



Audit Committee Minutes

Meeting	Audit Committee	Date	27 June 2023
Location	Broadstairs College	Time	10.00am
Membership	Peter Cheney [Chair], Sam Lain-Rose (SLR), Allan Baillie (AB), Carmel Togher (CT)		
In Attendance	Paul Sayers (PS) – Chief Information and Strategy Officer Chris Legg (CL) – Chief Financial Officer Sharon Hollingworth (SH) – Group Director of Governance Nicole Leader (NL) – Executive Support Manager (Minutes Clerk) Simon Darby – Azets (item 5, joined by Teams) Tamrin Illidge – Azets (Item 6, joined by Teams) Katherine Patel – Buzzacott (Item 7, joined by Teams)		

	ITEM	COMMENTS	ACTION
1	Welcome and apologies	The Chair welcomed everyone to the meeting.	
2	Declaration of Interests	There were no additional declarations of interests other than those declared as standing.	
3	Minutes of the meeting held on 14 March 2023	The minutes of the Audit Committee meeting held on 14 March 2023 were reviewed by Committee members and approved as a true and fair account of the meeting. The minutes were duly signed by the Chair at the meeting.	
4	Matters arising, not covered by this agenda	For clarification, CL confirmed that FE Protect had been appointed as the Group Insurers. Cyber insurance is now included in the insurance arrangements for the Group.	
5	Review of the Group's internal	Simon Darby from Azets joined the meeting by Teams at 10.15am to present the Audit findings report of the Group's internal controls around fraud.	

	<p>controls around fraud</p>	<p>The purpose of the review was to provide assurance to the Audit Committee regarding to what extent the controls and processes used by the Group prevent and detect fraud are fit for purpose and reduce key fraud risks to acceptable levels. The review focused on the arrangements in place in Finance.</p> <p>There had been no reported incidents of fraud or irregularity with the exception of an attempted invoice fraud several years ago which was promptly identified and dealt with by staff in Accounts Payable.</p> <p>There are good procedures in place for the review and updating of policies, covering the key areas expected of a robust policy environment.</p> <p>It was recommended that the segregation of duties around the preparation and approval of journals and the preparation and review of control account reconciliations should be re-valuated to determine suitable or otherwise.</p> <p>It was discussed and agreed that an e-learning module would be developed on fraud awareness and should be completed by all staff as part of the mandatory training programme. However, it was noted that the audit revealed that there are plenty of adequate procedures in place and compliance testing revealed that all systems are working efficiently.</p> <p>A Governor queried if there was any specific fraud training planned for budget holders and the finance team, CL advised there that there is a lack of training around fraud currently, this was identified as a development area. CL to take forward.</p> <p>SD was thanked for the report and the left the meeting.</p> <p style="text-align: center;">NOTED: Review of the Group's internal controls around fraud</p>	<p>CL</p> <p>CL</p> <p>CL</p>
6	<p>Financial Management and Controls Audit</p>	<p>Tamrin Illidge joined the meeting by Teams at 10.30am to present the Financial Management and Controls Internal Audit Report.</p>	

		<p>Overall, positive findings and no significant areas of weakness. The report concluded that the Group has adequate and effective management, control and governance processes in place to enable the Group to manage the achievement of its objectives.</p> <p>The audit revealed that the Group's reclaiming of VAT in the Return is very low and lower than expected within the FE sector. It is recommended that more regular reviews to determine whether the non-claimable amounts are still appropriate and whether additional VAT input could be claimed. It was suggested that the review could be undertaken by an external VAT specialist.</p> <p>The Committee asked for clarification on how far back a VAT claim can go. Azets to confirm back to CL.</p> <p>It was confirmed that regular reviews of the variables supporting the partial exemption calculation will be undertaken by finance.</p> <p>A risk was identified regarding moveable computer equipment since these are individually high value items which can easily be moved/misappropriated. Based on the results from the "Dead Asset" Testing, the control in relation to the annual check with Principals at each college does appear to be working however it is recommended that this is done more regularly. It was agreed that a physical asset verification exercise will be undertaken annually and on a risk-basis. CL advised the Committee that this piece of work would be undertaken by the Projects & Capital Accountant.</p> <p>The report highlighted a low risk regarding the lack of automation between the Ebis system and the Power BI Tool; the risk is that outdated suppliers may be selected on Ebis. It was suggested that more could be done to improve this functionality. It was noted if Ebis database could be linked live, this development could be relatively easily introduced. CL agreed to make this a finance priority.</p> <p>Tamrin was thanked for the report and then left the meeting.</p> <p style="text-align: center;">NOTED: Financial Management and Controls Audit</p>	<p>CL</p> <p>CL</p> <p>CL</p>
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7	Financial Statements Audit Strategy	<p>Debbie Tilson joined the meeting by Teams at 11.05am to present the proposed 2022/23 audit strategy.</p> <p>DT led the Committee through the External Audit Strategy and timetable for 2023, the scope of work as laid out within the report and highlighted the review will include, but not limited to:</p> <ul style="list-style-type: none"> - Forecasting to 2024 - Review of loan arrangements with the DfE and impact on the cashflow - Capital expenditure during the year and the associated grant income. - Controls and risk introduction of the revised auditing standards re-introduced this year. - Consideration of the controls and procedures around fraud however, it was noted that no incidents have been reported but ask if incidents have occurred and to be reported directly to Buzzacott. <p>Fees for the audit have been set out in the document.</p> <p>The Chair advised Buzzacott that a fraud review has taken place recently and the report will be made available.</p> <p>The Committee were comfortable with the presented strategy.</p> <p>DT was thanked for her report and DT then left the meeting.</p> <p style="text-align: center;">NOTED: Financial Statements Audit Strategy</p>	
8	ONS reclassification update	<p>CL updated the Committee on the ONS reclassification and drew attention to the following key points:</p> <ul style="list-style-type: none"> - The sector awaits the draft financial handbook for FE colleges. - There could be a change to the reporting year-end date to 31 March. This is currently in consultation. - DfE loan approved to replace the current Santander loan. - Still awaiting decision from the DfE regarding the loan for Ashford. 	

		NOTED: Verbal update on the ONS reclassification	
9	Risk Management Report: i. Risk Register ii. Residual Risk Movement map	<p>PS presented the Risk Management Report and the Risk Register and explained that a thorough review of the Group's key risks, scoring of each risk, and assurance and controls had been undertaken to ensure they reflect the current position and mitigating actions.</p> <p>PS noted that the Register had been reviewed by the Group Leadership Board prior to oversight by the Audit Committee.</p> <p>The Committee discussed the updates within the Register. Governors were satisfied with the updated position across each risk and were comfortable to agree the changes.</p> <p>PS updated the Audit Committee explaining that the Risk, Audit and Compliance Committee will be re-introduced into the meeting structure for 2023-24.</p> <p>NOTED: The Risk Management Report</p>	
10	Policy Report: Publication Scheme	<p>The Committee reviewed and discussed the Publication Scheme. It was suggested for ease of reference that links are used within the document to the policies on the website. PS to investigate this.</p> <p>AGREED: subject to the above the Audit Committee approved the Publication Scheme</p>	PS
11	Governing Body Audit Plan 2022-23 update i. Audit plan	<p>GDG presented the final update for the 2022-23 audit plan and noted there was an underspend in the budget of around £8000.</p> <p>CL informed the Committee that this will be used to offset the external audit fee increase.</p> <p>NOTED: Governing Body Audit Plan 2022-23 update</p>	

12	Draft Internal Audit Plan 2023-2024 Audit plan	<p>GDG presented the draft audit plan for 2023-24. It was noted that the costs and scope of the External Governance review have not be confirmed, any further internal audits will be dependent on the cost of this review.</p> <p style="text-align: center;">RECOMMEND – The Internal Audit Plan 2023/24 to the Full Governing Body for approval.</p>	
13	Performance review of Internal and External Auditor Services	<p>The Committee was presented with the results from the recent performance review evaluation of the Internal and External Auditor services. Governors reviewed the list of performance indicators for both services and the result of the assessment against each.</p> <p><u>Internal Auditors</u> It was noted that due to a resource issue the Internal audit report was not available to be submitted to the March audit meeting as planned.</p> <p><u>External auditors</u> The Chair noted that the Group had not carried out a tender process in relation to external auditor services for some time, CL offered to provide a comparison of external auditor services and cost within the FE sector for Committee review.</p> <p>It was noted that SLR's evaluation had been delayed, the evaluation sheet will be updated following the meeting, SLR advised that from his perspective there were no areas of concern.</p> <p>Overall, the findings for both services were positive, there were no concerns raised and the Committee were comfortable re-appointing both firms for 2023-2024</p> <p style="text-align: center;">RESOLVED: The summary result from each evaluation to be included in the Committee's Annual Report to the Full Governing Body in December 2023</p>	CL
14	Audit Self-Assessment 2022-2023	<p>The Committee was presented with the results from the recent Audit Committee Self-Assessment.</p>	

	<p>Audit Committee Self-Assessment Evaluation 2022-23</p>	<p>It was noted that SLR's evaluation had been delayed, the evaluation sheet will be updated following the meeting, SLR advised that from his perspective there were no areas of concern.</p> <p>The results from the Audit Self-Assessment exercise were discussed. There were no significant areas of weakness.</p> <p>The Committee concluded that overall, the effectiveness of the Committee in fulfilling its terms of reference has been good.</p> <p style="text-align: center;">RESOLVED: The summary results from the self-assessment to be included in the Committee's Annual Report to the Full Governing Body in December 2023</p>	
15	<p>Governance Improvement Plan Governance Improvement Plan</p>	<p>GDG presented the Governance Improvement Plan explaining that the Plan had been worked up following the findings from the My Governance diagnostic survey together with the results from the self-assessment exercise against the AoC Code of Good Governance. The Search and Governance Committee had decided to allocate the areas of improvement to committee level.</p> <p>The Committee discussed their suggested area of review that related to the governance arrangements of subsidiary companies. The Committee agreed that they would like further discussion and asked for this item to be moved forward.</p> <p>GDG explained that one committee has suggested incorporating their respective areas into their cycle of business/term of reference. The Committee was comfortable with this recommendation to be taken forward to the Search and Governance Committee.</p> <p style="text-align: center;">NOTED: Governance Improvement Plan</p> <p style="text-align: center;">RECOMMEND: Areas of improvement to be included in the Committee Cycle of Business for 2023-24</p>	
16	<p>Any other Business</p>	<p>There was no other business.</p>	



17	Matters Considered Confidential	None	
18	Date and time of next meeting	Tuesday, 28 November 2023 at 9.30am	

There being no further business the meeting closed at 12.25pm

Signed: 

Print: Peter Cheney *F.P. CHENEY.*

Date: 28 November 2023