

Audit Committee Minutes

Meeting	Audit Committee	Date	5 th March 2024
Location	Broadstairs College	Time	9.30 am
Membership	Peter Cheney [Chair], <i>Sam Lawrence-Rose</i> , Carmel Togher		
In Attendance	<p>Chris Legg (CL) – Chief Financial Officer Paul Sayers (PS) – Chief Information and Strategy Officer Sharon Hollingworth (SH) – Group Director of Governance Georgia Shelton– Minutes Clerk Carl Nielsen– Azets, item 6 Jaysen Seeboruth – Azets, item 6 Paul Butler (PB) – External Board Reviewer, item 5</p> <p>Search and Governance Committee members in attendance for item 5 Charles Buchanan – Chair of Full Governing Body Gail Clarke – Governor Miranda Chapman – Governor Graham Razey – Chief Executive Officer</p>		

**Italics indicates absence.*

	ITEM	COMMENTS	ACTION
1	Welcome and apologies	The Chair welcomed everyone to the meeting. Sam Lawrence-Rose sent apologies.	
2	Declaration of Interests	There were no additional declarations to the meeting other than those declared as standing.	
3	Minutes of the meeting held 28 November 2023.	The minutes of the Audit Committee meeting held on 28 November 2023 were reviewed by Committee members.	

		<p>The Chair suggested that at the previous meeting, a confidential discussion was had which was not minuted. It was advised that it would be beneficial to have a brief comment within the minutes to explain what was discussed and that there were no material concerns.</p> <p style="text-align: center;">AGREED: The context of the confidential conversation that took place at the previous meeting to be minuted.</p> <p>The Committee approved the minutes as a true and fair account of the meeting on the basis that the above changes are made. The minutes and confidential minutes will be signed by the Chair following the meeting.</p>	Clerk
4	Matters Arising not covered by this agenda:	<p>The Chair asked for any matters arising.</p> <p>The Chief Financial Officer suggested that due to the Government's College Handbook not having been published, the Financial Regulations (agenda item 8) have not yet been updated. The Committee agreed to defer this item until the next meeting.</p> <p style="text-align: center;">AGREED: The Financial Regulations Update to be deferred to the next meeting.</p>	CL
5	EKC External Board Review	<p>The External Board Reviewer, Paul Butler, presented the findings from the External Board Review.</p> <p>The context behind the review was outlined, with governor responsibilities and what constitutes good governance being highlighted. It was suggested that this was a challenging task to perform following the Ofsted Outstanding report, but that the presence of an exceptional Director of Governance, and the strong relationship between the CEO and Chair, made the process easier.</p> <p>The key strengths of the group were highlighted:</p> <ul style="list-style-type: none"> - There is a lack of complacency amongst governors and executives to continue to improve governance. - Learners are central to all decisions made. - There are clear structures and robust systems in place for decision making. - Structures of Local Boards are effective. 	

	<p>Areas of consideration were summarised:</p> <ul style="list-style-type: none"> - While there is transparency around succession planning, it would be beneficial to have whole board discussions within this process. - Closer monitoring of governor engagement, with early intervention and support where necessary would be advantageous to the group. - Local board and delegated authority should be reviewed. - Board representation should continue to be reviewed, with clearer priorities around EDI. <p>During the review, governor comments were recorded, and the following were noted:</p> <ul style="list-style-type: none"> - “We had a mature internal debate with two or three governors, challenging the senior team, how would you respond to various scenarios” – This shows an excellent level of debate within committee structures. - “Education Leaders at local level don’t have to deal with money” – governors were asked to consider whether local level leaders not dealing with money serves the group. - “Governors are visible at all sites” - Governor visibility across sites is positive and feeds into the culture of the Group. <p>The recommendations were summarised, noting that the main aim is to continue good practise.</p> <p>The External Board Reviewer concluded that governance is strong within the Group, through committed governors and strong leadership, but it is important to consider the changes taking place over the next few years and how important succession planning will be.</p> <p>The Chair thanked Paul Butler for an excellent report and the work that has been put in.</p> <p>Governors questioned whether there are sufficient checks in place to ensure any risks associated with the close relationship between the Chair of Governors, Director of Governance, and CEO are managed. Paul Butler suggested that there is no concern around this relationship, as there is clear transparency in discussions and decision making, and decisions are always kept within the formal governance meeting structure.</p>	
--	---	--

		<p>Governors are pleased that the report reflects the Group and the relationships and processes in place and can see this mirrored through the achievement of the AOC Beacon Award for Excellence in Governance.</p> <p>The Chair thanked the External Board Reviewer again, as well as the governors involved in this process.</p> <p style="text-align: center;">NOTED: External Board Review.</p>	
6	VAT Review	<p>Carl Nielsen and Jaysen Seeboruth introduced themselves to the committee and explained their roles within Azets.</p> <p>Apologies were made for the delay circulating this paper, and it was suggested that this delay came as a result of awaiting data which still has not been received. Once this is complete, the final version will be shared with governors.</p> <p>Azets explained and gave context to the different types of VAT and what is relevant to the Further Education sector.</p> <p>It was explained that while the output tax number is in-keeping with what would be expected, it was found that the Group are only claiming input VAT on taxable activities. This means that the Group are foregoing recovery for any overhead costs. Azets suggested that it may be worth doing a retrospective recovery for a proportion of this VAT, potentially up to a total of £150,000 for the last 4 years.</p> <p>Governors questioned why the Group were not already completing partial exemption for any overhead cost activities. It was explained that the finance team have completed the same financial processes for many years, and that without support from HMRC, it is hard to know whether the right practices are in place. In addition, when this VAT system first started, these exemption activities would have had very little benefit for the Group but due to the growth of the Group, this is no longer the case.</p>	

		<p>It was suggested that the Group have engaged in many large-scale projects, and governors queried whether input tax could be claimed on building costs. Azets suggested that if the split of usage at each build could be defined, and a profile created to determine different usage, VAT would likely be recoverable. It was explained that both reclaiming activities could be tracked back for a maximum of 4 years.</p> <p>The Chair suggested that while a positive activity, it is important to consider how HMRC would investigate these claims. Azets explained that HMRC's approaches have changed in recent years due to downsizing pressure, and while they are less likely to investigate in-person, they still have the right to. It was added that any fair and reasonable claim is likely to be accepted.</p> <p>Governors questioned whether Azets would agree a fee to perform this activity with the Group. It was agreed that Azets would work with the Group and that this could be done with a success fee arrangement.</p> <p style="text-align: center;">AGREED: The final version of the VAT Review report will be reviewed before actioning the VAT claim.</p> <p style="text-align: center;">NOTED: The VAT Review.</p>	
7	Risk, Audit and Compliance Committee Report	<p>The Chief Financial Officer (CFO) presented the minutes of the Risk, Audit and Compliance Committee (RAC) meeting for transparency and to offer assurance that matters are discussed by leaders.</p> <p>Members were informed that this committee is now using a different approach to the oversight of internal audits, with each meeting primarily focussing on either risk, audit, or compliance matters.</p> <p>As a part of the strategic priority for funding and compliance, monthly compliance panels are now being held with each business units to discuss areas to action. This will reduce the level of detail being analysed in RAC meetings and ensure that the committee stays focused at an appropriate level.</p>	

		<p>Governors questioned whether the monthly compliance panels will be indefinite. It was explained that these meetings will continue for as long as is necessary to provide reassurance.</p> <p>The CFO made governors aware that a funding simplification pilot will be launched shortly by the DfE to reduce risk of funding clawbacks; governors will be kept updated on this.</p> <p>The Chair questioned whether it would be beneficial to have a member of the Audit Committee attending RAC meetings. It was explained that members would be welcome to observe, and that this may give comfort to Audit Committee members to know this is in place.</p> <p>Cyber security risks were highlighted to governors; there have been several sophisticated, AI created junk and phishing emails. Members were warned of this but reassured that there is now dedicated staffing resources allocated to managing cyber security threats.</p> <p style="text-align: center;">NOTED: Risk, Audit and Compliance Committee Report</p>	
8	Financial Regulations update	<p>The Chief Financial Officer suggested that due to the Government Sector Handbook not having been published, this Financial Regulations have not yet been updated.</p> <p>This item will be deferred until the next meeting.</p>	
9	<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>The following key updates to the register were proposed:</p> <ul style="list-style-type: none"> - The reputational score has increased from 1 to 2 in risk 2, failure to provide exceptional learning opportunities. This is because of the increased 16-19 student numbers and resource burden. Since the register was reviewed and submitted in-year growth funding has been received from the ESFA which will help to significantly mitigate this. - The probability score has increased from 2 to 3 in risk 11, government policy, regulation, and legal compliance. This is because of the risk that the ONS reclassification will create. 	

		<p>Governors questioned whether risk 2 would impact staffing. It was suggested that staffing investments have already been made, such as hiring a new Group Head of Funding and Compliance.</p> <p>It was queried whether communication with the DfE has improved, due to concerns when attempting to make contact. It was suggested that this has not improved in all areas, however the day-to-day contacts have improved communication and there is now a schedule of formal meetings in place with the ESFA. This is challenged regularly, and every opportunity is used to engage with them.</p> <p style="text-align: center;">AGREED: Governors agreed to all changes made to the risk register.</p> <p style="text-align: center;">NOTED: The Risk Management Report.</p>	
10	Subcontracting	<p>The Chief Information and Strategy Officer presented the subcontracting paper and explained that this is being offered to the Audit, Business and Education Committees for discussion.</p> <p>Governors suggested that with tighter controls over subcontracting in the DfE, it would be important to set out a clear rationale for how this is done within the Group to manage risk.</p> <p>The issues around the Adult Education Budget (AEB) were noted, and it was questioned whether there is a lack of demand. It was explained that there are multiple reasons for why AEB is coming in under budget, for example funding rates not covering costs and changes to government policy.</p> <p>It was explained that subcontracting has a negative perception due to markup funding not going into the student experience, and additional risk this creates. Governors questioned what the target contractor would be from an education perspective. It would be beneficial to look at more niche curriculum areas, and where needs are not being met. Governors agreed, however, any needs not being met could be reviewed and managed by the Group, reducing the risks of subcontracting.</p>	

		<p>The Chair summarised that while there is little appetite for subcontracting, the best course of action would be to await an education perspective and review whether the needed resources can be put in place.</p> <p style="text-align: center;">NOTED: Subcontracting.</p>	
11	<p>Governing Body Audit Plan 2023/2024 incl: Azets programme of audit works</p>	<p>The Governing Body Audit Plan was presented, and the updates were summarised:</p> <p>Page 4, section 5 has been updated confirming the dates and costs of fieldwork for Financial Managements and Controls and VAT Review. This has also confirmed the budget allocation of £24,000 including VAT.</p> <p>The Group Director of Governance suggested that there is potentially £4,200 including VAT left in budget which following the earlier report, could be used for the VAT Review follow-up work.</p> <p style="text-align: center;">AGREED: The remaining £4,200 in the audit plan to be used and added to the plan for the VAT Review work.</p> <p>Governors questioned whether this budget would cover the cost of investigating both aspects of VAT claims. It was suggested that initially, just the reclaim would be investigated and the larger capital claim can be discussed later.</p> <p style="text-align: center;">NOTED: Governing Body Audit Plan 2023/2024 including Azets programme of audit works.</p>	GDG
12	<p>Audit Self-Assessment Report 2023-24</p>	<p>The Group Director of Governance presented the proposed Audit Self-Assessment questionnaire and explained that this would be circulated to governors prior to the next Audit Committee meeting for completion.</p> <p>The Committee were comfortable with the content of the questionnaire. The Chair remarked how useful and efficient this newly formatted form is.</p> <p style="text-align: center;">AGREED: Audit Self-Assessment process for 2023-24.</p>	

13	Performance Review of Internal and External Auditor Services	The Group Director of Governance presented the proposed process for the Performance Review of Internal and External Auditor Services and explained that the evaluative document would be circulated to governors following the meeting, in preparation for the next Audit Committee meeting. AGREED: The presented process for the Performance Review of Internal and External Auditor Services.	
14	Any Other Business	There was no other business raised.	
15	Matters Considered Confidential	There were no matters considered confidential.	
16	Date and time of next meeting	The next meeting will take place on Tuesday 25th June 2024, in Canterbury College.	

There being no further business the meeting closed at 11:47am.



Signed: _____

Print: Peter Cheney

Date: 26th June 2024