AUDIT COMMITTEE
MINUTES OF THE MEETING HELD 23 JUNE 2020

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 Rising - Auditor Macintyre Hudson
          Mr Chris Whelan - Chief Executive, Reigate LA

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

The meeting commenced at 16.00

WELCOME, APOLOGIES, DECLARATIONS OF INTEREST & ANNOUNCEMENTS

1. Chris Rising from Macintyre Hudson (Internal Audit Service) was welcomed to his first meeting. 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 19 November 2019 were agreed as an accurate record of the meeting.

4. It was noted that due to the Covid-19 pandemic and subsequent closure of the College, the meeting that was scheduled for 17 March 2020 had to be cancelled. Agenda items from that meeting are agenda items at this meeting.

SUMMARY ACTION LIST

5. The '*Summary Action List'* provided updates on the general action points arising from the November 2019 meeting along with the action points relating to the Board Assurance Framework and Risk Register.

6. It was noted the Annual Health & Safety Report that was scheduled to be considered at the July Trust Board meeting as part of the Board Assurance Framework has been deferred to the first Trust Board meeting in 2020-21 and the report will cover the full academic year 2019-20.

7. The Director of Finance confirmed she has made a file note of her discussions held with the County Council on High Needs Funding for the College.

8.   The gender pay report will be published on the College website when it has been finalised and approved.

9.   All other listed action points were either confirmed as completed or agenda items at this meeting.

AUDIT PROGRESS REPORT

10.   It was noted the outstanding audit recommendations arising from the previous external audit report have been addressed in the updated Financial Regulations that is an agenda item at the July Trust Board meeting for approval.

INTERNAL AUDIT

11.   The Committee received two Internal Audit Reports covering:
   • Funding Audit – ESFA approach
   • Key Financial controls – Central Nominal ledger and Suppliers & Purchasing -

12.   Chris Rising from Macintyre Hudson presented both reports.

13.   The Committee noted the following headline summaries and audit opinions for each of the two reports:

Audit	Opinion	Number of Recommendations & Category of Recommendation
Funding Audit	Adequate Assurance	3 Medium
Key Financial controls – Central Nominal ledger and Suppliers & Purchasing	Adequate Assurance	3 Medium 2 Low

14.   The 3 medium recommendations arising from the funding audit were confirmed as follows:

   • Learning aim actual end dates reflect the date that the learner completed the learning activities necessary to achieve the learning aim or the date the learner withdrew from the learning activities.

   • Learning aim start dates are used to determine when and whether funding should be recorded, and they are determined by the date on which a learner's learning aim begins.

   • An Early Leavers Form is completed for learners who withdraw from the College and the ILR is updated with the information recorded on the form.

15.   It was confirmed the College will implement an automated data feed between the registers and the ILR data to ensure that all actual end dates are updated on a real time basis, and will implement an automated solution to ensure that start dates are continuously updated to account for any changes to learning aim start dates.

16.   The Committee asked the auditor what would have been the outcome in terms of any financial cost if the errors were identified during an ESFA audit? Would the College have been at risk of a financial clawback? In response the auditor highlighted one area where there could be a possible risk and that was on any errors on the recording of the actual start date as potentially this could effect the required 42-day on course requirement for funding purposes. Therefore accurate recording of both start and end dates is the required control measure.

17.   It was **AGREED** once MIS has fully implemented all of the recommendations made by the internal auditors, confirmation of the full implementation is required to be made available to the Committee.

18.   The 3 medium recommendations arising from the audit on Key Financial Controls were confirmed as follows:

- A monthly reconciliation is performed to verify all changes to supplier data.

- Where the value of goods ordered exceeds the quotation limits, the College obtains the required number of quotes in accordance with the financial regulations and evidence is maintained of these. Where the lowest quote is not obtained evidence is maintained for this.

- Access to the Sage Accounting system is restricted to relevant officers of the College.

19.   Management accepted all recommendations made and the actions to address were noted with confirmation given that all but recommendation 5 (Purchase orders are matched to Invoices - classified as a 'low' recommendation) have been fully implemented. It was noted by the Director of Finance that the general ledger system does not have a means of running a single report of all supplier changes, and hence validation of individual changes is necessary. The recommendation on purchase orders cannot be completed until the College is fully opened and staff can attend as the paper copies of some purchase orders need to be accessed and scanned in order to complete the recommendation.

20.   A discussion took place on the possible scope of the internal audit plan for 2020-21. It was noted that the audit of the BAF is an action point from a previous meeting and will be added to the audit plan as the Committee wanted to seek an external review of the BAF.

21.   The Internal Auditor put forward several areas for consideration following current events and a review of the College's Risk Register, these included:

- Covid-19 and impact on future funding
- Quality assurance
- How the College is learning from Covid-19 - both in terms of risks and dealing with a re-occurrence and positives in terms of way of workings
- Staff recruitment
- Student recruitment and any negative impact arising from Covid-19 - is the College prepared for such a scenario?

22.   The CEO confirmed that the desire was to return to full face-to-face meetings rather than enabling staff to work from home and attending meetings via conference calls. He also confirmed there are no staff vacancies with posts fully recruited to.

23.   The CEO outlined the concern on student enrolments in September due to Covid-19. The expectation is for the College to be fully operational from September, and although there is no evidence of any less take up, actual enrolments in September could be lower than expected as some students may decide to stay on at school. Should student numbers be lower in September the impact will not be on the budget for 2020-21, but would instead impact on income in 2021-22 due to lagged funding. It was reported provision has been made for additional marketing expenditure from September should the risk materialise. It was confirmed the College continues to run the Admissions Office and final interviews have been completed by telephone. However, the introductory day that takes place annually in July has had to be cancelled. The introductory day is a key tool in helping students to make up their minds about becoming a student of the College. Although some areas have

conducted a virtual introductory day, and other areas plan to run small groups during the summer, it is impossible to assess if the lack of an introductory day will have a negative impact on enrolments.

24.   The meeting agreed that there may be merit in a review of how the College adapted its control procedures in response to staff needing to work from home, and noted that there could be flexibility in the timing of this. Further discussions will take place to finalise the Internal Audit Plan 2020-21 for approval at the November meeting of the Committee.

FINANCIAL STATEMENT AND REGULARITY AUDIT PLAN

25.   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 2020. 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.

26.   It was **RESOLVED** to approve the Financial Audit Plan for the year-ended 31 July 2020.

COVID-19

27.   Made available for information purposes were two reports from RSM covering the impact of Covid-19:

- Internal Scrutiny & Covid-19
- Fraud Risk & Covid-19

28.   Assurances were sought, and given, that processes are in place covering any potential fraud risk arising from remote working.

29.   It was **AGREED** there will be the need to have a disclosure in the Annual Report (Financial Statements) on any financial impacts of Covid-19 and any financial risks. There is also a need to disclose the operational impact of Covid-19, outlining how the College has responded, the arrangements that have been put in place to ensure students can continue their learning, the arrangements being put in place from September, and how the College can best respond should their be a re-occurrence.

DISASTER RECOVERY PLANS

30.   It was confirmed two policies are in place covering disaster recovery, these being the Disaster Recovery Plan and the IT Disaster Recovery Policy. It was agreed for the Audit Committee to receive each year a summary of the policies in place, when they were last subject to review or testing, and if any issues or incidents have arisen in the period.

The following assurances were prepared for the March meeting:

Plan name	Date last updated	Date last tested	Incidents in 2019/20	Future update
Disaster recovery plan	March 2020	N/A	None	Annual
IT disaster recovery plan	November 2018	N/A	None	Annual

31.   It was reported both policies will be subject to further review to take into account lessons learnt from the current pandemic and the outcomes of the review will be made available at the spring 2021 Audit Committee meeting.

32.   The Committee sought clarification on the date of when the last IT test was conducted and the CEO agreed to ask this question of the IT Manager and to report back to the Committee.

REVIEW OF THE BOARD ASSURANCE FRAMEWORK

33.   The Board Assurance Framework has the following actions for the Audit Committee:

- To review the Board Assurance Framework; Risk Management Action Plan and the Risk Register
- To receive from the Clerk confirmation of the outcomes of assurance assessments conducted by the committee meetings held prior to the Audit Committee - currently the Local Governing Body and Finance Committee.

34.   To this end, the following reports were presented to the Committee:

(i)   Board Assurance Framework; Risk Management Action Plan and the Risk Register

(ii)   Summary of the outcomes of assurance assessments conducted by the committee meetings held prior to the Audit Committee - currently the Local Governing Body and Finance Committee

35.   It was noted that all Committee assessments were 'Green' and it was asked if this was appropriate in light of the current Covid-19 pandemic? In response the Clerk reported that all but one of the Committee meetings were held prior to Covid-19 and the closure of the College. So the assessments conducted by Committees was based on the agenda items at the time of the relevant meetings. The lone meeting that took place after the College closure was the Finance Committee meeting that was held on 17 June. The substantive agenda item at this meeting was the College budget 2020-21. The impact of Covid-19 was discussed as recorded in the minutes, but due to lagged funding, any negative impact on student enrolments arising from the pandemic this September will impact on the 2021-22 budget. So as there was no significant risk to the College budget 2020-21, as ESFA funding for the year has already been confirmed, the Committee made a 'Green' assessment.

36.   It was confirmed the CEO is making available for the July Trust Board meeting a detailed report on Covid-19, covering the College closure and the operational plans to ensure full opening of the College from September. If any changes were to be made on BAF assessments then it would be more appropriate for changes to be made by the Trust Board.

COMMON THEMES ARISING FROM ESFA'S ASSURANCE WORK IN 2018 TO 2019

37.   The Committee received for information purposes a guidance note published by the ESFA that summarised the common themes arising from the funding agencies assurance work between 2018-2019.

38.   The report was noted.

ANNUAL REVIEW OF AUDITORS & RE-APPOINTMENT RECOMMENDATIONS

(Auditors left the meeting at this point))

39.   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.

40.   At the meeting of the Audit Committee held last June, it was agreed to formalise the annual review of the auditors within an agreed framework.

41.   The committee received from the Clerk a proposed framework for the annual review of auditors for the Committee to review and approve.

42.   The report provided the Committee with both the current and previous arrangements for the annual review of the auditors. Currently the annual review has consisted of an informal review with any identified issues or concern confirmed in a letter to the audit service. Previously a more structured review was undertaken through the use of agreed KPIs.

43.   The Committee **AGREED** to revert to the use of KPIs to conduct the annual review of auditors. Instead of using a numbering assessment as proposed, it was **AGREED** to use a RAG assessment approach, and to delete section 5 'effectiveness of liaison between auditors'. It was further **AGREED** to add to the framework confirmation of when the last tender was conducted and how many years the Principal Auditor has served.

44.   A 'Green' RAG assessment was agreed across all categories for RSM.

45.   A 'Green' RAG assessment was also agreed for MacIntyre Hudson but for the Director of Finance to raise with the Principal Auditor the concern regarding the turnover of staff experienced during the last year.

46.   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 Members meeting on 9 July 2020 to approve the appointment of RSM to be the College's external audit service.

47.   It was **RESOLVED** to approve the appointment of MacIntyre Hudson to be the College's internal audit service for the academic year 2020-21.

COMMITTEE'S BOARD ASSURANCE ASSESSMENT

48.   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).

49.   The following assessments were agreed on reports considered at this meeting:

Agenda item number	Paper number	Subject	RAG rating	Issues/Recommendations
6	3	Audit Progress Report	GREEN	
7	4a & 4b	Internal Audit Report covering:	AMBER	To remain 'Amber' until MIS has fully implemented all of the

				recommendations made by the internal auditors with confirmation of full implementation confirmed to the Audit Committee.
		Funding Audit – ESFA approach		
		Internal Audit Report covering: Key Financial controls – Central Nominal ledger and Suppliers & Purchasing	GREEN	Issues raised by the internal auditors were rapidly addressed with just one 'low' recommendation still to be fully implemented.
8	5	External Audit - Audit Plan for Financial Statements Year ended 31/07/2020	**GREEN**	No issues and no recommendations
9	6 & 7	(i) Covid-19 Reports from RSM (ii) College COVID-19 Update	**GREEN**	Recommendation is for a statement to be included in the Annual Report on Covid-19, covering the operational impact on the College and the issues that had to be dealt with and the lessons learnt
10	8	Disaster Recovery Plans	**AMBER**	The recommendation is for policies covering Disaster Recovery Plans to be subject to further review to take into account Covid-19 and lessons learnt, and for the reviewed/updated policies to be made available to the spring meeting of the Audit Committee.
11	9a	(i) BAF, Risk Management Action Plan & Risk Register	**GREEN**	The recommendation is for the BAF to be subject to external review and included in the Internal Audit Plan 2020-21/
	9b	(ii) Assessments conducted by Committees		No recommendations
12	10	Common Themes Arising from ESFA's Assurance Work in 2018 to 2019	**GREEN**	No recommendations
13	11	Framework for the Annual Review of Auditors	**GREEN**	KPI Framework approved with a RAG assessment approach instead of a numbered assessment.

ANY OTHER BUSINESS

50.   There was no other business.

DATE OF NEXT MEETING

51.   Meeting dates for 2020-21 to be approved at the July Trust Board meeting.

The meeting closed at 17.50

Signed: _____ Date: _____
(Chair)

MIN REF	ACTION POINT	WHEN
6	The Annual Health & Safety Report that was scheduled to be considered at the July Trust Board meeting as part of the Board Assurance Framework has been deferred to the first Trust Board meeting in 2020-21.	Next Meeting
17	Once MIS has fully implemented all of the recommendations relating to the funding audit made by the internal auditors, confirmation of the full implementation is required to be made available to the Committee.	Next meeting
24	To receive Internal Audit Plan 2020-21 for review and approval	Next meeting
29	The need to have a disclosure in the Annual Report (Financial Statements) on the impact of Covid-19	Next meeting
31	Disaster Recovery Plan & IT Disaster Recovery Policy - both policies will be subject to further review to take into account lessons learnt from the current pandemic and the outcomes of the review will be made available at the spring 2021 Audit Committee meeting.	Spring meeting
32	The Committee sought clarification on the date of the last IT test was and the CEO agreed to ask this question of the IT Manager and to report back to the Committee.	Next meeting
43	The Committee **AGREED** to revert to the use of KPIs to conduct the annual review of auditors. Instead of using a numbering assessment as proposed, it was **AGREED** to use a RAG assessment approach, and to delete section 5 'effectiveness of liaison between auditors'. It was further **AGREED** to add to the framework confirmation of when the last tender was conducted and how many years the Principal Auditor has served.	Next meeting
45	For the Director of Finance to raise with the Principal Auditor MacIntyre Hudson the concern on the turnover of staff experienced during the last year.	Next meeting
46	Members of the Trust at the Members meeting on 9 July 2020 to approve the appointment of RSM to be the College's external audit service and MacIntyre Hudson to be the College's internal audit service for the academic year 2020-21.	Next meeting