

Audit Committee Minutes

Meeting	Audit Committee	Date	26 th June 2024
Location	Broadstairs College	Time	9.30 am
Membership	Peter Cheney [Chair], <i>Sam Lawrence-Rose</i> , Carmel Togher		
In Attendance	Chris Legg (CL) – Chief Financial Officer Paul Sayers (PS) – Chief Information and Strategy Officer, joined via TEAMS Sharon Hollingworth (SH) – Group Director of Governance Georgia Shelton– Governance Officer Christiaan De Lange - Azets, item 5 Debbie Tilson - Buzzacotts, item 6, joined via TEAMS		

**Italics indicates absence.*

	ITEM	COMMENTS	ACTION
1	Welcome and apologies	The Chair welcomed everyone to the meeting. Apologies were received for Sam Lawrence-Rose.	
2	Declaration of Interests	There were no additional declarations to the meeting other than those declared as standing.	
3	Minutes of the meeting held 5 March 2024.	The minutes of the Audit Committee meeting held on 5 March 2024 were reviewed by Committee members and were approved as a true and fair account of the meeting. The minutes and confidential minutes will be signed by the Chair following the meeting.	
4	Matters Arising not covered by this agenda:	The Chair asked for any matters arising.	

		<p>The Chief Financial Officer discussed the outcome of the VAT work that has taken place and the state of making a claim. It was suggested that the Finance Team are making the oldest claims first to avoid expiry.</p> <p>Governors were informed that claiming for the capital programmes will not be taking place, as the Group cannot argue that any rooms are used exclusively by 16–19-year-olds.</p>	
5	Financial Management and Controls Audit	<p>The Chair welcomed Christiaan De Lange from Azets to the meeting, and Christiaan summarised the Financial Management and Controls Audit findings as follows:</p> <ul style="list-style-type: none"> • Systems Interaction: supporting systems, for example the Sports Club system, requires further review to ensure information is recorded correctly. The incorrect management of this could result in time cost as the information is not easy to obtain; a more automated system would create less loss of time. The Group are currently exploring a move to a different product which would have more automation embedded therein. • Income: there are some inaccuracies within ProSolution which could result in students not attending courses but still receiving funding. It is important that staff regularly update student files, and that the BI Analytics system is reviewed regularly. PS informed governors that investments have been made in recruiting data services business partners to be the bridge between the central team and college services teams. There will be a cycle of business around this, and they will be responsible for supporting and challenging College Services teams. • 14-16 Income: there was difficulty to identify who submits returns and how funding is received. It was suggested that a documented system of controls over income streams would be beneficial. • IT assets- there is an on-going process to break down grouped IT assets into individual assets and highlight these in the IT department system as capital to ensure there is communication with the finance team. <p>Governors questioned whether the Group do their own asset checks. It was suggested that physical verification checks are completed by the Project Accountant, but this still requires perfecting due to the number of assets and the way they are recorded in the fixed asset register.</p>	

		<ul style="list-style-type: none"> Payroll: housekeeping is required on contracts to ensure that all signed copies are recorded correctly. It is also important to check payroll changes by month to ensure any variations are correct. Currently this variation is £500 a month; it is important to keep in mind whether this threshold is appropriate. The CFO explained that this has now been lowered to £300. <p>Overall, it was agreed that the procedures and controls in place are appropriate and ensure accurate and timely accounting, with any suggestions being made not due to process weaknesses, but to improve efficiency and effectiveness controls.</p> <p>The Chair thanked Azets for their work.</p> <p style="text-align: center;">NOTED: Financial Management and Controls Audit.</p>	
6	Financial Statements Audit Strategy	<p>The Chair welcomed Debbie Tilson from Buzzacott (via TEAMS) to the meeting, and Debbie summarised the Financial Statements Audit Strategy as follows:</p> <p>There were minimal changes required, as summarised on page 15, with the key updates being the clarification on requirements for annual self-assessment for governance and external governance reviews.</p> <p>The following was noted on issues of audit significance:</p> <ul style="list-style-type: none"> Financial position and going concern assessment: the forecast includes the clawback of £1million of adult funding due to the college not reaching the targeted level of adult provision. Buzzacott will review the Group's assessment of going concern as well as cash flow forecasts and budgets. Income recognition: it is important to address the risk that individualised learner records (ILR) may be mis-stated with risk of material clawback not being recognised within the accounts. Buzzacott will address the validity and accuracy of ILR data and will investigate in-house internal auditor reports and the controls in place to ensure ILR data is accurate. 	

		<ul style="list-style-type: none"> • Capital Works: due to the number of large projects being completed during the year, Buzzacott will be looking to ensure capital grants are being treated correctly in accounts, with the correct expenditure being capitalised. <p>The following statements need to be confirmed to be valid to mitigate risk of fraud:</p> <ul style="list-style-type: none"> • There is effective oversight of management processes for identifying risks of fraud in the Group. • A system of internal controls is in place. • Governors are not aware of any instances of actual, suspected, or alleged fraud, and there have been no transactions out of the ordinary. <p>Attention was drawn to Appendix 3 which states that Buzzacott are required to report to the Group if an audit partner has been in their role with the College for over 10 years. Katherine Patel has been partner for over 10 years, and this has been deemed acceptable and beneficial due to her knowledge of the Group. Safeguarding is in place and includes ensuring an external review of audit files each year.</p> <p>Governors questioned whether the FE Colleges Financial Handbook has had any significant impact on the audit and financial statements. Debbie Tilson explained that there is nothing within the handbook that could change the audit approach or disclosures.</p> <p>It was queried whether there are any themes arising that may impact audit with a changing government. It was suggested that until government changes, there are no definite changes that can be predicted.</p> <p>The Chair thanked Buzzacotts for their work.</p> <p style="text-align: center;">NOTED: Financial Statements Audit Strategy</p>	
7	Risk, Audit and Compliance Committee Report	The Chief Financial Officer (CL) presented the minutes of the Risk, Audit and Compliance Committee (RAC) meeting for transparency and to offer assurance that matters are discussed by Group leaders.	

		<p>It was suggested that this meeting has now been streamlined to be mindful of staff workloads and travel times, and therefore the membership has changed to include the Executive Principal rather than representation from each college.</p> <p>Governors debated on the new traffic light system used for risk inspection schedules. It was explained that red indicates overdue inspections, amber indicates due, and green indicates not overdue.</p> <p>Cyber security was discussed, with governors noting AI intelligence in writing phishing emails, as well as DfE guidance around ransom negotiation calls and how insurance companies and cyber security companies communicate.</p> <p style="text-align: center;">NOTED: Risk, Audit and Compliance Committee Report</p>	
8	FE Colleges Handbook	<p>The Chief Financial Officer summarised the detail in the recently published FE Colleges Financial Handbook.</p> <p>It was suggested that very few amendments have been made, with the focus being on bringing together all current guidance.</p> <p>The areas of note were listed within the Financial Regulations update.</p> <p style="text-align: center;">NOTED: FE Colleges Financial Handbook.</p>	
9	Financial Regulations update	<p>The Chief Financial Officer summarised the updates made to the Financial Regulations following the publication of the College Financial Handbook.</p> <p>Minor updates have been made to the following areas:</p> <ul style="list-style-type: none"> • Hyperlinks have been amended for the latest Managing Public Money document on page 6. • Job titles have been revised. • Business Committee have delegated authority for between £150,000 and £500,000. <p>The changes as outlined within the College Financial Handbook are:</p>	


		<ul style="list-style-type: none"> • A new paragraph has been included to give background on reclassification. • Consent is now required prior to entering commercial borrowing arrangements. • Irrecoverable or uneconomic income comes under the Group's delegated authority to write-off. • There are more limitations to the types of arrangements that the Group can enter into. • New requirements have been put in place for obtaining approval around senior pay and severance, compensation and ex-gratia payments. <p>Governors questioned whether new governors are expected to read the Financial Regulations as part of their induction. The Group Director of Governance suggested that sessions are arranged with members of the Group Leadership Board to discuss certain papers in more detail. CL has given sessions on management accounts and financial regulations previously.</p> <p style="text-align: center;">RECOMMEND: Financial Regulations to go to the Full Governing Body for approval.</p>	
10	<p>9.1 Risk Management Report</p> <p>9.2 Risk Register</p> <p>9.2 Residual Risk Movement map</p>	<p>The Chief Information and Strategy Officer presented the Risk Management Report and members were asked to note the risk register and residual risk movement map.</p> <p>It was 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>Governors were informed that updates had been made to Risk 9, reducing the risk score to 1, as it was agreed that there is little risk to the Yarrow and nurseries, with them being financially sound currently. EKC Group's ability to deliver a more wide-ranging Commercial Strategy is limited, since the reclassification of the Group as a Public Authority by the Office for National Statistics (ONS). It was proposed that Risk 9 be removed with the content being integrated into other risks.</p> <p style="text-align: center;">APPROVED: Risk 9 on the Risk Register to be removed and integrated into other risks.</p>	

		<p>APPROVED: Governors agreed to all changes made to the risk register.</p> <p>NOTED: The Risk Management Report.</p>	
11	Policy Report	<p>The Chief Information and Strategy Officer presented the Data Protection Policy and Anti-Bribery and Fraud Policy, and the following updates were summarised:</p> <p><u>Data Protection</u></p> <ul style="list-style-type: none"> • Law references changed from EU to UK GDPR. • Information Commissioners Office guidance has changed the definitions of personal and special category personal data. • Internal documentation links removed. • Corporate Services Officer to deputise for Data Protection Officer. • Students turning 18 to opt-in or out to parents being contacted. <p>APPROVED: Data Protection Policy.</p> <p><u>Anti-Bribery and Fraud</u></p> <ul style="list-style-type: none"> • All instances will be investigated if raised. • Any allegations raised will be handled by the Group. The person making allegations will not have control over whether this is taken forward to formal investigation. • Allegations do not need to be sent directly to the Head of Corporate Services to be valid. <p>APPROVED: Anti-Bribery and Fraud Policy.</p> <p>NOTED: Policy Report</p>	
12	Confidential Item	<p>The content of this item was considered confidential and will form PART A of the Confidential Minutes.</p>	

13	Governing Body Audit Plan 2023- 2024 update i. Audit Plan	<p>The Governing Body Audit Plan 2023/24 update was presented, and summarised.</p> <p>Governors were informed that the VAT Partial Exemption Review has now been included within this plan, and that budgets have been updated as required.</p> <p style="text-align: center;">NOTED: Governing Body Audit Plan 2023/2024 update</p>	
14	Draft Internal Audit Plan 2024-2025 i. Audit plan	<p>The Draft Internal Audit Plan 2024-2025 was presented and summarised as follows:</p> <p>It was noted that there were no items detailed in Block 2 due to the removal of the proposed VAT Reclaim Review.</p> <p>The Chief Financial Officer suggested that a meeting be arranged with the Chair of Audit Committee to discuss areas of the risk register to see if any vital topics are picked up. It was additionally suggested that a review take place with Azets to cover any missed areas.</p> <p>The Group Director of Governance suggested that the findings from the 'Financial Management and Controls' are usually reported in March, and suggested that the Autumn meeting be used to discuss any follow up from the VAT Partial Reclaim and proposed areas for Block 2.</p> <p style="text-align: center;">RECOMMEND: The Internal Audit Plan 2024-2025 to the Full Governing Body for approval.</p>	<p style="text-align: center;">CL</p> <p style="text-align: center;">SH</p>
15	Performance Review of i. Internal Auditor ii. External Auditor	<p>The Group Director of Governance presented the outcome of the Performance Review of Internal and External Auditors questionnaire and summarised as follows:</p> <p>No significant issues were raised within the findings, with comment being made that retendering of audit services would be beneficial from a governance perspective.</p> <p style="text-align: center;">RESOLVED: The summary results from each evaluation to be included in the Committee's Annual Report to the Full Governing Body.</p>	

16	Audit Self-Assessment 2023-2024 i. Audit Committee Self-Assessment Evaluation 2023-23	The Group Director of Governance presented the outcome of the Audit Self-Assessment questionnaire and summarised as follows: The results from the Self-Assessment exercise were discussed, with the only area of weakness being loss of one independent governor. It was agreed that this be discussed at the next Search and Governance Committee. RESOLVED: The summary results from the self-assessment to be included in the Committee's Annual Report to the Full Governing Body.	
17	Any Other Business	There was no other business raised.	
18	Matters Considered Confidential	Item 12 was considered confidential and will form Confidential Minutes PART A.	
19	Date and time of next meeting	The next meeting will take place on Tuesday 26th November 2024 at 9.30am.	

There being no further business the meeting closed at 11:43am.

Signed: 

Print: Peter Cheney

Date: 26 November 2024