



## Audit Committee Minutes

<b>Meeting</b>	Audit Committee	<b>Date</b>	16 March 2021
<b>Location</b>	MS Teams (Virtual)	<b>Time</b>	9.00am
<b>Membership</b>	Peter Cheney (Chair), Gail Clark, Peter Wood, Allan Baillie.		
<b>In Attendance</b>	<p>Chris Legg – Chief Financial officer  Paul Sayers – Chief Strategy Officer  Andrew Stevens – Chief Operating Officer  Sharon Hollingsworth – Director of Governance</p> <p>Jonathan Cresswell – Director of Finance and Business Improvement [item 5]  Christiaan De Lange – Audit Manager Azets [item 5]  Sally Ewing - Arthur J Gallagher [item 6]  Archie Ghinn – Arthur J Gallagher [item6]</p>		
<b>Minutes Clerk</b>	Nicole Leader – Executive Support Officer		

	ITEM	COMMENTS	ACTION
1	Welcome and Apologies	The Chair welcomed everyone to the meeting. There were no apologies.	
2	Declarations of Interest	There were no additional declarations to the meeting than those declared as standing.	
3	Minutes of the Meeting	The draft minutes of the Audit Committee meeting held on 1 <sup>st</sup> December 2020 were reviewed by the Committee and approved as a true and fair account. The remote e-signing of the minutes will be undertaken by the Chair following the meeting.	

4	Matters Arising	There were no matters arising not covered by the agenda.	
5	Exams Registration Assurance Audit	<p>[Christiaan De Lange joined the meeting at 9.07am]          [Jonathan Cresswell joined the meeting at 9.11am]          [Gail Clarke joined the meeting at 9.11am]</p> <p>Christiaan presented the Exam Registration Assurance Audit report and noted the following summary headlines to the Committee:</p> <ul style="list-style-type: none"> <li>- The scope of the review was set by EKC Group.</li> <li>- The detailed findings of the audit and proposed actions/recommendation within the report have been checked by a senior manager at Azets and are provided as a guide</li> <li>- The audit involved reviewing and evaluating the group's processes in the areas as indicated in the detailed report</li> <li>- Azets overall opinion is that the Group has generally acceptable procedures in place relating to the registration of exams when considering each college as an individual unit. There were no significant errors or weaknesses, however there are inconsistencies at Group level which could be improved, such as a group wide standard operating procedure in this area</li> </ul> <p>A Governor noted the report and asked about the progress of implementing consistency across the Group. JC responded that the Group is working on a new exam's module for Pro-solution. The drive is to have this fully functional with staff trained as soon as possible. This will help to deliver a consistent approach across the Group.</p> <p>A Governor asked if there is a risk continuing the current processes. JC confirmed that there is no risk and the risk of a financial loss is minimal. Colleges are well trained on their current processes.</p> <p>The Committee welcomed a Group wide process but are happy to continue the current processes until such time that the new Pro-solution module is introduced.</p> <p style="text-align: center;"><b>NOTED: The Audit Committee noted the Exams Registration Assurance Audit report.</b></p>	

		<p>The Committee thanked Christiaan and Jonathan for joining the meeting and for the work on the audit report.</p> <p>[CDL and JC left the meeting at 9.34am]</p>	
6	<p>Cyber Liability and Data Protection Quotation</p>	<p>[AJG joined the meeting at 9.35am]</p> <p><u>Cyber Liability and Data Protection Quotation</u> – this item was considered confidential and will form Confidential Minutes Part A</p> <p><u>Overview of the arrangements for Insurance and Personal Liability for EKC Group and the latest news and insights in the insurance industry</u></p> <p>Sally for AJG provided the Committee with the update which focused on the below areas:</p> <ul style="list-style-type: none"> <li>- Currently we are in a 'hard market' across most insurance lines affecting most industries. Insurance experts predict that the hard market will continue into 2021, further exacerbated by COVID-19 and other issues. This will impact on all lines of business. Liability insurance is currently unaffected.</li> <li>- The effects of this hard market have impacted the property insurers and financial lines. The latter less so for education facilities.</li> <li>- Water damage claims and poor maintenance have led to an escalation in property insurance claims.</li> <li>- Increase in solvency, insurers have made adequate plans for this.</li> <li>- Profit margins are being squeezed and this is being passed onto the client resulting in increasing excesses and withdrawing cover.</li> <li>- Currently EKC Group has a long-term contract with Zurich and it is hoped the rates will remain for the entirety of the contract. AJG would like to flag that they have seen some insurers invoking a contract clause to increase rates in the current circumstances.</li> </ul> <p>[AJG left the meeting at 10.07am]</p>	

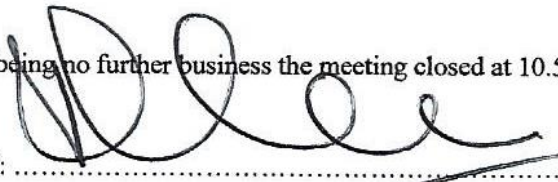
7	<p>VAT implications from the Colchester Institute Corporation case</p>	<p>[Buzzacott joined the meeting at 10.08] Socrates Socratous, VAT Partner at Buzzacott joined the meeting to highlight the VAT implications from the Colchester Institute Corporation case.</p> <ul style="list-style-type: none"> <li>- Colchester Institute undertook a development of a campus in 2008. Colchester claimed the VAT on this cost as being attributable to its non-business activities under the ‘Lennartz’ rule. This allowed taxpayers to recover VAT attributable to non-business activities in full at the time the costs were incurred and repay over a ten-year period which provided a cash flow benefit.</li> <li>- Colchester Institute was advised in 2014 that if they are not using the buildings for non-business, they should stop using the Lennartz rules and made a claim to re-cover the VAT paid. HMRC rejected the claim and the matter was referred to the First-Tier Tribunal, which upheld HMRC’s argument that the grant funded education was a non-business activity. Colchester Institute appealed. The Upper Tribunal allowed the appeal finding that the funding from the Education Funding Agency and the Skills Funding Agency, at the time, was third party consideration for the provision of education by Colchester Institute to the students. As Colchester supplies education in return for payment this is exempt business activity and, therefore no requirement to account for output tax under the Lennartz rule.</li> <li>- Currently unaware of what HMRC will do next. It is hoped the HMRC will publish some guidance providing clarity.</li> <li>- A Governor asked if this was to bring about fundamental change in how the revenue look at grant funding and the impact that would have on the Group and asked if we could potentially avoid this by structural change. SS responded that in his opinion the Group should wait for the outcome from the Tribunal. There is very little that can be done at this point. SS advised the Group to continue to do VAT claims in the same way until information received to say otherwise.</li> <li>- SS said to plan for VAT on payments that may be exempt.</li> </ul> <p>There were no further questions from the Committee. SS was thanked for joining the meeting and his extremely helpful update.</p>	
---	--	--	--

		<p>NOTED: The update report regarding the VAT implications from the Colchester Institute Corporation case.</p> <p>[SS left meeting at 10.22]</p>	
8	<p>Risk, Audit and Compliance Committee Report including Outstanding Actions from Internal Audit Plan</p>	<p>CL reminded members that the minutes of the internal Risk, Audit and Compliance meeting are presented in full to offer assurance that matters raised at Audit Committee are discussed by management.</p> <p>NOTED: The Risk, Audit and Compliance Committee Report including Outstanding Actions from Internal Audit Plan</p>	
9	<p>Risk Management Report Risk Register Residual Risk Movement map</p>	<p>PS presented the Risk Management Report explaining that since the last Audit Committee meeting the Register was reviewed by the Risk, Audit and Compliance (RAC) Committee on 4 February 2021. A thorough review of the Group's key risks, the scoring of each risk, and assurance and controls was undertaken to ensure they reflect the current position and future actions.</p> <p>PS noted that the risk register is mostly dominated by Covid-19, most risk scores are at a high level until the exit strategy is achieved.</p> <p>PS noted the key updates in the report and invited questions.</p> <p>Governors noted the overall increased risk associated with the new property strategy and the high investment in the project proposals.</p> <p>NOTED – The Risk Management Report, Risk Register, and the Residual Risk Movement Map</p>	
10	<p>Review performance of internal and external auditors</p>	<p>SH presented the proposed process in assessing the performance of the internal and external auditor services.</p> <p>Governors agreed that it was important that an assessment process is undertaken to demonstrate the value of the services. It was noted that the outcome from the review will feed</p>	

		<p>into the Audit Committee's annual report to the Governing Body.</p> <p>SH to circulate the presented evaluation KPIs and Likert scale to Committee Governors for their individual assessment following the meeting. The results will be reported to the Committee at their meeting in June.</p> <p><b>AGREED: The Committee agreed to evaluate the Internal Auditor and External Auditor Services against the presented KPIs using a 5-point Likert scale approach.</b></p>	SH
11	Audit Self-Assessment Self-Assessment Questionnaire 2020-21	<p>SH presented the proposed annual self-assessment process to be undertaken by Governors of the Audit Committee.</p> <p>The results from the exercise will be reported to the Audit Committee at their meeting in June and subsequently, a summary of the results will form an appendix to the Annual Report of the Audit Committee to the Governing Body in December.</p> <p>SH to circulate the presented self-assessment questionnaire to Committee Governors for their individual assessment following the meeting. The results will be reported to the Committee at their meeting in June.</p> <p><b>AGREED: The Committee agreed the Audit Self- Assessment Questionnaire 2020-21</b></p>	SH
12	Internal Audit Plan Update 2020/2021	<p>AS updated the Committee on the Internal Audit Plan 2020-2021 explaining that there were no changes to report.</p> <p>The findings from the Financial Management Controls audit will be reported at the June Audit Committee meeting.</p> <p>The draft Internal Audit Plan for 2021-2022 will be submitted to the next Audit Committee meeting, for consideration.</p> <p><b>NOTED: The Internal Audit Plan 2020/2021 update report.</b></p>	AS

13	Any other Business	<ul style="list-style-type: none"> <li>- CL requested for Jonathan Cresswell, Director of Finance and Business Improvement to attend as an Officer in attendance at future Audit Committee meetings to support his development in role.</li> <li>-</li> <li>- <b>AGREED: Jonathan Cresswell to attend future Audit Committee meetings as an Officer in attendance.</b></li> <li>- CL advised that the current Financial regulations do not reflect the changes to the Governance arrangements that were implemented at the end of the last academic year. CL to update the Financial Regulations and present to the FGB for approval.</li> <li>- The Committee noted that it was Peter Wood's last Audit Committee meeting given that he had decided to resign from being a Governor of EKC Group. The Committee thanked Peter for his time and contribution on the Committee and were sad to see him go. SH confirmed there will be a vacancy on the Committee and this is on the Search and Governance agenda to discuss a replacement.</li> </ul>	CL
14	Matters considered confidential	Item 6 - Cyber Liability and Data Protection Insurance Quotation	
15	Date and time of next meeting	Tuesday, 15 <sup>th</sup> June 2021 at 9am.	

There being no further business the meeting closed at 10.58am

Signed:  .....

Print: F.P. CHENEY .....

Date: 30/6/2021