



**AUDIT COMMITTEE
MINUTES OF THE MEETING HELD 22 JUNE 2021**

Present: Mr Stephen Hewes (Chair)
Mr Gerard Weide

In Attendance: Ms Kim Saw - Director of Finance
Mr Jon Allen - Clerk
Ms Zoe Longstaff-Tyrell - Auditor RSM
Mr Chris Whelan - Chief Executive Officer
Mr Graham Gillespie – Wylie & Bisset
Mr Stuart Wilcox - Risk Champion

(The meeting was held via Zoom conference call due to the Covid-19 pandemic)

The meeting commenced at 17.30

WELCOME, APOLOGIES, DECLARATIONS OF INTEREST & ANNOUNCEMENTS

1. Graham Gillespie from the newly appointed internal audit service (Wylie & Bisset) was attending the meeting as an observer before becoming the Trust's internal audit service from 01 August 2021. Stuart Wilcox was welcomed to the meeting as the newly appointed College 'Risk Champion'. Chris Rising from Macintyre Hudson was not in attendance. There were no apologies. The Clerk confirmed the meeting was quorate.

DECLARATION OF INTERESTS

2. There were no declared interests against any of the agenda items.

MINUTES

3. The minutes of the meeting held 09 March 2021 were agreed as an accurate record of the meeting.

4. The minutes of the special meeting held 18 May 2021 were agreed as an accurate record of the meeting. It was noted that these minutes had not been made available to the auditors in attendance as the minutes related to the interviews to appoint an internal audit service.

SUMMARY ACTION LIST

5. The 'Summary Action List' was made received and the following updates were noted:

MIN REF	ACTION POINT	UPDATE
3	To review any revisions to the Disaster Recovery Plan & IT Disaster Recovery Policy documents at the same time as the IT Manager is able to deal with the technical issues raised in the action point below	To receive a progress update
3	Discussions with the IT Manager are continuing on whether an 'Cloud-based' back up is feasible, especially as the costs appear to have come down for the service. As the IT Manager is currently tasked with other immediate priorities arising from the Covid-19 pandemic, it was AGREED to receive a progress update at the next meeting.	To receive a progress update
4	The annual review of the BAF, scheduled for the summer term meeting, to include making available the cycle of business for all Trust meetings with clear links to the BAF to give assurances that all required assurances listed in the BAF are scheduled agenda items.	Agenda item
7	Audit Progress Report – To receive a progress update on the two action points related to the introduction of an automated data feed and automated solution on start dates	Agenda item
19 & 20	<p>Internal Audit Report on the BAF, Risk Management Action Plan and Risk Register:</p> <ul style="list-style-type: none"> (i) It was agreed for management responses to be added to the report, with target completion dates, and for the updated report to be made available to Committee members. (ii) It also agreed to receive at the June meeting the updated '<i>Board Assurance Framework, Risk Management Action Plan and Risk Register</i>' incorporating the recommendations proposed by the audit. The Committee asked for the changes to be tracked for ease of reference. 	Agenda item
24	A routine step of considering whether to use DfE recommended tendering facilities should be added to the procurement process.	On-going
39	<ul style="list-style-type: none"> (i) To inform the College's Internal Audit Service that a tendering exercise is to be conducted. (ii) To use the CPC framework and to make approaches to all the firms listed to see if they would be able to offer an internal audit service for the Trust. (iii) The Director of Finance to draw up a tender specification. (iv) For the Audit Committee to meet (separate to the scheduled June meeting) to conduct interviews when a short-list of no more than three firms has been agreed. and (v) To report the outcomes of the tendering process to the Trust Board. 	Completed

6. A progress update was received on the two action points that were not covered through agenda items at this meeting. It was confirmed the College will be following the ESFA requirement to adopt national cyber security standards and is in the process of making the required changes to existing systems and policies in order to be fully compliant.

7. In terms of server back-up, it was confirmed there is a separate back-up server located in a different building away from the main server. It was confirmed the College is in the process of also using a cloud-based back up system.

8. Assurances were given that all data is backed-up on a daily basis that includes backup to the second sever and will also include cloud-based backup when made available. The Committee asked if a test has been carried out to see if information can be processed using data and applications held on the back-up server (and ultimately the cloud-based system) in the event that the main server is switched off? The CEO **AGREED** to seek further assurances from the IT Department that testing on the College's back-up server arrangements in this manner has been successfully carried out.

ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

9. It was confirmed the annual review of Committee's Terms of Reference is a requirement confirmed in the Articles of Memorandum (Clause 101) and in the Trust's Standing Orders (Clause 11.2)

10. It was noted the Clerk undertook an initial review with the outcomes of the review being made available to the Trust Board meeting held in March (Paper 4). The changes proposed by the Clerk were tracked.

11. To complete the annual review the Trust Board agreed for each Committee to conduct a further review of their Terms of Reference before the Trust Board formally approves the terms of reference at the July Trust Board meeting.

12. No additional changes were made to the Committee's Terms of Reference, but the following actions were noted from the review:

- To add to the Committee's schedule of business to carry out at the spring term meeting a review of the Trust's policies on fraud, bribery, irregularity and public interest disclosure.
- To add to the Committee's schedule of business to meet at the autumn meeting with the internal auditor and the financial statements and regularity auditor privately in a closed session

AUDIT PROGRESS REPORT

13. The report (Paper 5) reported on the two outstanding 'Medium' action points relating to start dates and end dates on Individual Learning Records (ILR). The following update was made available to the Committee with confirmation that both 'Medium' recommendations have been completed.

The College has now implemented improved processes to ensure that start and end dates in the ILR agree with the attendance registers. Student Services are manually checking the last registered attendance in each subject for early leavers and this is being put on the individual learner record so it automatically updates when preparing the ILR and automation has now been put in place where appropriate for the recording of end dates of courses to feed directly into the ILR.

14. It was **AGREED** for the internal audit service to do a follow-up to confirm the full implementation of the two action points.

FINANCIAL STATEMENT AND REGULARITY AUDIT PLAN

15. Zoe Longstaff-Tyrell from RSM presented the audit plan for the audit of the Financial Statement and Regularity Audit for the year-ended 31 July 2021 (Paper 6i). The report outlined the audit areas and the following proposed fee structure for the audit of year-end accounts 31 July 2020. It was confirmed the areas covered were in line with the requirements of the Funding Agency.

16. It was reported there were no significant changes to the audit plan compared with the audit plan agreed for last year, but more in-depth audit work is required on 'Going Concern'. The implementation of ISA 570 (UK) Revised Going Concern has brought about a number of significant changes to the responsibilities for auditors in relation to going concern, including enhanced risk assessment and increased challenge and work effort.

17. The Committee asked why the fees have increased by 12.7% compared against the fees for last year? In response it was stated the increase in fees was required to cover the extra work arising from the new requirements on 'Going Concern', compliance and legislation requirements. It was noted that the auditor's report will need to be more extensive this year, running to 3 pages instead of 1½.

18. It was **RESOLVED** to recommend the Trust Board at its meeting on 29 June 2021 be asked to approve the Financial Audit Plan for the year-ended 31 July 2021.

19. Also made available for information was RSM's document '*Emerging Issues*' that summarised key issues facing the sector (Paper 6ii).

20. Following review, the following action points are agreed:

- Remove reference to 'Godalming College' on page 9 of the Audit Plan.
- Ensure the risks in the Risk Register and the risks summarised in the commentary in the Financial Statements are in-line with one another, with a summary in the commentary on the mitigation of the risks.
- Publish the Trust's Whistleblowing Policy on the Trust's website.
- Publish the 'Gender Pay Report' on the Trust's website.

INTERNAL AUDIT PLAN 2021-22

21. With the appointment of the new internal audit service from 01 August, it was **AGREED** for the Committee to hold a conference call meeting in September with Wylie & Bisset to agree the internal audit plan for 2021/22. This would enable audits to commence in the autumn term. Thereafter, to have on the June agenda the approval of the internal audit plan for the forthcoming academic year.

ANNUAL REVIEW OF THE BOARD ASSURANCE FRAMEWORK (BAF)

22. The schedule of business for the Committee requires the Committee to conduct the annual review of the BAF to see if the sources of assurance evidence are still appropriate or if there are any identified assurance gaps that need to be addressed and to refer to the yearly schedule of business for all Board and Committee meetings to confirm coverage of the Board Assurance Framework.

23. Made available for the Committee to review was the following:

- (i) Schedule of Trust Business 2020/21 - Paper 7
- (ii) The Board Assurance Framework 2020-21 with proposed tracked amended changes including a new column to record the level of assurances received (a recommendation from the recent internal audit on risk management) – Paper 8

24. It was **AGREED** to record an 'Amber' assessment for strategic planning as the drafting of the Strategic Plan was still work in progress. It was also **AGREED** to record an 'Amber' assessment on Disaster Recovery Plans as further work is required to test back-up server arrangements.

BOARD ASSURANCE FRAMEWORK, RISK MANAGEMENT ACTION PLAN, & RISK REGISTER 2020-21

25. Made available for the Committee to review was the following:

- (i) The Internal Audit Report on the BAF, Risk Management Action Plan and Risk Register that was considered at the last meeting, with the inclusion of management responses and target completion dates - Paper 9
- (ii) To receive the updated '*Board Assurance Framework, Risk Management Action Plan and Risk Register*' incorporating recommendation 3 to the Risk Register - to adopt a Cause and Effect 'approach to the description of risks faced by the organisation – Paper 10

26. Of the four recommendations in the internal audit report, it was reported two have been fully implemented, these being:

- The College should adopt a cause and effect approach to the description of risks faced by the organisation.
- The assurance section of the assurance framework should be enhanced so that the results of assurances received can be recorded which would enable the impact of such assurances on the overall risk environment of the college to be considered.

27. For discussion at this meeting were the two other recommendations proposed in the report, these being:

- The assigning of overall responsibility for risk management should be changed from the Risk Champion to the Board and either the Principal or Chief Executive.
- The risk impact assessment template should be modified to include a risk classification in respect of the risks to people / safety.

28. It was **AGREED** for the CEO to be assigned with overall responsibility for risk management.

29. It was **AGREED** for the Internal Audit Service to provide further suggestions for the classification of risks within the assessment. It was noted that a category for risks to people/safety had merit, but there is also a need to avoid a proliferation of categories.

30. The Internal Auditor was invited to give his thoughts on the College's Risk Register. In response, the auditor suggested the mitigation controls listed in the risk management action plan would be better served if they were incorporated into the Risk Register. This would enable the reader to clearly see the mitigation actions to be taken. Consideration should also be given to rating risks as high/medium/low on a post mitigation basis. The other observation made was on the lack of a risk appetite – what is the appetite of the Trust for the risk.

31. It was **AGREED** as part of the health check to be undertaken by the newly appointed

internal audit service to undertake a review of the Trust's Risk Register.

32. The meeting reviewed the detail of the risk register and mitigation plan. In response to questions, the Chief Executive confirmed that regular updates on unfilled vacancies and recruitment progress are provided during personnel meetings. He confirmed that all teaching posts are filled for September, but noted that recruitment of talent has been challenging. He also noted in response to a question regarding that risk that some of the new intake may not have covered all of the GCSE syllabus or may not be as prepared as prior years' cohorts, that additional teaching sessions and mentoring are available to students. It was noted that there will inevitably have been some grade inflation, and the full effect of the disturbance caused by the pandemic will take years to work through the system.

33. Following review of the '*Board Assurance Framework, Risk Management Action Plan and Risk Register*', the following changes were **AGREED**:

- I. A version number be added
- II. Confirmation of the new Risk Champion and their operational duties in overseeing risk management.
- III. Confirmation that the Chief Executive Officer has overall responsibility for risk management.
- IV. Updated Board Assurance Framework with inclusion of a new column to record the RAG rating for each level of assurance.
- V. Added 'Cause' and 'Effect' to each risk in the Risk Register.
- VI. Risk 1 – add to Cause 'scope of curriculum offer', and to risk 5 - 'Poor design of controls'.
- VII. Changed the risk score to 'Risk 17' from '12' 'High' to '8' 'Medium' on the basis that the risk of financial loss be measured based on unbudgeted spend.

COMMITTEE BOARD ASSURANCE ASSESSMENTS

34. The Board Assurance Framework (BAF) requires each Committee to conduct at the end of their meeting an assessment on their level of assurance agreed against each report received (including briefings and verbal updates) and for the assessment to be reported to the Audit Committee and Trust Board (Green = high assurance - no additional actions or monitoring are recommended at this point; Amber = medium assurance – a further report is likely to be required at the next meeting; Red = low assurance - additional actions are likely to be required and reported at the next meeting).

35. The assessments from the Local Governing Body meeting held 25 May 2021 and the Finance & Resources Committee held 14 June 2021 were confirmed as follows (Paper 11):

(I) Local Governing Body Meeting 25 May 2021

Agenda Item	Subject	RAG rating	Any Committee Recommendation(s)
6	Annual Review of Terms of Reference	Amber	Final version to be confirmed with LGB Chair before being put to the Trust Board for approval.
7	Summary of Assessment Arrangements 2021	Green	No concerns/no recommendations
8 & 9	Annual Safeguarding Report & Well Being Presentation	Green	No concerns/no recommendations
10	Student Retention Update	Green	

11	SAR Development Plan	Green	No concerns/no recommendations
12	Student Voice	N/A	No assessment possible due to the absence of the student governors
13	Staff Voice	Green	No issues raised

36. In response to a question as to whether the absence of the student voice should result in an amber or red rating, the meeting was advised that positive feedback had been received from students, notably regarding the College's response to the pandemic.

(II) Finance & Resources Committee Meeting 14 June 2021

Agenda item	Subject	RAG rating	Any Committee Recommendation(s)
6	Annual Review of the Terms of Reference for the Finance Committee	Green	No concerns/no recommendations
7	April Management Accounts	Green	No concerns/no recommendations
8	RLA Budget 2021/22	Green	No concerns/no recommendations
9	Discretionary Bursary Policy	Green	No concerns/no recommendations
10	Review of Contracts	Green	No concerns/no recommendations

37. The following assessments were agreed on reports considered at this meeting (Paper 12):

Agenda item number	Subject	RAG rating	Issues/Recommendations
6	Committee Terms of Reference	Green	
7	Audit Progress Report	Amber	Open points on disaster recovery noted
8	External Audit - Audit Plan for Financial Statements Year ended 31/07/2021	Green	No issues and no recommendations
10	Annual Review of the Board Assurance Framework	Green	
11	BAF, Risk Management Action Plan & Risk Register 2020/21	Green	Noting that suggested improvements on format are anticipated from Wylie & Bisset.
12	Board Assurance Assessments conducted by Committees	Green	No recommendations

ANNUAL REVIEW OF AUDITORS & RE-APPOINTMENT RECOMMENDATIONS

(Auditors left the meeting at this point))

38. The terms of reference for the Audit Committee states the following for the review of the work of auditors:

- To monitor the effectiveness and competence of the internal and external audit services and ensure effective co-ordination between them.
- To establish, in conjunction with Trust Management, relevant performance measures and indicators and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators, using these measures to determine whether re-tendering is appropriate.

39. Following a review against the agreed KPIs to be used in the annual review of auditors, the following assessments were **AGREED**:

- A 'Green' RAG assessment was agreed across all categories for RSM.
- An 'Amber' RAG assessment was agreed for MacIntyre Hudson, who no longer serve as internal auditors.

40. The requirement from the Academies Financial Handbook is for Members to be the appointing body for the external auditors. It was therefore **RESOLVED** to ask the Members of the Trust at the Annual General Meeting on 8 July 2021 to approve the appointment of RSM to be the College's external audit service for the financial year 2021/22.

ANY OTHER BUSINESS

41. There was no other business.

DATE OF NEXT MEETING

42. Tuesday 16 November 2021 @ 5.30pm but a video-conference meeting to be held in late September to agree the Internal Audit Plan 2021/22.

The meeting closed at 19.00

Signed: _____ Date: _____
(Chair)

MIN REF	ACTION POINT	WHEN
8	CEO to seek further assurances from the IT Department that testing on the College's back-up server arrangements has been successfully carried out.	16/11/21
12	<ul style="list-style-type: none">• To add to the Committee's schedule of business to carry out at the spring term meeting a review of the Trust's policies on fraud, bribery, irregularity and public interest disclosure.	16/11/21

	<ul style="list-style-type: none"> To add to the Committee's schedule of business to meet at the autumn meeting with the internal auditor and the financial statements and regularity auditor privately in a closed session 	
14	The internal audit service to do a follow-up to confirm the full implementation of the two action points relating to start and end dates on the ILRs	16/11/21
20	<ul style="list-style-type: none"> Remove reference to 'Godalming College' on page 9 of the Audit Plan on the Financial Statements Ensure the risks in the Risk Register and the risks summarised in the commentary in the Financial Statements are in-line with one another, with a summary in the commentary on the mitigation of the risks. Publish the Trust's Whistleblowing Policy on the Trust's website. Publish the 'Gender Pay Report' on the Trust's website. 	16/11/21
21	The Committee to hold a conference call meeting in September with Wylie & Bisset to agree the internal audit plan for 2021/22.	16/11/21
29	Internal Audit Service to provide suggestions for the classification of risks within the assessment.	16/11/21
31	As part of the health check to be undertaken by the newly appointed internal audit service, to undertake a review of the Trust's Risk Register.	16/11/21