022/23. She advised that it was the responsibility of the Audit Committee, as set out in grant funding agreements and contracts with ESFA and WMCA, to establish and maintain an adequate system of internal control, to ensure compliance, and to prevent and detect irregularities and suspected fraud (including theft, bribery and corruption). To achieve this the Audit Committee must establish and keep up to date an effective and proportionate counter fraud strategy, which set out the approach to raising awareness, prevention, detection, investigation and sanction (including seeking redress where appropriate) of suspected fraud. The College had undertaken an annual risk assessment of fraud and irregularity that reviewed all key risk areas, provided commentary on the control framework in place that was designed to prevent fraud, and highlighted where relevant further actions were required. The annual report

set out the results of that risk assessment and addressed other counter fraud matters. The full risk assessment was held in the document library, for members to access.

- 8.2 The report concluded that whilst the control framework was effective, it would be improved further by enhancing existing procedures in some areas, such as agency staff contracts, supplier standing data, stock levels and control measures, credit note authorisation and procurement policies.
- 8.3 In response to a question from the chair, the CFO advised that progress on implementing these enhancements would be reported to the committee in the following year's fraud and irregularity report.
- 8.4 **It was resolved** to recommend the fraud and irregularity annual report to the Corporation.

9 **Subcontracting Controls Assurance Review**

- 9.1 The CFO presented the review of subcontracting controls for 2022/23 which had been undertaken by Mazars in line with ESFA and WMCA guidance. Of the ten standard requirements, seven were found to be fully compliant, with three partially compliant. As a result of this work four areas for improvement (three low risk, one medium risk) were identified in relation to:
 - Providing assurance that apprenticeship provision was delivered solely by a subcontractor.
 - Some discrepancies between the ESFA/WMCA declaration and the data recorded on the ILR.
 - Recording of which elements of the programme were delivered by the College to ensure that the subcontractor did not deliver the entirety of the programme.
 - Evidence that actions set during contract review meetings were reviewed at subsequent meetings.
 - 9.2 Management had accepted the four recommendations and all would be implemented by 31 July 2023. The recommendations made in the previous report (2021/22) were also followed up and full implementation had been confirmed.
 - 9.3 The final report would be submitted to ESFA and L Tweedie noted that ESFA may require a more detailed assessment in relation to the detail of any actions assessed as amber/partially compliant.
 - 9.4 In response to a question from the chair, L Tweedie advised that the external review of subcontracting was a requirement above a total value of £100k.
 - 9.5 **It was resolved** to note the subcontracting controls assurance review
- ## 10 **Managing Public Money Return 2023**
- 10.1 The CFO advised that, following the reclassification of FE colleges to the public sector, colleges now needed to account for the requirements of Managing Public Money (MPM). Although this would be done as part of year

end processes and external auditors would assess this as part of their regularity opinion, because of the difference in year-end between the College (31 July) and the ESFA (31 March), colleges had been required to report on compliance at a mid-year point. This had enabled the ESFA to provide assurance to the National Audit Office on the regularity of the use of funds.

- 10.2 The College had made the return by the deadline of 28 April and the only item that had been required to be disclosed was the use of the rolling credit facility from Santander for which the College had obtained DfE approval. The accompanying spreadsheet showed the full return which had been made.
- 10.3 **It was resolved** to note the Managing Public Money Return 2023.

Internal Audit Matters

11 Internal Audit Progress Report

- 11.1 L Tweedie presented the internal audit progress report which set out the audits that had been undertaken to date in 2022/23. The following reviews had taken place since the last Audit Committee:
- Learner Number Systems – 24.04.23
 - IT Arrangements – 24.04.23
 - Follow-up – 02.05.23
- 11.2 The audit reports on learner number systems and IT arrangements would be presented to the October Audit Committee but [the reports would be provided to members when available](#).
- 11.3 In respect of the follow up audit, 18 recommendations had been reviewed, 14 had been implemented or superseded. Those that remained open would be followed up again next year to ensure that they had been closed down.
- 11.4 L Tweedie provided further clarification in relation to points of detail raised by members.
- 11.5 **It was resolved** to note the internal audit progress report.

12 Rolling schedule of audit recommendations

- 12.1 The CFO presented the report which detailed the progress made in implementing the recommendations contained in the Audit Reports submitted by RSM and audits relating to sub-contracting. Since the last report RSM had undertaken their follow up audit, which confirmed that 14 of the 18 recommendations previously reported were complete or superseded. The College had also appointed Mazars to undertake the audit of the subcontracting standard, in line with ESFA and WMCA requirements. Four recommendations were made and these had been added to the tracker. The 6 recommendations previously made by BDO in the 2022 sub-contract audit were found to be fully implemented.
- 12.2 One recommendation was flagged as delayed. This was a recommendation to complete and review all month end reconciliations within 15 working days. Although this had previously been implemented, the follow up audit found that

this deadline had not been met for a number of months. The action had been reiterated to the finance team and would be regularly checked for compliance.

- 12.3 In response to a query from the chair in relation to the action on learner number systems, the CFO advised that the action in relation to the digital learning agreement was in progress but would remain open until fully implemented for the new year's enrolment and would be closed down by the next meeting.

- 12.4 **It was resolved** to note the rolling schedule of audit recommendations.

13 Internal Audit Plan 2023/24

- 13.1 L Tweedie explained the approach to compiling the internal audit plan, taking into account matters of compliance, general legislative requirements, routine business areas, sector specific areas, which had then been prioritised against the College's risk register and agreed with senior leaders:

- Quality assurance systems.
- Health and safety compliance, with a particular focus on student workplace H&S risk assessment.
- Examination arrangements (advisory).
- Curriculum planning with a focus on new provision, financial viability and management processes in monitoring and tracking contribution.
- Key financial controls: procurement and accounts payable.
- Learner number systems – Devolved AEB, with a focus on additional learning support (ALS) and learner support funds (LSF).
- Follow up.

- 13.2 Dates for the reviews would be finalised during July.

- 13.3 L Tweedie provided further clarification in response to questions from members, noting that the document included an appendix which provided an overview of audit coverage against the College's risk register.

- 13.4 She advised that compliance with the requirements of ONS reclassification would be built into existing audits as relevant matters arose and so would not be a separate audit. She explained that DfE were in the process of producing a College Financial Handbook which, once in place would provide a reference against which to audit compliance. Any failure to comply with the requirements of Managing Public Money would result in a range of potential sanctions against the College depending on the extent of the breach. The DCG advised members that the executive summary sheet for each board paper would now include a section on how the proposal related to the requirements of Managing Public Money, so that any potential issues would be clearly flagged to governors.

- 13.5 **It was resolved** to recommend the internal audit plan for 2023/24 to Corporation.

Risk Management Matters

- 14 Risk management termly update**
- 14.1 The CFO presented the risk management termly update, confirming that the senior leadership group continued to monitor risk on a regular basis and were proactive in putting mitigations in place to address risks.
- 14.2 Since the last report there had been no changes in risk scores; the reclassification of colleges into the public sector was now reflected in two risks relating to changes in government policy and the impact on income/recruitment; and the impact on financial stability.
- 14.3 Each sub-committee continued to receive reports on risks relating to their area of work and the chart presented in the report illustrated the profile of risks by committee.
- 14.4 Most actions were complete or on track with two actions subject to delay as follows:
- Issuing new job descriptions to all assessors.
 - Exploring the opportunity to share a 'mocksted' with another college.
- 14.5 The CEP explained that both of these actions had been purposely delayed for reasons related to changes in circumstances as time had progressed and the actions were no longer considered necessary at the present time.
- 14.6 The CFO noted that a complete refresh of the risk register and mitigating actions would be presented at the next committee meeting and this would be further reviewed to align to the new Strategic Plan once finalised.
- 14.7 **It was resolved** to note the risk register update.
- 15 Any Other Business**
- 15.1 There were no matters of any other business.

L Tweedie, C Sullivan and J Grimshaw left the meeting.

Confidential matters

- 16 Confidential – Internal auditors' performance in 2022/23 and re-appointment of internal auditors for 2023/24**
This matter is the subject of a separate and confidential minute.
- 17 Date of next meeting**
- 17.1 Monday 2nd October 2023 (subject to approval of business plan for 2023/24).

The meeting closed at 17.59.

Approved by committee members at the meeting held on 2nd October 2023