**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of the Meeting of the Audit Committee**

**held on 15 June 2021**

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| **Present** | Riddhi Bhalla (Chair), Adenike Betiku, Talia Chirouf. |
| **In Attendance** | David Ball (Senior Director of Finance & Resources), Carl Bullen (Scrutton Bland: Internal Audit Service), Sudhir Singh (External Auditor), Robert Smith (Clerk to the Corporation). |

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| **1** | **Apologies for Absence and Quoracy**  No apologies had been received. The meeting was quorate. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meeting: 26 January 2021**  It was noted that the draft minutes had been approved by the Chair of the Committee for circulation.  The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate. |
| **4** | **Matters Arising from the Minutes: 26 January 2021**  In relation to Minute 5, it was reported that the internal audit plan 2020-21, revised as per the referenced minute, had been circulated to members.  There were no other matters arising except those dealt with elsewhere on the agenda. |
| **5** | **Risk Management Report: Summer Term 2020-21**  A report prepared by the Senior Director of Finance and Resources, together with the risk assessment (Covid-19) 2020-21 revised May 2021, was received and considered.  It was reported that the schedule of top-level risks had been reviewed twice since the Audit Committee meeting held in November 2020, as a result of which three risk areas remain at the Board level:   1. *inadequate management of the impact on the financial health of the College of recruiting insufficient student numbers;* 2. *use of performance data is insufficient to manage curriculum risks;* and 3. *failure to ensure financial viability because of weak relationships with schools and prospective learners.*   Four risks had been reduced to below board level risk status from the previous report but will continue to be monitored (including by relevant committees of the Corporation), namely:  *implementation of the College Improvement Plan (monitored by the Quality & Performance Committee);*  *work experience and employer engagement is weakened as fewer companies agree to take placements due to Covid-19 and work experience moving online due to Covid-19 Plan (monitored by the External Relations Committee);*  *COVID-19: continuing students will have missed a large period of education, which will make it hard for them to achieve well and take forward the full benefit of learning the whole curriculum Plan (monitored by the Quality & Performance Committee);* and  *COVID-19 challenges to running the College Plan (monitored by the Audit Committee).*  It was commented that the College had reduced the rating of risks attending the public health emergency owing to increased confidence that mitigation measures are working well, with no evidence of lower than anticipated achievement and progression by students, nor any disruption to attendance consequent on remote learning. Enrolments are on course for meeting the target set for 2021. There had been only a minimal level of Covid-19 infection among the staff and student body.  It was agreed that the potential impacts of the public health emergency are captured adequately in the three risks proposed as Board Level Risks. However, it was also agreed that the challenge offered by the phasing out of AGQs and their replacement by T levels should be added to the schedule of Board Level Risks, although they are not an occasion for major concern at this stage.  It was further agreed that the risk attending the introduction of T levels be monitored by the Quality & Performance Committee, and that the outcome of its deliberations be reported to the Audit Committee via the committee’s minutes.  The Committee also wishes to continue to be closely advised of the External Relations Committee’s oversight of work experience placements following a return to normal operations after the public health emergency.  The importance of this area is also likely to be elevated under the roll-out of T-Levels which will be vocational and expected to require work placement provision as an integral part of the curriculum.  It was reported that the risk concerning financial viability had been maintained as a Board Level Risk because at the time of its review by the College Risk Committee, progress on student enrolments for 2021 had been more uncertain than currently pertains. Although it was acknowledged that the College is in a strong position today, there was a discussion around the ability to truly manage this risk. It was further acknowledged that financial viability is the consequence of other board level risks, namely performance and enrolment. |
| **6** | **Reports from Other Committees on the Monitoring of Risk**  A report prepared by the Clerk to the Corporation was received and noted. |
| **7** | **Schedule of Outstanding Audit Recommendations**  A report prepared by the Senior Director of Finance and Resources was received for information.  It was noted that a risk appetite statement will be prepared by the Senior Director: Finance & Resources, and submitted to the Corporation for approval in the Autumn Term 2021-22.  It was also noted that measures to assess value for money on the College’s marketing activities will be implemented and reported to the External Relations Committee at its meeting on 22 June 2021.  Other recommendations were reported as having been acted on. |
| **8** | **Internal Audit Reports 2020-21**  The following reports, prepared by the Internal Audit Service were received and considered:  *Student Recruitment;*  *Student Participation, progress and retention;* and  *Governance – recruitment and succession planning.*  It was noted that, because of the public health emergency and other operational issues, the audits of Human Resources – Safer Recruitment and Cyber Security/IT Infrastructure will be completed in July and August for report in the Autumn Term as part of the service’s annual report. In the meantime, the reports will be circulated to committee members as soon as they become available. An additional meeting of the Committee will be convened if there are matters warranting it arising from these reports.  It was noted in relation to the report on student recruitment that significant assurance (the second category out of five) had been given, and that two low-level recommendations had been made, both of which had been agreed for appropriate implementation by the College. An added value point was also noted.  It was also noted that the more benchmarking is “fine-tuned” to permit comparison only with other sixth form colleges, the less useful it would be owing to the small numbers involved. To assist their understanding, members asked that the number of colleges from which such data is derived be disclosed in future reports.  The report will be made available to the External Relations Committee at its next meeting.  It was noted in relation to the report on student participation, progress and retention that strong assurance (the first category out of five) had been given, and that no recommendations had been made.  It was also noted that response times had not always met declared targets owing to operating difficulties consequent upon the public health emergency, but are now being achieved.  It was noted in relation to the report on governance (recruitment and succession planning), that the report had been prepared by exception, reporting only on those areas where the auditor believes improvements might be made. It was further noted that the value-added points thereby arising will be considered by the Governance and Nominations Committee in the context of the review of governor recruitment currently being undertaken. No assurance level had for this reason been given.  It was also noted that the report would be made available to the Governance & Nominations Committee to form part of its review of governor recruitment. Members commented that the value-added suggestions were on the whole sensible and practical. They will be referred to the Governance & Nominations Committee to consider their implementation. |
| **9** | **Internal Audit Plan 2021-22**  A draft plan prepared by the internal audit service was received and considered.  The Internal Audit Plan 2021-22 had been provisionally agreed at the special meeting in January. It provides for the following reviews:  *Work Placements;*  *Risk Management and Governance;*  *Property Management and Energy Efficiency;*  *Health and Safety;*  *Key Financial Controls - Payroll*  The Plan was approved on behalf of the Corporation. It was agreed that, in light of the recent public health emergency, the priorities for the next audit do not need to be changed, and that these areas continue to be the key areas of focus that should be examined. |
| **10** | **Financial Statements’ (External) Audit Plan 2020-21**  A draft plan prepared by the financial statements’ (external) auditor was received and considered.  Members noted the audit timetable. In this connection, it was noted that, to fulfil a new requirement of the Audit Code of Practice issued by the ESFA (hereinafter “the Code”), all members of the Corporation will receive an invitation to attend the November Audit Committee meeting as participating observers for the receipt and consideration of the external audit report, which will form the first substantive business on the agenda.  It was noted that the following 5 key audit risks had been identified which are to be addressed in the audit:  *entitlement and recognition of income, with particular reference to the Code which states that the ESFA does not provide assurance over the entitlement of income;*    *capital expenditure and commitments;*  *going concern;* and  *key financial controls.*  The following fee proposals for the year ending 31 July 2021 were noted:  *an audit fee of £16,000 (2020: £15,900);*  *additional fees arising from the effect of Covid-19 on financial statements disclosures and audit efficiencies, and expect these additional procedures including second partner review £1,000 (2020: £1,000);* and  *the Teachers’ Pension scheme audit fee £900 (2020: £850).*  All fees are subject to VAT at the standard rate.  Some errata were identified in the Plan’s documentation, and the external audit partner undertook to amend them.  It was explained that risks had been derived from the consideration of three sources: the College’s circumstances reflected in its risk register, external regulation (principally, the Approved Code of Practice), and the auditors themselves.  The accounting treatment of funding income and of donated assets, as well as issues attending the unusual item of expenditure on the student access system and CCTV are examples of risks arising from the College’s circumstances in 2020-21.  In response to a question from Adenike Betiku, it was reported that the materiality threshold, being within the range of 1-2% of income, will be between £114,000 and £228,000 in the current year.  It was noted that the review of Key Financials would examine the potential for management overrides.  The Plan, and the associated fees, were approved on behalf of the Corporation. |
| **11** | **External Audit Re-Tendering Policy**  A draft policy, to be prepared by the Senior Director of Finance and Resources, will be received and, if thought fit, approved on behalf of the Corporation at the meeting of the Committee in the Autumn Term 2021-22.  It was noted that under the terms of the policy a re-tender of the external audit contract will take place in the first half of 2021-22. It was agreed that tenders should be obtained by the end of the Autumn Term 2021-22 with a view to the appointment being made at the March 2022 meeting of the Committee. |
| **12** | **UK Corporate Governance Code**  A paper, prepared by the Clerk to the Corporation in consultation with the Senior Director of Finance and Resources, describing how the College takes cognisance of the UK Corporate Governance Code (hereinafter “the Code) was received and considered .  It was noted that it constitutes an update of an earlier paper, and specifically refers to changes in relation to:  *application to staff of nationally agreed pay and conditions;*  *sampling and representation of the views of key stakeholders in the Annual Report, and the effect of such views on Corporation discussion and decision-making;*  *appraisal of the performance of the Chair of the Corporation;*  *the time commitment entailed by the roles of Chair and Vice-Chair of the Corporation;*  *the legal basis of the Clerk to the Corporation’s advisory role;*  *the role of the Governance & Nominations Committee in reviewing governor recruitment processes;*  *adoption by the Corporation of a Risk Appetite Statement;*  *the appointment of a qualified accountant as a member of the Corporation and of the Audit Committee;*  *disclosure of the appointment date and tenure of the external auditor, as well as any re-tendering plans, in the Annual Report, and the adoption of an External Audit Re-Tendering Policy;* and  *adoption of a senior staff pay policy.* |
| **13** | **Self-Evaluation of Committee Effectiveness**  A checklist prepared and partially completed by the Clerk to the Corporation was received and considered.  Members approved all responses which had been proposed by the Clerk. In addition, they agreed that:  *the Committee is appropriately supported by officers of the College;*  *the Committee reviews the adequacy of resources to address significant College risks;* and  *the Chair of the Committee has open communication with the Chair of the Corporation, and the external and internal audit lead partners.*  In response to the question as to whether the Committee is able to give examples of how the interests of students have been advanced as a result of its deliberations and actions, the following were offered:  *the Committee’s decision to focus its attention on College management of the public health emergency, and student enrolments;* and  *raising the risk attending the introduction of T levels to that of a Board Level Risk.*  Members noted the need for a formalised induction process for new members of the Audit Committee. The Clerk to the Corporation has proposals for an appropriate programme, which would draw on the assistance of College staff as required.  It was noted that the skill set of Committee members, although broadened to include a qualified accountant does not specifically include members with significant experience in other areas of College risk such as curriculum & assessment (what the College does), student support (for whom it does it) and estates (where it does it). Detailed consideration of the matter was deferred until expectations for the sector are clearer. |
| **14** | **Schedule of College Policies (including review dates and person or persons responsible for review and approval)**  An updated schedule was received for information. |
| **15** | **Schedule of Corporation Policies (including review dates and person or persons responsible for review and approval)**  An updated schedule was received for information. |
| **16** | **Fraud, Financial Irregularity or Public Interest Disclosure**  No incidents were reported either in relation to the College or the Corporation. |
| **17** | **Dates and Times of Meetings in the 2021-22 Year**  The following dates and times were approved:  ***Tuesday 23 November 2021 (17.30)***  ***Tuesday 8 March 2022 (17.30)***  ***Tuesday 14 June 2022 (17.30)***  In accordance with the decision of the Corporation at the meeting held on 11 May 2021, the format and location of meetings will be determined by each Committee Chair in consultation with members of the Committee, but such meetings will be either face-to-face at a location to be agreed (with the right of any member, including staff in attendance, to attend virtually without restriction), or will be entirely virtual. |
| **18** | **Any Other Competent Business**  None. |

*A list of actions arising from this minute is set out on the following page.*

**List of Actions Arising from This Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **7** | Senior Director of Finance & Resources | Prepare and submit a risk appetite statement for approval by the Corporation.in the Autumn Term 2021-22. |
| **8** | Senior Director of Finance & Resources  Clerk to the Corporation | Circulate outstanding audit reports (on reviews conducted during July and August) to committee members as soon as they are available. |
| **8** | Internal Audit Service | Include the number of colleges from which benchmarking data is derived in future reports. |
| **8** | Chair of the External Relations Committee  Clerk to the Corporation | Make the internal audit report on student recruitment available to the External Relations Committee at its next meeting. |
| **8** | Clerk to the Corporation | Make the internal audit report on governance (recruitment and succession) available to the Governance & Nominations Committee at its next meeting. |
| **10** | External Audit Partner | Amend errata in Financial Statements’ Audit Plan. |
| **11** | Senior Director of Finance & Resources | Prepare and submit a draft External Audit Re-Tendering Policy to the Audit Committee (November 2021) for approval on behalf of the Corporation. |
| **11** | Senior Director of Finance & Resources | Prepare an external audit tender document, and submit it for approval by the Committee (either through a special meeting, or by circulated written resolution) such that tenders are received by the end of the Autumn Term 2021-22. |
| **13** | Clerk to the Corporation | Propose an induction programme for members of the Audit Committee. |